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PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

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HEARINGS BEFORE THE COMMITTEE ON PUBLIC WORKS UNITED STATES SENATE EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

S. 1648

A BILL TO PROVIDE GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES, OTHER FINANCIAL ASSISTANCE AND THE PLANNING AND COORDINATION NEEDED TO ALLEVIATE CONDITIONS OF SUBSTANTIAL AND PERSISTENT UNEMPLOYMENT AND UNDEREMPLOYMENT IN ECONOMICALLY DISTRESSED AREAS AND REGIONS

APRIL 26, 27, 28, 29, 30, AND MAY 3, 1965

Printed for the use of the Committee on Public Works



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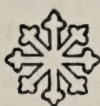
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U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1965

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PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

MONDAY, APRIL 26, 1965

U.S. SENATE,
COMMITTEE ON PUBLIC WORKS,
Washington, D.C.

The committee met at 10:15 a.m. pursuant to call, in room 1202, New Senate Office Building, Senator Pat McNamara (chairman) presiding.

Present: Senators McNamara, Randolph, Gruening, Muskie, Bayh, Montoya, Cooper, and Murphy.

Also present: Senator Douglas of the Senate Banking and Currency Committee.

The CHAIRMAN. The hearing will be in order.

This morning we begin hearings on the administration's proposals to help remedy unemployment and underdevelopment in economically disadvantaged areas and regions of the Nation.

The President's bill for public works and economic development calls for a broad range of actions.

It combines certain of the provisions of the Area Redevelopment Act, the Accelerated Public Works Act, and the recently passed Appalachian Regional Development Act.

In my estimation, it provides an excellent framework for providing new employment opportunities in communities suffering economic decline or stagnation, and for assisting certain larger regions having development capabilities that have not yet been fully achieved.

Title I of the bill, which provides funds for the construction of public facilities in eligible areas, is designed to accomplish a different purpose from the accelerated public works program.

The APW program was tailored to provide short-term employment to help shore up the national economy at a time when the overall unemployment rate was getting seriously high.

The new program would provide public works to help distressed areas develop the physical needs which can bring long-term economic growth.

Many of the areas this bill is intended to assist do not have public facilities adequate to promote and support further economic development. This bill would go far to help meet this need.

I am particularly pleased that this bill contains the regional development concept embodied in the Appalachian Regional Development Act. It should be clear to all by now that many of the more important aspects of area economic planning and economic development cannot be handled on a city-to-city or State-by-State basis alone.

The causes of area economic distress, more often than not, transcend city, county, and State lines, and these causes must be attacked by communities and States working in concert.

Our consideration of the bill will be openminded and, we trust, constructive.

We have invited a number of highly qualified public and private individuals to help us evaluate and, if possible, improve and strengthen any parts that indicate such need.

The committee wants to insure that the most effective possible legislation is brought to bear on the problem of area economic distress.

Therefore, the committee may well recommend revisions or alterations it considers necessary for the job.

It is highly important—and I cannot stress this too strongly—that the approach to area and regional economic development, as represented by this bill, contributes to the well-being and prosperity of all people and all areas of the country.

It does not take from one area for the benefit of another.

It does not shift job opportunities from our more prosperous communities to the less prosperous.

It does not enhance the growth potential of one region to the detriment of another.

It is not an equalizer of economic advantage that would simply shift jobs and resources from one place to another without a net national gain.

Conversely, the bill is aimed at creating brandnew employment, new opportunities, and new hope for millions of Americans living in areas that our present national prosperity is passing by.

I will place in the record at this point a copy of the bill on which these hearings have now been opened.

(S. 1648 follows:)

[S. 1648, 89th Cong., 1st sess.]

A BILL To provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Public Works and Economic Development Act of 1965".

STATEMENT OF PURPOSE

SEC. 2. The Congress declares that the maintenance of the national economy at a high level is vital to the best interests of the United States, but that some of our regions, counties, and communities are suffering substantial and persistent unemployment and underemployment; that such unemployment and underemployment cause hardship to many individuals and their families, and waste invaluable human resources; that to overcome this problem the Federal Government, in cooperation with the States, should help areas and regions of substantial and persistent unemployment and underemployment to take effective steps in planning and financing their public works and economic development; that Federal financial assistance, including grants for public works and development facilities to communities, industries, enterprises, and individuals in areas needing development should enable such areas to help themselves achieve lasting improvement and enhance the domestic prosperity by the establishment of stable and diversified local economies and improved local conditions: *Provided*, That such assistance is preceded by and consistent with sound, long-range economic planning; and that under the provisions of this Act new employment opportunities should be created by developing and expanding new and existing public works and other facilities and resources rather than by merely transferring jobs from one area of the United States to another.

TITLE I—GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES

SEC. 101. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary of Commerce (hereinafter referred to as the Secretary) is authorized—

(1) to make direct grants for the acquisition or development of land and improvements for public works, public service, or development facility usage, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, within a redevelopment area, if he finds that—

(A) the project for which financial assistance is sought will directly or indirectly (i) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities, (ii) otherwise assist in the creation of additional long-term employment opportunities for such area, or (iii) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964;

(B) the project for which a grant is requested will fulfill a pressing need of the area, or part thereof, in which it is, or will be, located; and

(C) the area for which a project is to be undertaken has an approved overall economic development program as provided in section 202(b)

(10) and such project is consistent with such program;

(2) to make supplementary grants in order to enable the States and other entities within redevelopment areas to take maximum advantage of designated Federal grant-in-aid programs (as hereinafter defined) for which they are eligible but for which, because of their economic situation, they cannot supply the required matching share.

(b) Subject to subsection (c) hereof, the amount of any direct grant under this section for any project shall not exceed 50 per centum of the cost of such project.

(c) The amount of any supplementary grant under this section for any project shall not exceed the applicable percentage established by regulations promulgated by the Secretary, but in no event shall the non-Federal share (including assumptions of debt) of the aggregate cost of any such project be less than 20 per centum of such cost. Supplementary grants shall be made by the Secretary, in accordance with such regulations as he shall prescribe, by increasing the amounts of direct grants authorized under this section or by the payment of funds appropriated under this Act to the heads of the departments, agencies, and instrumentalities of the Federal Government responsible for the administration of such grant-in-aid programs. Notwithstanding any limitation on the use of supplementary grants that may otherwise be applicable to the grant-in-aid program involved, funds so allocated shall be used for the sole purpose of increasing the Federal contribution to specific projects in redevelopment areas under such programs above the fixed maximum portion of the cost of such project otherwise authorized by the applicable law. The term "designated Federal grant-in-aid programs," as used in this subsection, means such existing or future Federal grant-in-aid programs assisting in the construction or equipping of facilities as the Secretary may, in furtherance of the purposes of this Act, designate as eligible for allocation of funds under this section. In determining the amount of any supplementary grant available to any project under this section, the Secretary shall take into consideration the relative needs of the area, the nature of the project to be assisted, and the amount of such fair user charges or other revenues as the project may reasonably be expected to generate in excess of those which would amortize the local share of initial costs and provide for its successful operation and maintenance (including depreciation).

(d) The Secretary shall prescribe rules, regulations, and procedures to carry out this section which will assure that adequate consideration is given to the relative needs of eligible areas. In prescribing such rules, regulations, and procedures the Secretary shall consider among other relevant factors (1) the severity of the rates of unemployment in the eligible areas and the duration of such unemployment and (2) the income levels of families and the extent of under employment in eligible areas.

(e) No financial assistance shall be extended under this section with respect to any public service or development facility which would compete with an

existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State regulatory body, unless the State regulatory body determines that in the area to be served by the facility for which the financial assistance is to be extended there is a need for an increase in such service (taking into consideration reasonably foreseeable future needs) which the existing public utility is not able to meet through its existing facilities or through an expansion which it agrees to undertake.

SEC. 102. There is hereby authorized to be appropriated not to exceed \$250,000,000 annually for the purposes of this title.

TITLE II—OTHER FINANCIAL ASSISTANCE

PUBLIC WORKS AND DEVELOPMENT FACILITY LOANS

SEC. 201. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary is authorized to purchase evidences of indebtedness and to make loans to assist in financing the purchase or development of land and improvements for public works, public service, or development facility usage, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, within a redevelopment area, if he finds that—

(1) the project for which financial assistance is sought will directly or indirectly—

(A) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities.

(B) otherwise assist in the creation of additional long-term employment opportunities for such area, or

(C) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964;

(2) the funds requested for such project are not otherwise available from private lenders on reasonable terms, or from other Federal agencies on terms more favorable to the Government which would permit the accomplishment of the project;

(3) the amount of the loan plus the amount of other available funds for such project are adequate to insure the completion thereof;

(4) there is a reasonable expectation of repayment; and

(5) such area has an approved overall economic development program as provided in section 202(b) (10) and the project for which financial assistance is sought is consistent with such program.

(b) Subject to section 701(5), the maturity date of any such loan shall be not later than forty years after the date such loan is made. Such loans shall bear interest at a rate not less than (i) a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less (ii) not to exceed one-half of 1 per centum per annum.

(c) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this section and section 202: *Provided, however,* That annual appropriations for the purpose of making and guaranteeing loans shall not exceed \$170,000,000.

(d) No financial assistance shall be extended under this section with respect to any public service or development facility which would compete with an existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State regulatory body, unless the State regulatory body determines that in the area to be served by the facility for which the financial assistance is to be extended there is a need for an increase in such service (taking into consideration reasonably foreseeable future needs) which the existing public utility is not able to meet through its existing facilities or through an expansion which it agrees to undertake.

LOANS AND GUARANTEES

SEC. 202. (a) The Secretary is authorized (1) to purchase evidences of indebtedness and to make loans (which for purposes of this section shall include partici-

pations in loans) to aid in financing any project within a redevelopment area for the purchase or development of land and facilities (including, in cases of demonstrated need, machinery and equipment) for industrial or commercial usage, including the construction of new buildings, the rehabilitation of abandoned or unoccupied buildings, and the alteration, conversion, or enlargement of existing buildings; (2) to guarantee loans for working capital made to private borrowers by private lending institutions in connection with projects in redevelopment areas assisted under subsection (a) (1) hereof, upon application of such institution and upon such terms and conditions as the Secretary may prescribe: *Provided, however*, That no such guarantee shall at any time exceed 90 per centum of the amount of the outstanding unpaid balance of such loan; and (3) to contract to pay, and to pay annually, for not more than ten years, to or on behalf of private business entities amounts sufficient to reduce by 2 percentage points the interest paid by such entities on loans which are obtained from non-Government sources, which are not guaranteed by any Government agency, which provide for annual amortization of principal, and the proceeds of which are used for purposes for which the Secretary is authorized to purchase evidences of indebtedness or make loans under this section: *Provided, however*, That subject to limitations in annual appropriations Acts, the annual cost of new contracts approved in any one year shall not exceed \$5,000,000.

(b) Financial assistance under this section shall be on such terms and conditions as the Secretary determines, subject however, to the following restrictions and limitations:

(1) Such financial assistance shall not be extended to assist establishments relocating from one area to another: *Provided, however*, That such limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity if the Secretary finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where such entity conducts business operations, unless the Secretary has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

(2) Such assistance shall be extended only to applicants, both private and public (including Indian tribes), which have been approved for such assistance by an agency or instrumentality of the State or political subdivision thereof in which the project to be financed is located, and which agency or instrumentality is directly concerned with problems of economic development in such State or subdivision.

(3) The project for which financial assistance is sought must be reasonably calculated to provide more than a temporary alleviation of unemployment or underemployment within the redevelopment area wherein it is or will be located.

(4) No loan or guarantee shall be extended hereunder unless the financial assistance applied for is not otherwise available from private lenders on reasonable terms, or from other Federal agencies on terms more favorable to the Government which would permit the accomplishment of the project.

(5) The Secretary shall not make any loan without a participation unless he determines that the loan cannot be made on a participation basis.

(6) No evidences of indebtedness shall be purchased and no loans shall be made or guaranteed unless it is determined that there is reasonable assurance of repayment.

(7) Subject to section 701 (5) of this Act, no loan including renewals or extension thereof, may be made hereunder for a period exceeding twenty-five years and no evidences of indebtedness maturing more than twenty-five years from date of purchase may be purchased hereunder: *Provided*, That the foregoing restrictions on maturities shall not apply to securities or obligations received by the Secretary as a claimant in bankruptcy or equitable reorganization or as a creditor in other proceedings attendant upon insolvency of the obligor.

(8) Loans made and evidences of indebtedness purchased under this section shall bear interest at a rate not less than (i) a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, plus (ii) such additional charge, if any,

toward covering other costs of the program as the Secretary may determine to be consistent with its purpose.

(9) Loan assistance shall not exceed 65 per centum of the aggregate cost to the applicant (excluding all other Federal aid in connection with the undertaking) of acquiring or developing land and facilities (including, in cases of demonstrated need, machinery and equipment), and of constructing, altering, converting, rehabilitating, or enlarging the building or buildings of the particular project, and shall, among others, be on the condition that—

(A) other funds are available in an amount which, together with the assistance provided hereunder, shall be sufficient to pay such aggregate cost;

(B) not less than 15 per centum of such aggregate cost be supplied as equity capital or as a loan repayable in no shorter period of time and at no faster an amortization rate than the Federal financial assistance extended under this section is being repaid, and if such a loan is secured, its security shall be subordinate and inferior to the lien or liens securing such Federal financial assistance: *Provided, however,* That, except in projects involving financial participation by Indian tribes, not less than 5 per centum of such aggregate cost shall be supplied by the State or any agency, instrumentality, or political subdivision thereof, or by a community or area organization which is nongovernmental in character, unless the Secretary shall determine in accordance with objective standards promulgated by regulation that all or part of such funds are not reasonably available to the project because of the economic distress of the area or for other good cause, in which case he may waive the requirement of this provision to the extent of such unavailability, and allow the funds required by this subsection to be supplied by the applicant or by such other non-Federal source as may reasonably be available to the project;

(C) to the extent the Secretary finds such action necessary to encourage financial participation in a particular project by other lenders and investors, and except as otherwise provided in subparagraph (B), any Federal financial assistance extended under this section may be repayable only after other loans made in connection with such project have been repaid in full, and the security, if any, for such Federal financial assistance may be subordinate and inferior to the lien or liens securing other loans made in connection with the same project.

(10) No such assistance shall be extended unless there shall be submitted to and approved by the Secretary an overall program for the economic development of the area and a finding by the State, or any agency, instrumentality, or local political subdivision thereof, that the project for which financial assistance is sought is consistent with such program: *Provided,* That nothing in this Act shall authorize financial assistance for any project prohibited by laws of the State or local political subdivision in which the project would be located, nor prevent the Secretary from requiring such periodic revisions of previously approved overall economic development programs as he may deem appropriate.

ECONOMIC DEVELOPMENT REVOLVING FUND

SEC. 203. Funds obtained by the Secretary under section 201, loan funds obtained under section 403, and collections and repayments received under this Act, shall be deposited in an economic development revolving fund (hereinafter referred to as the "fund"), which is hereby established in the Treasury of the United States, and which shall be available to the Secretary for the purpose of extending financial assistance under sections 201, 202, and 403, and for the payment of all obligations and expenditures arising in connection therewith. There shall also be credited to the fund such funds as have been paid into the area redevelopment fund or may be received from obligations outstanding under the Area Redevelopment Act. The fund shall pay into miscellaneous receipts of the Treasury, following the close of each fiscal year, interest on the amount of loans outstanding computed in such manner and at such rate as may be determined by the Secretary of the Treasury taking into consideration the current average market on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of one per centum, during the month of June preceding the fiscal year in which the loans were made.

TITLE III—TECHNICAL ASSISTANCE, RESEARCH, AND INFORMATION

TECHNICAL AND ADMINISTRATIVE ASSISTANCE

SEC. 301. (a) In carrying out his duties under this Act the Secretary is authorized to provide technical assistance which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment (1) to areas which he has designated as redevelopment areas under this Act, and (2) to other areas which he finds have substantial need for such assistance. Such assistance shall include studies evaluating the needs of, and developing potentialities for, economic growth of such areas. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government; through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes or through grants-in-aid to appropriate public or private nonprofit State, area, district, or local organizations. The Secretary, in his discretion, may require the repayment of assistance provided under this subsection and prescribe the terms and conditions of such repayment.

(b) The Secretary is authorized to make grants for economic planning staff and administrative expenses to organizations which he determines to be qualified to receive grants-in-aid under subsection (a) hereof: *Provided, however,* That no such grant shall exceed 75 per centum of the aggregate cost of the undertaking for which the assistance is rendered, or of the administrative expenses of any qualified organization in any one year. In determining the amount of the non-Federal share of such costs or expenses, the Secretary shall give due consideration to all contributions both in cash and in kind, fairly evaluated, including but not limited to space, equipment, and services. Where practicable, grants-in-aid authorized under this subsection shall be used in conjunction with other available planning grants, such as urban planning grants authorized under the Housing Act of 1954, as amended, and highway planning and research grants authorized under the Federal Aid Highway Act of 1962, to assure adequate and effective planning and economical use of funds.

(c) There is hereby authorized to be appropriated \$20,000,000 annually for the purposes of this section.

RESEARCH

SEC. 302. To assist in the long-range accomplishment of the purposes of this Act, the Secretary, in cooperation with other agencies having similar functions, shall establish and conduct a continuing program of study and research designed to assist in determining the causes of unemployment, underemployment, underdevelopment, and chronic depression in the various areas and regions of the Nation and in the formulation and implementation of national, State, and local programs which will raise income levels and otherwise produce solutions of the problems resulting from these conditions. The Secretary shall include in his annual report under section 706 a detailed statement concerning the study and research conducted under this section together with his findings resulting therefrom and his recommendations for legislative and other action.

INFORMATION

SEC. 303. The Secretary shall aid redevelopment areas and other areas by furnishing to interested individuals, communities, industries, and enterprises within such areas any assistance, technical information, market research, or other forms or assistance, information, or advice which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment within such areas. The Secretary may furnish the procurement divisions of the various departments, agencies, and other instrumentalities of the Federal Government with a list containing the names and addresses of business firms which are located in redevelopment areas and which are desirous of obtaining Government contracts for the furnishing of supplies or services, and designating the supplies and services such firms are engaged in providing.

TITLE IV—AREA AND DISTRICT ELIGIBILITY

PART A—REDEVELOPMENT AREAS

AREAS ELIGIBILITY

SEC. 401. (a) The Secretary shall designate as “redevelopment areas”—

(1) those areas in which he determines, upon the basis of standards generally comparable with those set forth in paragraphs (A) and (B), that there has existed substantial and persistent unemployment for an extended period of time. There shall be included among the areas so designated any area—

(A) where the Secretary of Labor finds that the current rate of unemployment, as determined by appropriate annual statistics for the most recent available calendar year, is 6 per centum or more and has averaged at least 6 per centum for the qualifying time periods specified in paragraph (B); and

(B) where the Secretary of Labor finds that the annual average rate of unemployment has been at least—

(i) 50 per centum above the national average for three of the preceding four calendar years, or

(ii) 75 per centum above the national average for two of the preceding three calendar years, or

(iii) 100 per centum above the national average for one of the preceding two calendar years.

The Secretary of Labor shall find the facts and provide the data to be used by the Secretary in making the determinations required by this subsection.

(2) those additional areas which have a median family income not in excess of 40 per centum of the national median, as determined by the most recent available statistics for such areas;

(3) those additional Federal or State Indian reservations which the Secretary, after consultation with the Secretary of the Interior, determines manifest the greatest degree of economic distress on the basis of unemployment and income statistics and other appropriate evidence of economic underdevelopment;

(4) upon request of such areas, those additional areas in which the Secretary determines that the loss, removal, or closing of a major source of employment, has caused or is about to cause an unusual and abrupt rise in unemployment or underemployment of such magnitude that the area can reasonably be expected to become eligible for designation under the other provisions of this Act within three years unless assistance is provided. Notwithstanding any provision of this section to the contrary, an area may be designated at any time under the authority of this subsection and may be given a reasonable time after designation in which to submit the overall economic development program required by subsection 202(b)(10) of this Act;

(5) notwithstanding any provision of this section to the contrary, those additional areas which were designated redevelopment areas under the Area Redevelopment Act on the date of the enactment of this Act: *Provided, however,* That the continued eligibility of such areas after the first annual review of eligibility conducted in accordance with section 402 of this Act shall be dependent on their qualification for designation under the standards of economic need set forth in subsections (a)(1) through (a)(4) of this section.

(b) The size and boundaries of redevelopment areas shall be as determined by the Secretary: *Provided, however,* That—

(1) no area shall be designated until it has an approved overall economic development program in accordance with subsection 202(b)(10) of this Act;

(2) any area which does not submit an acceptable overall economic development program in accordance with subsection 202(b)(10) of this Act within a reasonable time after notification of eligibility for designation, shall not thereafter be designated prior to the next annual review of eligibility in accordance with section 402 of this Act;

(3) no area shall be designated which does not have a population of at least one thousand five hundred persons; and

(4) except for areas designated under subsections (a)(3) and (a)(4) hereof, no area shall be designated which is smaller than a “labor area”

(as defined by the Secretary of Labor), a county, or a municipality with a population of over two hundred and fifty thousand, whichever in the opinion of the Secretary is appropriate.

(c) Upon the request of the Secretary, the Secretary of Labor, the Secretary of Agriculture, the Secretary of the Interior, and such other heads of agencies as may be appropriate are authorized to conduct such special studies, obtain such information, and compile and furnish to the Secretary such data as the Secretary may deem necessary or proper to enable him to make the determinations provided for in this section. The Secretary shall reimburse when appropriate, out of any funds appropriated to carry out the purposes of this Act, the foregoing officers for any expenditures incurred by them under this section.

(d) As used in this Act, the term "redevelopment area" refers to any area within the United States which has been designated by the Secretary as a redevelopment area.

ANNUAL REVIEW OF AREA ELIGIBILITY

SEC. 402. The Secretary shall conduct an annual review of the eligibility of all areas designated or under consideration for designation in accordance with section 401 of this Act, and on the basis thereof may terminate or modify the designations of such areas in accordance with objective standards which he shall prescribe by regulation. No area previously designated shall retain its designated status unless it maintains a currently approved overall economic development program in accordance with subsection 202(b)(10). No termination of eligibility shall (1) be made without thirty day's prior notification to the area concerned, (2) affect the validity of any application filed, or contract or undertaking entered into, with respect to such area pursuant to this Act prior to such termination, or (3) prevent any such area from again being designated a redevelopment area under section 401 of this Act if the Secretary determines it to be eligible under such section. The Secretary shall keep the departments and agencies of the Federal Government, and interested State or local agencies, advised at all times of any changes made hereunder with respect to the classification of any area.

PART B—ECONOMIC DEVELOPMENT DISTRICTS

SEC. 403. (a) In order that economic development projects of broader geographical significance may be planned and carried out, the Secretary is authorized—

(1) to designate appropriate "economic development districts" within the United States with the concurrence of the States in which such districts will be wholly or partially located, if—

(A) the proposed district is of sufficient size or population, and contains sufficient resources, to foster economic development on a scale involving more than a single redevelopment area;

(B) the proposed district contains two or more redevelopment areas;

(C) the proposed district contains one or more redevelopment areas or economic development centers identified in an approved district overall economic development program as having sufficient size and potential to foster the economic growth activities necessary to alleviate the distress of the redevelopment areas within the district; and

(D) the proposed district has a district overall economic development program which includes adequate land use and transportation planning and contains a specific program for district cooperation, self-help, and public investment and is approved by the State or States affected and by the Secretary;

(2) to designate as "economic development centers," in accordance with such regulations as he shall prescribe, such areas as he may deem appropriate, if—

(A) the proposed center has been identified and included in an approved district overall economic development program and recommended by the State or States affected for such special designation;

(B) the proposed center is geographically and economically so related to the district that its economic growth may reasonably be expected to contribute significantly to the alleviation of distress in the redevelopment areas of the district; and

(C) the proposed center does not have a population in excess of two hundred and fifty thousand according to the last preceding Federal census.

(3) to provide financial assistance in accordance with the criteria of sections 101, 201, and 202 of this Act, except as may be herein otherwise provided, for projects in economic development centers designated under subsection (a) (2) above, if—

(A) the project will further the objectives of the overall economic development program of the district in which it is to be located;

(B) the project will enhance the economic growth potential of the district or result in additional long-term employment opportunities commensurate with the amount of Federal financial assistance requested; and

(C) the amount of Federal financial assistance requested is reasonably related to the size, population, and economic needs of the district;

(4) subject to the 20 per centum non-Federal share required for any project by subsection 101(c) of this Act, to increase the amount of grant assistance authorized by section 101 for projects within redevelopment areas (designated under section 401), by an amount not to exceed 10 per centum of the aggregate cost of any such project, in accordance with such regulations as he shall prescribe, if—

(A) the redevelopment area is situated within a designated economic development district and is actively participating in the economic development activities of the district; and

(B) the project is consistent with an approved district overall economic development program.

(b) In designating economic development districts and approving district overall economic development programs under subsection (a) of this section, the Secretary is authorized, under regulations prescribed by him—

(1) to invite the several States to draw up proposed district boundaries and to identify potential economic development centers;

(2) to cooperate with the several States—

(A) in sponsoring and assisting district economic planning and development groups, and

(B) in assisting such district groups to formulate district overall economic development programs.

(c) The Secretary shall by regulation prescribe standards for the termination or modification of economic development districts and economic development centers designated under the authority of this section.

(d) As used in this Act, the term “economic development district” refers to any area within the United States composed of cooperating redevelopment areas and, where appropriate, designated economic development centers and neighboring counties or communities, which has been designated by the Secretary as an economic development district.

(e) As used in this Act, the term “economic development center” refers to any area within the United States which has been identified as an economic development center in an approved district overall economic development program and which has been designated by the Secretary as eligible for financial assistance under sections 101, 201, and 202 of this Act in accordance with the provisions of this section.

(f) There is hereby authorized to be appropriated not to exceed \$50,000,000 annually for financial assistance extended under the provisions of subsections (a) (3) and (a) (4) hereof.

(g) In order to allow time for adequate and careful district planning, subsections (a) and (f) of this section shall not be effective until one year from the date of enactment.

TITLE V—REGIONAL ACTION PLANNING COMMISSIONS

ESTABLISHMENT AND COORDINATION

SEC. 501. (a) The Secretary is authorized to invite and encourage the several States to establish appropriate multistate regional action planning commissions for the purpose of—

(1) advising and assisting him in the identification of optimum boundaries for multistate economic development regions,

(2) initiating and coordinating the preparation of long-range overall economic development programs for such regions,

(3) fostering surveys and studies to provide data required for the preparation of specific plans and programs for the development of such regions,

(4) advising and assisting him and the States concerned in the initiation and coordination of economic development districts, in order to promote maximum benefits from the expenditure of Federal, State, and local funds,

(5) promoting increased private investment in such regions,

(6) preparing legislative and other recommendations with respect to both short-range and long-range programs and projects for Federal, State, and local agencies, and

(7) receiving, reviewing, and commenting on all tentative plans or proposals concerning multistate regional economic development, and transmitting such plans and proposals with appropriate comments and recommendations to the Secretary and the heads of other interested Federal and State agencies.

(b) As used in this Act, the term "region" refers to any area within the United States which includes two or more designated or potential economic development districts in two or more contiguous States.

(c) The State members of such commissions shall be as determined and appointed by the Governors of the States concerned. The President shall appoint the Federal member or members of such commissions, if any, who shall report through the Secretary and be compensated at a rate not in excess of that authorized by section 701 (10) of this Act.

(d) The Secretary shall present such plans and proposals of the commissions as may be transmitted and recommended to him (but are not authorized by any other section of this Act) first for review by the Federal agencies primarily interested in such plans and proposals and then, together with the recommendations of such agencies, to the President for such action as he may deem desirable.

(e) The Secretary shall provide effective and continuing liaison between the Federal Government and each regional commission.

(f) Each Federal agency shall, consonant with law and within the limits of available funds, cooperate with such commissions as may be established in order to assist them in carrying out their functions under this section.

PROGRAM DEVELOPMENT CRITERIA

SEC. 502. In developing recommendations for programs and projects for future regional economic development, and in establishing within those recommendations a priority ranking for such programs and projects, the Secretary shall encourage each regional commission to follow procedures that will insure consideration of the following factors:

(1) the relationship of the project or class of projects to overall regional development including its location in an area determined by the State to have a significant potential for growth;

(2) the population and area to be served by the project or class of projects including the relative per capita income and the unemployment rates in the area;

(3) the relative financial resources available to the State or political subdivisions or instrumentalities thereof which seek to undertake the project;

(4) the importance of the project or class of projects in relation to other projects or classes of projects which may be in competition for the same funds;

(5) the prospects that the project, on a continuing rather than a temporary basis, will improve the opportunities for employment, the average level of income, or the economic and social development of the area served by the project.

REGIONAL TECHNICAL AND PLANNING ASSISTANCE

SEC. 503. (a) The Secretary is authorized to provide to the commissions technical assistance which would be useful in aiding the commissions to carry out their functions under this Act and to develop recommendations and programs. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government, or through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants-in-aid to the commissions. The Secretary, in his discretion, may require the repayment of assistance provided under this subsection and prescribe the terms and conditions of such repayment.

(b) For the period ending on June 30 of the second full Federal fiscal year following the date of enactment of this Act, the administrative expenses of each commission may be paid by the Federal Government on such terms and conditions as the Secretary may approve. Thereafter, not to exceed 50 per centum of such expenses may be paid by the Federal Government. In determining the amount of the non-Federal share of such costs or expenses, the Secretary shall give due consideration to all contributions both in cash and in kind, fairly evaluated, including but not limited to space, equipment, and services.

(c) There is hereby authorized to be appropriated \$15,000,000 annually for the purposes of this section.

TITLE VI—ECONOMIC DEVELOPMENT ADMINISTRATOR

ADMINISTRATOR FOR ECONOMIC DEVELOPMENT

SEC. 601. There shall be appointed by the President, by and with the advice and consent of the Senate, an Administrator for Economic Development in the Department of Commerce, who shall receive compensation at the annual rate applicable to level V of the Federal Executive Salary Act of 1964. The Administrator shall perform such duties in the execution of this Act as the Secretary may assign.

ADVISORY COMMITTEE ON REGIONAL ECONOMIC DEVELOPMENT

SEC. 602. The Secretary shall appoint a National Public Advisory Committee on Regional Economic Development which shall consist of twenty-five members and shall be composed of representatives of labor, management, agriculture, State and local governments, and the public in general. From the members appointed to such Committee the Secretary shall designate a Chairman. Such Committee, or any duly established subcommittee thereof, shall from time to time make recommendations to the Secretary relative to the carrying out of his duties under this Act. Such Committee shall hold not less than two meetings during each calendar year.

CONSULTATION WITH OTHER PERSONS AND AGENCIES

SEC. 603. (a) The Secretary is authorized from time to time to call together and confer with any persons, including representatives of labor, management, agriculture, and government, who can assist in meeting the problems of area and regional unemployment or underemployment.

(b) The Secretary may make provision for such consultation with interested departments and agencies as he may deem appropriate in the performance of the functions vested in him by this Act.

TITLE VII—MISCELLANEOUS

POWERS OF SECRETARY

SEC. 701. In performing his duties under this Act, the Secretary is authorized to—

- (1) adopt, alter, and use a seal, which shall be judicially noticed;
- (2) hold such hearings, sit and act at such times and places, and take such testimony, as he may deem advisable;
- (3) request directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics needed to carry out the purposes of this Act; and each department, bureau, agency, board, commission, office, establishment, or instrumentality is authorized to furnish such information, suggestions, estimates, and statistics directly to the Secretary;
- (4) under regulations prescribed by him, assign or sell at public or private sale, or otherwise dispose of for cash or credit, in his discretion and upon such terms and conditions and for such consideration as he shall determine to be reasonable, any evidence of debt, contract, claim, personal property, or security assigned to or held by him in connection with loans made or evidences of indebtedness purchased under this Act, and collect or compromise all obligations assigned to or held by him in connection with such loans

or evidences of indebtedness until such time as such obligations may be referred to the Attorney General for suit or collection ;

(5) further extend the maturity of or renew any loan made or evidence of indebtedness purchased under this Act, beyond the periods stated in such loan or evidence of indebtedness or in this Act, for additional periods not to exceed ten years, if such extension or renewal will aid in the orderly liquidation of such loan or evidence of indebtedness ;

(6) deal with, complete, renovate, improve, modernize, insure, rent, or sell for cash or credit, upon such terms and conditions and for such consideration as he shall determine to be reasonable, any real or personal property conveyed to, or otherwise acquired by, him in connection with loans made or evidences of indebtedness purchased under this Act ;

(7) pursue to final collection, by way of compromise or other administrative action, prior to reference to the Attorney General, all claims against third parties assigned to him in connection with loans made or evidences of indebtedness purchased under this Act. This shall include authority to obtain deficiency judgments or otherwise in the case of mortgages assigned to the Secretary. Section 3709 of the Revised Statutes, as amended (41 U.S.C. 5), shall not apply to any contract of hazard insurance or to any purchase or contract for services or supplies on account of property obtained by the Secretary as a result of loans made or evidences of indebtedness purchased under this Act if the premium therefor or the amount thereof does not exceed \$1,000. The power to convey and to execute, in the name of the Secretary, deeds of conveyance, deeds of release, assignments and satisfactions of mortgages, and any other written instrument relating to real or personal property or any interest therein acquired by the Secretary pursuant to the provisions of this Act may be exercised by the Secretary or by any officer or agent appointed by him for that purpose without the execution of any express delegation of power or power of attorney ;

(8) acquire, in any lawful manner, any property (real, personal, or mixed, tangible, or intangible), whenever deemed necessary for appropriate to the conduct of the activities authorized in sections 201, 202, 301, 403, and 503 of this Act ;

(9) in addition to any powers, functions, privileges, and immunities otherwise vested in him, take any and all actions, including the procurement of the services of attorneys by contract, determined by him to be necessary or desirable in making, purchasing, servicing, compromising, modifying, liquidating, or otherwise administratively dealing with or realizing on loans made or evidences of indebtedness purchased under this Act ;

(10) employ experts and consultants or organizations therefor as authorized by section 15 of the Administrative Expenses Act of 1946 (5 U.S.C. 55a), compensate individuals so employed at rates not in excess of \$100 per diem, including travel time, and allow them, while away from their homes or regular places of business, travel expenses (including per diem in lieu of subsistence) as authorized by section 5 of such Act (5 U.S.C. 73b-2) for persons in the Government service employed intermittently, while so employed: *Provided, however,* That contracts for such employment may be renewed annually ;

(11) sue and be sued in any court of record of a State having general jurisdiction or in any United States district court, and jurisdiction is conferred upon such district court to determine such controversies without regard to the amount in controversy ; but no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against the Secretary or his property. Nothing herein shall be construed to except the activities under this Act from the application of sections 507(b) and 2679 of title 28, United States Code, and of section 367 of the Revised Statutes (5 U.S.C. 316) ; and

(12) establish such rules, regulations, and procedures as he may deem appropriate in carrying out the provisions of this Act.

SAVINGS PROVISIONS

SEC. 702. (a) No suit, action, or other proceeding lawfully commenced by or against the Administrator or any other officer of the Area Redevelopment Administration in his official capacity or in relation to the discharge of his official duties under the Area Redevelopment Act, shall abate by reason of the taking effect of the provisions of this Act, but the court may, on motion or supplemental

petition filed at any time within twelve months after such taking effect, showing a necessity for the survival of such suit, action, or other proceeding to obtain a settlement of the questions involved, allow the same to be maintained by or against the Secretary or the Administrator or such other officer of the Department of Commerce as may be appropriate.

(b) Except as may be otherwise expressly provided in this Act, all powers and authorities conferred by this Act shall be cumulative and additional to and not in derogation of any powers and authorities otherwise existing. All rules, regulations, orders, authorizations, delegations, or other actions duly issued, made, or taken by or pursuant to applicable law, prior to the effective date of this Act, by any agency, officer, or office pertaining to any functions, powers, and duties under the Area Redevelopment Act shall continue in full force and effect after the effective date of this Act until modified or rescinded by the Secretary or such other officer of the Department of Commerce as, in accordance with applicable law, may be appropriate.

TRANSFER OF FUNCTIONS AND EFFECTIVE DATE

SEC. 703. (a) The functions, powers, duties, and authorities and the assets, funds, contracts, loans, liabilities, commitments, authorizations, allocations, and records which are vested in or authorized to be transferred to the Secretary of the Treasury under section 29(b) of the Area Redevelopment Act, and all functions, powers, duties, and authorities under section 29(c) of the Area Redevelopment Act are hereby vested in the Secretary.

(b) Any appropriations available to the Secretary for the purposes of the Area Redevelopment Act on or after the date of enactment of this Act shall be available for the purposes of this Act.

(c) In the event that the Administrator required by this Act to be appointed by and with the advice and consent of the Senate shall not have entered upon office on the effective date of this Act, the President may designate a person to act in such office until the office is filled as provided in this Act or until the expiration of the first period of sixty days following said effective date, whichever shall first occur. While so acting such person shall receive compensation at the rate provided by this Act for such office.

(d) The provisions of this Act shall take effect upon enactment unless herein explicitly otherwise provided.

SEPARABILITY

SEC. 704. Notwithstanding any other evidence of the intent of Congress, it is hereby declared to be the intent of Congress that if any provision of this Act or the application thereof to any persons or circumstances, shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this Act or its application to other persons and circumstances, but shall be confined in its operation to the provision of this Act, or the application thereof to the persons and circumstances, directly involved in the controversy in which such judgment shall have been rendered.

APPLICATION OF ACT

SEC. 705. As used in this Act, the terms "State", "States", and "United States" include the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.

ANNUAL REPORT

SEC. 706. The Secretary shall make a comprehensive and detailed annual report to the Congress of his operations under this Act for each fiscal year beginning with the fiscal year ending June 30, 1966. Such report shall be printed and shall be transmitted to the Congress not later than January 3 of the year following the fiscal year with respect to which such report is made.

USE OF OTHER FACILITIES

SEC. 707. (a) To the fullest extent practicable in carrying out the provisions of this Act the Secretary shall use the available services and facilities of other agencies and instrumentalities of the Federal Government, but only with their consent and on a reimbursable basis. The foregoing requirement shall be implemented by the Secretary in such a manner as to avoid the duplication of

existing staffs and facilities in any agency or instrumentality of the Federal Government. The Secretary is authorized to delegate to the heads of other departments and agencies of the Federal Government any of the Secretary's functions, powers, and duties under this Act as he may deem appropriate, and to authorize the redelegation of such functions, powers, and duties by the heads of such departments and agencies.

(b) Departments and agencies of the Federal Government shall exercise their powers, duties, and functions in such manner as will assist in carrying out the objectives of this Act.

(c) Funds authorized to be appropriated under this Act may be transferred, with approval of the Director of the Bureau of the Budget, between departments and agencies of the Government, if such funds are used for the purposes for which they are specifically authorized and appropriated.

APPROPRIATION

SEC. 708. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act. Appropriations authorized under this Act shall remain available until expended unless otherwise provided by appropriations Acts.

PENALTIES

SEC. 709. (a) Whoever makes any statement knowing it to be false, or who ever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any financial assistance under section 101, 201, 202, or 403 or any extension thereof by renewal, deferment or action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the Secretary, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

(b) Whoever, being connected in any capacity with the Secretary, in the administration of this Act (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to him or pledged or otherwise entrusted to him to him, or (2) with intent to defraud the Secretary or any other body politic or corporate, or any individual, or to deceive any officer, auditor, or examiner, makes any false entry in any book, report, or statement of or to the Secretary, or without being duly authorized draws any order or issues, puts forth, or assigns any note, debenture, bond, or other obligation, or draft, bill of exchange, mortgage, judgment, or decree thereof, or (3) with intent to defraud participates or shares in or receives directly or indirectly any money, profit, property, or benefit through any transaction, loan, grant, commission, contract, or any other act of the Secretary, or (4) gives any unauthorized information concerning any future action or plan of the Secretary which might affect the value of securities, or having such knowledge invests or speculates, directly or indirectly, in the securities or property of any company or corporation receiving loans, grants, or other assistance from the Secretary, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

EMPLOYMENT OF EXPEDITERS AND ADMINISTRATIVE EMPLOYEES

SEC. 710. No financial assistance shall be extended by the Secretary under section 101, 201, 202, or 403 to any business enterprise unless the owners, partners, or officers of such business enterprise (1) certify to the Secretary the names of any attorneys, agents, and other persons engaged by or on behalf of such business enterprise for the purpose of expediting applications made to the Secretary for assistance of any sort, under this Act, and the fees paid or to be paid to any such person; and (2) execute an agreement binding such business enterprise, for a period of two years after such assistance is rendered by the Secretary to such business enterprise, to refrain from employing, tendering any office or employment to, or retaining for professional services, any person who, on the date such assistance or any part thereof was rendered, or within one year prior thereto, shall have served as an officer, attorney, agent, or employee, occupying a position or engaging in activities which the Secretary shall have determined involve discretion with respect to the granting of assistance under this Act.

PREVAILING RATE OF WAGE AND FORTY-HOUR WEEK

SEC. 711. All laborers and mechanics employed by contractors or subcontractors on projects assisted by the Secretary under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5), and every such employee shall receive compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be. The Secretary shall not extend any financial assistance under section 101, 201, 202, or 403 for such a project without first obtaining adequate assurance that these labor standards will be maintained upon the construction work. The Secretary of Labor shall have, with respect to the labor standards specified in this provision, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 133z-15), and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c).

RECORD OF APPLICATIONS

SEC. 712. The Secretary shall maintain as a permanent part of the records of the Department of Commerce a list of applications approved for financial assistance under section 101, 201, 202, or 403, which shall be kept available for public inspection during the regular business hours of the Department of Commerce. The following information shall be posted in such list as soon as each application is approved; (1) the name of the applicant and, in the case of corporate applications, the names of the officers and directors thereof, (2) the amount and duration of the loan or grant for which application is made, (3) the purposes for which the proceeds of the loan or grant are to be used, and (4) a general description of the security offered in the case of a loan.

RECORDS AND AUDIT

SEC. 713. (a) Each recipient of assistance under this Act shall keep such records as the Secretary shall prescribe, including records which fully disclose the amount and the disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance is given or used, and the amount and nature of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient that are pertinent to assistance received under this Act.

CONFORMING AMENDMENT

SEC. 714. All benefits heretofore specifically made available (and not subsequently revoked) under other Federal programs to persons or to public or private organizations, corporations, or entities in areas designated by the Secretary as "redevelopment areas" under section 5 of the Area Redevelopment Act, are hereby also extended, insofar as practicable, to such areas as may be designated as "redevelopment areas" or "economic development centers" under the authority of section 401 or 403 of this Act: *Provided, however*, That this section shall not be construed as limiting such administrative discretion as may have been conferred under any other law.

The CHAIRMAN. I now want to welcome Senator Douglas and his colleagues on the Subcommittee on Production and Stabilization of the Senate Banking and Currency Committee who have been invited to participate in this meeting today.

The Banking and Currency Committee has a major role to play in the passing of this legislation. Senator Douglas, do you have any remarks you would like to make?

Senator DOUGLAS. Thank you, Mr. Chairman.

I believe the practice of holding a joint hearing on this bill is an excellent one and I want to thank the chairman for inviting the members of the Subcommittee on Production and Stabilization of the Banking and Currency Committee to sit in on today's hearing. Through such close cooperation, we will obtain the benefit of each committee's special experience and save a good deal of time for both ourselves and for the witnesses as well. I hope this practice marks a precedent for similar cooperative ventures in the future.

I have been a strong supporter of economic development legislation since 1955 when the Joint Economic Committee called for Federal action to help economically distressed communities. I had the honor of drafting and aiding in the passage of such a bill three times, by the Senate, and twice by the Congress.

The effort to pass an economic development bill has had a long and tortuous history involving two vetoes by President Eisenhower and finally culminating in the Area Redevelopment Act of 1961. I was pleased to play a part in this effort. I believe the bill we have before us today is a logical extension of the original Area Redevelopment Act. It combines the best features of the area redevelopment, the accelerated public works, and the Appalachian programs. It should substantially improve the ability of our local communities and regions to revitalize their economies.

I know we will be working closely together on this piece of vital legislation, and once again, I want to thank the able chairman of the Senate Public Works Committee for inviting us here today.

Thank you.

The CHAIRMAN. Thank you, Senator Douglas.

Senator Cooper, have you any comments or remarks?

Senator COOPER. Not at this time, thank you, Mr. Chairman.

The CHAIRMAN. If not, we will hear the first witness, Hon. John T. Connor, Secretary of Commerce. Mr. Connor is accompanied by Mr. William L. Batt, Jr., Administrator of Area Redevelopment Administration.

We are very glad to have you this morning and want you to proceed as you see fit. I see you have other gentlemen with you. If you want to introduce them before beginning, we will be happy to have you do so.

**STATEMENT OF HON. JOHN T. CONNOR, SECRETARY OF COMMERCE;
ACCOMPANIED BY WILLIAM L. BATT, JR., ADMINISTRATOR, AREA
REDEVELOPMENT ADMINISTRATION; HAROLD W. WILLIAMS,
DEPUTY ADMINISTRATOR, AREA REDEVELOPMENT ADMINIS-
TRATION; AND THOMAS W. HARVEY, CHIEF COUNSEL, AREA
REDEVELOPMENT ADMINISTRATION**

Secretary CONNOR. Thank you, Mr. Chairman.

In addition to Mr. Batt, I have Harold W. Williams, deputy administrator of ARA, and Tom Harvey, chief counsel of ARA.

Mr. Chairman and members of the committee, I appreciate this opportunity to testify in support of the President's proposed Public Works and Economic Development Act of 1965.

The need for the bill you are considering in these hearings, S. 1648, arises from the fact that many areas and regions in the United States are not keeping up with the Nation's unparalleled economic growth.

We are now in our 50th month of steady economic expansion. The national unemployment rate is at its lowest point in 7 years, although it is still too high at 4.7 percent.

Every month sees new records set in industrial production, gross national product, factory payrolls, total employed, and average income. But in many areas and regions of our Nation, these impressive, continuing achievements of our total national economy only serve to highlight the chronic failure of many area and regional economies to share in our national prosperity.

For example, the Nation's 100 hardest hit unemployment areas, in 28 States, had an annual average unemployment rate in 1964 of 13.6 percent or more than 2½ times the national average.

At the same time, the hardest hit rural areas, on the basis of the 1960 census figures, typically had incomes of less than one-third of the national median, which amounts to less than \$1,900 a year on which to support a family. Individual counties had much lower figures. For example, the 100 poorest counties as a whole had median family incomes ranging from \$1,260 to \$1,766 per year, or nearly 70 percent below the national average of \$5,660.

Moreover, because many of these distressed areas are characteristically clustered together, they often form what can be considered as districts and regions of economic distress, covering large portions of our country which have fallen behind economically.

We cannot afford to be complacent about this situation. One out of every five Americans lives in an area where economic opportunities are deficient. One out of every four American counties can be identified as having serious economic problems.

As the President emphasized in his message on Area and Regional Economic Development, we must be concerned when, and I quote, "any of our fellow citizens is denied the chance to build a full life for himself and his family."

To the people of an area suffering from economic distress, the meaning of that distress is abundantly clear: It usually means poor environment, poor health and sanitation facilities, poor clothing, less chance for an adequate education, inadequate food, and substandard housing.

To the people of other areas, the meaning of area economic distress may not be as clear, but it is just as real. It means fewer customers for their products. It means larger tax payments to make up for the smaller tax receipts from the distressed areas and to pay the costs of welfare and similar emergency programs. It means that our Nation's economic growth is being held back by our inability to use the full potential of our national resources.

The Congress has not been unmindful of these considerations. In 1961, recognizing that substantial unemployment and underemployment were causing hardship to many individuals and families and detracting from the national welfare, it passed the original Area Redevelopment Act to assist in the creation of new employment in the depressed areas. We learned much from this act, and it laid the groundwork for three other measures of great promise.

Among other things, we learned that while it is possible for new jobs to be successfully created in areas previously devoid of economic promise, it cannot be done easily, and it requires a great deal of preparation in terms of public service and development facilities. These

are the minimum public facilities required for the long-range economic improvement of an area, if it is to be capable of producing sustained industrial and commercial growth. We have also learned that there are substantial benefits for other areas when economic development begins in a depressed area. For example, a recent survey of the source of nearly \$52,500,000 worth of machinery and equipment purchased for certain major ARA projects, showed that significant portions of that total expenditure went to each of 45 different States. There is good reason to believe that this multiplier effect of new area and regional development spreads throughout the economy and provides immediate and tangible benefits for the Nation as a whole.

The three other Federal enactments which grew out of needs brought to light by the distressed areas problem were the Manpower Development and Training Act of 1962, the Public Works Acceleration Act, passed the same year, and the Appalachian Regional Development Act of 1965.

Of these measures, only the manpower development and training program and the Appalachian regional development program will continue to be in effect after June 30, 1965. The Area Redevelopment Act will expire on June 30 and has virtually exhausted its authorizations. The public works acceleration program has exhausted all of its appropriated funds and nearly all of its authorization. Yet, as President Johnson emphasized in his message of March 25, much remains to be done. It is for that reason that he has proposed a bill combining the best features of the previous related programs.

By "best features," I mean that the proposed Public Works and Economic Development Act contains three primary areas of emphasis, each based upon valuable knowledge and experience gained under a previous program or enactment. These areas of emphasis include the following:

First, the provision of \$250 million annually for sorely needed public works and development facility projects which both the APW and ARA programs have shown to be prerequisites for successful and sustained industrial and commercial development.

Second, an improved and expanded industrial, commercial, and development facility loan program, based upon the provisions of the Area Redevelopment Act, but including new authority to guarantee loans for working capital in connection with direct loan projects, and to provide assistance in the form of two-point interest rate rebate contracts to induce sounder firms to establish their new plants or expansions in redevelopment areas. A total annual authorization of \$170 million is provided for all types of loans and guarantees in order to insure maximum flexibility. In addition, new annual interest-rebate contracts are authorized which cannot exceed \$5 million annually.

Third, authority is contained in the bill to take advantage of the possibility of more effective economic development and redevelopment when counties and States having common economic problems and common interests are encouraged to unite in seeking common solutions with Federal help, as was done under the recent Appalachian Regional Development Act.

The development facility grant program, set forth in title I, includes authority for both direct and supplementary grants, for the acqui-

sition and construction of needed public works and public service facilities directed toward long-range economic development. Direct grants would be provided at 50 percent of project cost, and supplementary grants would be used to increase the Federal share of the cost of such projects, and of related projects under other Federal grant-in-aid programs, to a maximum of 80 percent of project cost. The purpose of the supplementary grants, as in the Appalachian Act, is to enable the States and other entities within depressed areas to take advantage of Federal grant-in-aid programs for which they are eligible, but for which because of their economic situation, they are unable to supply the required matching share.

It would be our intention to publish objective standards and regulations, setting forth the principal types of projects which would be eligible for assistance and the amount of assistance they might expect to receive within each classification of distressed area, similar to the procedure followed under the accelerated public works program. Title I would differ from the APW program, which was essentially a supplementary grant program, principally in requiring a relationship of the proposed project to general economic development, and in concentrating Federal assistance within areas of chronic or severe (rather than merely temporary) distress. The new program would differ from both the ARA and APW programs in also making grants available to designated economic development centers, located within multi-county districts, which I will discuss in connection with title IV.

We believe that the authorization figure of \$250 million annually for development facility grants is both adequate and realistic. While \$400 to \$450 million was obligated under the accelerated public works program in 1963 and 1964, this was a one-time effort designed for immediate stimulation of the economy as contrasted to the present \$250 million authorization available each year. Moreover, by requiring development projects to be related to the general economic development of the area and concentrating assistance where it will have the maximum economic benefit for areas in greatest need, Federal assistance can be used more efficiently and to better effect for long-term growth.

The development facility loan program under title II is necessary to provide funds to assist the local nongrant share of project cost, particularly in those cases where supplementary grants can be reduced by revenues produced by the facility itself. The business loan program contained under the same title is of vital importance if we are to provide not only the environmental facilities necessary to future economic development, but also the means by which new businesses can be established—or old businesses expanded—to take immediate advantage of the development facilities provided and to create the new industrial and commercial employment which is the fundamental and underlying purpose of the act.

As I have mentioned, the business loan program would provide not only direct financial assistance for the acquisition and construction of new land, buildings, machinery, and equipment, but also guarantees for working capital for projects assisted under the direct loan program. In addition, the new interest rate rebate provision would provide a new means of bringing more stable and promising business enterprises, which are able to obtain private financing, into depressed areas. While

the cost to the Federal Government of this inducement is relatively small, and does not require the outlay of large sums from the Federal Treasury, the \$5 million in new contracts authorized annually would enable the financing of \$250 million worth of industrial expansion in redevelopment areas each year.

The 10-percent local share requirement, which proved to be the greatest single impediment to business loan projects under the ARA program, has been modified under the new program to require only 5 percent from the community, and to allow concurrent repayment of the community's investment along with the Federal Government's loan. It is anticipated that this new provision will greatly increase our ability to bring new projects into areas of greatest distress.

All funds appropriated under the new act for the purpose of making loans would be deposited in an economic development revolving fund, which would be available without fiscal year limitations for receipts and expenditures in connection with the development facility and business loan program.

Title III of the bill would provide \$20 million annually for technical assistance in the development of plans and studies for the alleviation of unemployment and underemployment in areas throughout the country which have substantial need for such assistance. It would also authorize grants-in-aid, not exceeding 75 percent, for administrative expenses of appropriate State and intra-State organizations, in order to assist them in planning for long-range economic development. A program of research and information to combat unemployment is also authorized under this title.

Title IV sets out area and district eligibility criteria under the proposed new act. Section 401 of this title establishes detailed and objective standards for the designation of eligible "redevelopment areas" on the basis of unemployment, low family income, and projected unemployment based on economic emergencies. In addition, Indian reservations would be specifically eligible for designation in accordance with area-size criteria applicable to all areas; and areas designated under the present Area Redevelopment Act would continue to be eligible for a period of approximately 1 year until a first annual review of area eligibility in accordance with section 402. It should be noted that the use of annual (rather than monthly) unemployment data will not only facilitate the orderly administration of the program, and allow for greater accuracy of data by the elimination of seasonal factors, but will also permit a greater period of time for economic improvement within the eligible areas prior to their formal termination of eligibility for assistance.

Finally, title IV makes provision for the formation of multicounty "economic development districts," composed of two or more redevelopment areas and at least one "economic development center" of relatively promising potential for economic growth. Such centers would be eligible for loan and grant assistance under the act for projects which would be of benefit to the general economic development of the district. To provide additional incentive to designated redevelopment areas to form such districts, they would be eligible for 10-percent bonuses on development facility grants (subject to the 80-percent Federal maximum) on projects within designated development districts. To allow time for effective planning, the provisions of the

act pertaining to financial assistance to districts would not take effect for a period of 1 year. The availability of funds for planning purposes under title III, however, would be immediate. A total of \$50 million annually would be authorized for assistance to centers and for 10 percent bonuses on grants after the first year.

Another main feature of the new bill, of course, is the provision of title V which authorizes the establishment of appropriate multi-State regional action planning commissions to aid in regional economic development. It is our intention to insure that the commissions are formulated in a manner consistent with the purposes of the act, and that their emphasis will be on fostering economic development in areas and regions lagging behind the national economy generally. Title V authorizes a total of \$15 million annually for technical assistance to such regions and for grants-in-aid up to 100 percent of the administrative expenses of the commissions for the first 2 years of their existence. Thereafter, the Federal Government and the States in each commission would share expenses equally.

Title VI authorizes the appointment of an economic development administrator within the Department of Commerce, to perform duties in connection with the economic development program. It also directs the Secretary to appoint a National Public Advisory Committee on Regional Economic Development and to consult with persons and agencies who can assist in meeting problems of area and regional unemployment and underemployment.

Finally, title VII contains the provisions customary and necessary for the administration of this type of program. It provides the Secretary with certain powers in connection with loans and collateral, and is intended to insure a smooth transition between the area redevelopment program and the program authorized under the new act. The other provisions of title VII are substantially the same as under the Area Redevelopment Act, except that the provisions of the Davis-Bacon Act have been applied to industrial and commercial projects as well as to public facility projects, and there is a final section intended to extend benefits available to present redevelopment areas (designated under the Area Redevelopment Act) to redevelopment areas and centers designed under the new act.

It would be well at this point for me to emphasize the three basic principles laid down by the President in his message to Congress, and which I want to assure you will guide us in the conduct of this new program.

First, we are interested in helping to establish the conditions under which private enterprise can provide the maximum number of jobs for our distressed areas. We look to private enterprise to do the job, and everything we do under this program will be pointed toward helping local, area, State, and regional officials provide the environment and the assistance which will create improved conditions for private enterprise profits, and thereby make it possible for more jobs to be created.

Second, we are interested in local initiative. No amount of Federal help can do the job for the local people. As the President said, the requests for assistance must come to Washington, not from Washington. We want local areas to be stronger and more self-supporting because of this program, not weaker and more reliant on outside help.

Third, we are interested in getting full value from every dollar spent or loaned under this program. We intend to administer it so that it will create new jobs, assist national and regional economic growth, and at the same time enrich the Federal Treasury with new tax dollars arising out of our increased economic activity.

To these principles, I wish to add a few of my own:

First, we will see to it that the new employment created under this program constitutes truly new jobs and not a mere relocation of jobs from one area to another. We will police the anti-pirating provisions of the law stringently. We will go over every application thoroughly and meticulously to see to it that no relocation is involved, and this applies equally to requests for all forms of aid under the act.

Moreover, we are not only concerned with guarding against relocations of the same business. We are also concerned where there is excess capacity in an industry and where the effect of a new capacity would be to replace effective existing capacity. Our goal will be to assist and promote the economic growth of those areas and regions where this growth has been denied in the past. But we do not intend to take from one area to benefit another.

Second, we will be diligent and careful in the administration of the loan and grant program. We recognize that a development program requires the taking of risks which go beyond conventional banking standards. We recognize that we must be prepared to suffer some monetary losses. But we do not intend to allow the unscrupulous or the irresponsible to promote or finance unsound projects under this program. We will examine every project as thoroughly and completely and objectively as possible.

Third, we look upon the new public works and development facilities program as geared primarily toward the long-range economic development of the distressed areas. A massive public works program to bolster a sagging national economy is, fortunately, not needed at the present time.

Fourth, we intend to try our best to administer this program as simply, expeditiously, and economically as is practicable. Consistent with proper care and caution, we will try to eliminate unnecessary delays and needless redtape.

The President has said that the conditions of our depressed areas can and must be righted and that, in this generation, they will be righted.

The bill before you will, in my opinion, provide effective and useful tools to achieve the goal the President has set for us.

I urge the committee to approve this proposed legislation.

The CHAIRMAN. Thank you very much, Mr. Secretary, for this very fine statement.

Secretary CONNOR. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Cooper, do you have some questions for Secretary Connor. You may proceed.

Senator COOPER. Mr. Secretary, what is the total authorization required for this bill?

Secretary CONNOR. The total authorization, Mr. Senator, would be \$510 million.

Senator COOPER. I am glad my figures are correct.

The request for \$250 million for public works is important, and I would like to direct a question to you on this section.

Under the accelerated public works program, I believe the basis for grants for public works was chiefly the level of unemployment in a labor market area.

I understand from your statement that unemployment would still be taken into consideration, but also that you would be trying to direct these grants to areas where they would fit into the overall needs and possibilities for economic development in a particular area. Are there some additional criteria you will be applying to this section in making available grants for public works, other than the unemployment factor and might your criteria include consideration of the family incomes and earning ability of people in a particular area?

Secretary CONNOR. Yes, sir. We are also giving consideration to median family incomes. Areas where median family income is less than 40 percent and the national median is also eligible under this act, the test under this bill is stricter than the test under the accelerated public works program. There are areas of so-called surplus unemployment that were eligible under the APW program that would not be eligible under this. That program was intended to handle a more temporary unemployment program, whereas the objective of this act is to hit most forcefully in those areas of longer-term economic distress and to provide for the economic development of that area on a longer-term basis.

Senator COOPER. The distinction is that the original program was directed toward providing means for relieving unemployment as quickly as possible, and this program would be geared more to long-term economic development and to improvement of the economy and conditions which contribute to the well-being of areas and communities?

Secretary CONNOR. Exactly, sir.

Senator COOPER. Under the section which would make available loans and guarantees for business and commercial development, I want to ask about the authority requested for providing \$5 million in interest rebate contracts. Can you give some information about that section and about how it would work?

Secretary CONNOR. Yes, sir. In a way this would be an experiment, at least in our country. This interest-type incentive arrangement has been tried successfully in Belgium in order to attract business into the appropriate part of the country.

In our case, we have found from experience that some of the strongest companies with the most adequate financial resources have so many other possibilities for expanding their business that they do not give as much attention to some of these economically distressed areas because additional work is involved; it takes additional management responsibility; there are many other complicating factors. As a result, in prior experience with ARA, we have not had as many of the strongest corporations of this country participating as we think is desirable.

We think, with this added incentive on the financing side, that we can interest more of the stronger companies to come into these areas, and put their shoulders to the wheel, as part of this program. We think this two-point incentive would be very helpful to us and give the necessary inducements.

Senator COOPER. In the application of this section, you would keep in mind that objections have been made to this program, including

that it would result in pirating, and that it would increase the excess capacity?

Secretary CONNOR. Yes, sir; we would. That is very important.

Senator COOPER. Again referring to this section, I believe that section for which \$170 million is requested would include authorization for guarantees for working capital loans made privately, as well as for business facility loans. Is the purpose there to encourage and induce more investment of local capital and the use of loans from local institutions by making a guarantee available when the purposes of a project meet development criteria?

Secretary CONNOR. It is always our purpose to encourage maximum participation by local banks in these projects. As we have pointed out, in some areas it is very difficult for the local people to get up even as much as 10 percent of the amount needed when the total amount is a large figure, because of the size of the project. We are proposing that the local participation figure be reduced from 10 percent to 5 percent, but that the local participation feature be retained except when it is absolutely impossible and the need is the greatest, but we would have local participation to the full extent it is practical. We are proposing the guarantees for the same reasons—to encourage maximum local participation and to try to make working capital funds more readily available.

Senator COOPER. I know we have enacted the Economic Opportunity Act, the Appalachian Regional Development Act, which covers a limited area of special needs, and the Manpower Redevelopment and Training Act, among others directed at improving conditions in many areas. If this legislation should be enacted, do you foresee some means by which the activities under these various bills could be coordinated so that the risk of overlapping and the possibility of waste might be eliminated or reduced?

Secretary CONNOR. Yes, we have studied this rather extensively already and we will, of course, be mindful of it as we go along, but we see no real problem of overlapping. We have looked carefully at the Appalachian Act and there are some areas where we could provide assistance under the terms of this proposed bill, but, by administration, we think it will be quite simple to avoid any unnecessary duplication. The same is true of Manpower Development and Training Act.

Senator COOPER. I think that is very important.

In another part of your testimony, I think you emphasized that development under this bill would primarily be stimulated and initiated at the local level and by the people of communities to be involved. That is correct, isn't it?

Secretary CONNOR. That is correct.

Senator COOPER. I think Senator Douglas will remember the criticism directed toward this kind of legislation when it was considered by the Congress in previous years. Basically, it was that it was the type of legislation under which the Federal Government would go into areas and take charge of the initiated projects, without relying on the local people and community organizations and institutions.

My own study of this legislation, from its operation in the past, tells me that the primary thrust has been to encourage and induce local governments and local groups to initiate action and work that have come from the local areas, rather than from the Federal Government.

Is that one of the intentions of this bill?

Secretary CONNOR. Yes; that's exactly the intent.

We seek to be successful, particularly in the industrial and commercial areas. The project should be such as to fit in with the local environment, and the local people are in a much better position to get the project organized and going and submit it to us for review and evaluation. Following this procedure, we think that we will have better and sounder projects submitted for our approval.

Senator COOPER. While the requirement of local participation was 10 percent, and now it is proposed to reduce it to 5 percent, in many cases is it not correct that the local assistance in various forms went beyond 10 percent? For example, some States spent money for facilities and for roads to reach these areas where facilities were to be developed. Communities did the same thing, and they also developed other related programs and projects because of the tie to industry and jobs.

In many cases, and I remember some particular projects, at least in my own State, there was overall a greater participation than the 10 percent local share required by the original legislation to be shown on the direct investment in a specific business project.

Secretary CONNOR. Yes, sir; as you have indicated, the 10 percent was the minimum, but in many cases the actual participation by local interests, not including local banks taking mortgages and so forth, was quite in excess of 10 percent.

Senator COOPER. Thank you very much, Mr. Secretary.

The CHAIRMAN. Senator Randolph, I understand you have to leave to go to the White House for the signing of a bill of another committee. Do you have any questions or comments before you leave?

Senator RANDOLPH. Thank you, Chairman McNamara. This does give me the opportunity to refer to the signing later this morning by the President of the extension of the Manpower Training and Development Act, which became law in 1962.

Senator Cooper has referred to provisions of that act as they might apply under the proposal now being considered. It is my understanding that the act, as we passed it in the Congress, will contain the training provisions which were enunciated earlier in the Area Redevelopment Act. Is that true?

Secretary CONNOR. Yes, sir; that is correct.

Senator RANDOLPH. I think it is not inaccurate to say that the Area Redevelopment Act pioneered in Congress in many areas of legislative action which followed. I think it was truly the predecessor of much legislation in fields of economic development and manpower utilization.

I wish to say in the presence of Senator Douglas, who was the chief sponsor of the Area Redevelopment legislation, that those of us who joined with him in its passage thought that though there would be errors committed and mistakes made, that ARA would establish the necessary guidelines for attacking unemployment and improving economic conditions in certain sections of the United States.

I do not want to belabor the record, except to say that certainly the Economic Opportunity Act, the Manpower Development and Training Act, the Accelerated Public Works Act, the more recent Appalachian Regional Development Act—all these were a further indication to the American people that the administration and a very consider-

able majority of the Members of Congress believe that we must in no wise be timid in these matters, that we must take a very strong, concerted and coordinated effort to strengthen the economic areas of our country that need this help.

Mr. Chairman, I think that I shall have the privilege, through your direction, of presiding on Friday morning when we will consider especially the public works aspect of this legislation, and so the matters that I will discuss in reference to that program—how it might be carried forward in this proposal and how it might even be stimulated by increasing the authorization which is provided in this bill. Those will be matters I would wish to discuss on Friday morning.

I would, however, wish to note that Secretary Connor, in response to Senator Cooper's reference to the accelerated public works program, indicated that the APW program placed the emphasis on the immediate employment of people who needed work. Although this was true, Mr. Secretary, it is my thinking that even though it was accelerated by the very word in the act, the projects constructed under this act were in no wise temporary. These projects were permanent.

In some instances the facilities provided were necessary to the health of an area. In another section of the country the project was helpful in providing a more favorable industrial climate whereby industry could come in not through pirating but through a developmental program. I have mentioned this on a prior occasion at a committee hearing, but I want at this time to have the record reflect that in the State of West Virginia, Mr. Chairman, there has been no program, and I have participated in the cosponsorship of all the legislation which I mentioned, which has had a wider acceptance than has the accelerated public works program.

I would not want it to be misunderstood or understood that in that program we were doing something in a hurried slipshod manner. These are projects that were carefully considered, approved and funded both locally and federally.

To illustrate the humane impact of the APW programs, one project in the central part of West Virginia brought to 10 or 11 communities, Mr. Secretary, a water works, running water, hot and cold; for the first time ever, it came to approximately 700 families in the communities of Garc, Dawmont, Hepzibah, McIntyre, Farnum, Erie, Spelter, Lambert's Run, Meadowbrook, New Quarters, and Hughes.

I recall that when this project, made possible by an APW grant of \$175,000, was finally brought to fruition in November 1964, that one of those persons who would benefit, a lady in her middle sixties, said to me: "This will be the first time that I have ever been privileged to take a bath in a bathtub or a bath under a shower."

I repeat this story because it is a human document that comes out of the accelerated public works program. Those facilities were needed then; those facilities are needed in other areas now.

We have had, of course, approximately \$846 million spent under the accelerated public works program. We have had approved more than 7,700 projects, and we have had actually completed more than 6,000. The money is exhausted. The report from you, Mr. Chairman, which is a part of this hearing, indicates that is true.

I have only stressed this because I think this program of projects that involves approximately \$846 million, has been of inestimable

value in the strengthening of the economy and the employment of people.

Now, Mr. Chairman, with your indulgence and that of fellow members, I would like to ask three or four questions.

The CHAIRMAN. Please proceed, Senator Randolph.

Senator RANDOLPH. Mr. Secretary, does your department have an estimate of the increase in the gross national product which would result from bringing the 100 areas of greatest unemployment up to the national average. If you do not have that available immediately, it can be placed in the record at this point, at a later date.

Secretary CONNOR. I do not have it at the moment.

Senator RANDOLPH. What is the population of the 100 metropolitan areas of greatest unemployment? If you do not have that, that can be placed in the record also.

Secretary CONNOR. We will have to put that in the record also.

Senator RANDOLPH. I would also like you to supply the population figures of the 100 poorest counties in rural America, and I am sure you will provide that.

Secretary CONNOR. Yes, we will.

(Subsequently the following information was received:)

100 highest unemployment areas in United States: 1964

State	Labor area	County	1964 rate of unemployment
			<i>Percent</i>
Alaska.....	Wade Hampton.....	EN No. 19.....	31.7
Do.....	Kuskokwim.....	ED No. 15.....	28.2
Do.....	Kobuk.....	EN No. 17.....	28.1
Do.....	Bethel.....	ED No. 14.....	27.6
Kentucky.....	Inez.....	Martin.....	27.5
Do.....	Salyersville.....	Magoffin.....	26.3
Do.....	Jackson.....	Breathitt.....	23.4
Illinois.....	Golconda.....	Pope.....	21.7
Kentucky.....	Eddyville.....	Lyon.....	21.2
Do.....	Brownsville.....	Edmonson.....	20.9
West Virginia.....	Clay.....	Clay.....	20.2
Michigan.....	West Branch.....	Ogemaw.....	19.8
Alaska.....	Nome.....	ED No. 18.....	19.6
Illinois.....	Rosiclare.....	Hardin.....	18.9
Kentucky.....	Hyden.....	Leslie.....	18.5
Michigan.....	Newberry.....	Luce.....	18.4
Wisconsin.....	Neopit.....	Menominee.....	18.1
Colorado.....	Pagosa Springs.....	Archuleta.....	18.1
Oklahoma.....	Stilwell.....	Adair.....	17.5
West Virginia.....	Webster Springs.....	Webster.....	17.3
Maine.....	Calais-Eastport.....	Washington.....	17.2
West Virginia.....	Williamson.....	Mingo.....	16.6
Michigan.....	Hart.....	Oceana.....	17.1
New Mexico.....	Wagon Mound.....	Mora.....	16.5
Do.....	Espanola.....	Rio Arriba.....	16.5
Georgia.....	Homer.....	Banks.....	15.9
Kentucky.....	Hazard.....	Perry & Knott.....	15.6
Indiana.....	Marengo.....	Crawford.....	15.4
Alaska.....	Kenai-Cook Inlet.....	ED No. 10.....	15.4
North Carolina.....	Robbinsville.....	Graham.....	14.7
California.....	Placerville.....	El Dorado.....	14.7
Oklahoma.....	Wagoner.....	Wagoner.....	14.4
North Carolina.....	Bryson City.....	Swain.....	14.3
Tennessee.....	Oneida.....	Scott.....	14.2
Michigan.....	Cheboygan.....	Cheboygan.....	14.6
Do.....	St. Ignace.....	Mackinac.....	14.5
West Virginia.....	Gassaway.....	Braxton.....	14.4
Do.....	Point Pleasant.....	Mason.....	14.3
Do.....	Oak Hill.....	Fayette.....	14.2
Michigan.....	Montgomery.....		
Minnesota.....	Sault St. Marie.....	Chippewa.....	14.2
California.....	Mahnomen.....	Mahnomen.....	14.0
Kentucky.....	Sonora.....	Tuolumne.....	13.8
New Mexico.....	Middlesboro.....	Bell.....	13.4
West Virginia.....	Taos.....	Taos.....	13.3
	Franklin.....	Pendleton.....	13.3

100 highest unemployment areas in United States: 1964—Continued

State	Labor area	County	1964 rate of unemployment
			<i>Percent</i>
Illinois	Shawneetown	Gallatin	13.3
Arkansas	Ozark	Franklin	13.3
Arkansas	Van Buren	Crawford	13.3
Ohio	Batavia-Georgetown	Brown-Clermont	13.2
Maryland	Crisfield	Somerset	13.2
Georgia	Young Harris	Towns	13.2
Alaska	Bristol Bay	ED No. 15	13.2
Minnesota	Bagley	Clearwater	13.2
Kentucky	Paintsville	Johnson	12.8
Oklahoma	Poteau	Le Flore	12.8
West Virginia	Grantsville	Calhoun	12.7
New York	Median-Albion	Orleans	12.7
Indiana	Scottsburg	Scott	12.6
Florida	Bonifay	Holmes	12.6
Minnesota	Grand Rapids	Itasca	12.5
New Jersey	Ocean City-Wildwood	Cape May	12.4
West Virginia	Logan-Madison	Boone-Logan	12.3
New Mexico	Las Vegas	San Miguel	12.3
Oklahoma	Wilburton	Latimer	12.3
West Virginia	Welch	McDowell	12.2
Kentucky	Bardwell	Carlisle	12.1
North Carolina	Murphy	Cherokee	12.1
Kentucky	Flatwoods	Greenup	12.0
Wisconsin	Hurley	Iron	12.0
North Carolina	Hayesville	Clay	12.0
Alaska	Palmer-Wasilla-Talkeetna	ED No. 9	12.0
Tennessee	Mountain City	Johnson	11.9
Arkansas	Searcy	White	11.8
Pennsylvania	Punxsutawney	Jefferson	11.8
Massachusetts	Bourne-Wareham	Plymouth (part) Barnstable (part)	11.7
Massachusetts	Provincetown	Barnstable (part)	11.7
Tennessee	Greenville	Greene	11.7
Idaho	St. Maries	Shoshone-Benewah	11.7
Alaska	Cordova-McCarthy	ED No. 7	11.6
Georgia	Pembroke	Bryan	11.5
Maryland	Oakland	Garrett	11.5
Idaho	Orofino	Clearwater	11.5
Michigan	Standish	Arenac	11.5
Oklahoma	Holdenville	Hughes	11.4
Mississippi	Leakesville	Greene	11.4
California	Susanville	Lassen-Plumas	11.4
Kentucky	Mayfield	Groves	11.3
Texas	Zapata	Zapata	11.2
Oklahoma	Atoka	Atoka	11.2
Kentucky	Monticello	Wayne	11.2
Georgia	Monticello	Jasper	11.0
Alaska	Seward	ED No. 11	11.0
California	Hollister	San Benito	11.0
Kentucky	Russell Springs	Russell	11.0
Indiana	Knox	Starke	11.0
Massachusetts	Gloucester	Essex	10.9
California	Modesto	Stanislaus	10.8
Indiana	Clinton	Vermillion	10.7
Kentucky	Barbourville	Knox	10.6
New Jersey	Newark, City of		10.6

100 counties with lowest median family income: 1951

State	County	1959 median family income
Mississippi	Tunica	\$1,260
Kentucky	Owsley	1,324
Tennessee	Fayette	1,363
Mississippi	Jefferson	1,370
Alabama	Lowndes	1,387
Do	Greene	1,404
Tennessee	Hancock	1,442
North Carolina	Greene	1,451
Mississippi	Holmes	1,453
Kentucky	Wolfe	1,455
Mississippi	Issaquena	1,479
Do	Carroll	1,484
Do	Kemper	1,515
Do	Quitman	1,517
Alabama	Wilcox	1,550
Do	Bullock	1,557
Do	Sumter	1,564

100 counties with lowest medium family income: 1951—Continued

State	County	1959 median family income
Mississippi	Humphreys	\$1,580
Do	Tallahatchie	1,588
Georgia	Webster	1,612
South Carolina	Williamsburg	1,631
Mississippi	Claiborne	1,647
Kentucky	Jackson	1,651
Georgia	Baker	1,660
Arkansas	Newton	1,666
Alabama	Perry	1,675
Mississippi	Noxubee	1,676
South Carolina	Lee	1,680
Louisiana	Tensas	1,683
Tennessee	Jackson	1,684
Texas	Starr	1,700
Alabama	Hale	1,703
Georgia	Early	1,703
Tennessee	Clay	1,704
Kentucky	Russell	1,704
Arkansas	Lee	1,710
Kentucky	Clinton	1,714
Do	Menifee	1,733
Texas	San Jacinto	1,737
Arkansas	Stone	1,740
Mississippi	Tate	1,752
South Carolina	Calhoun	1,766
Mississippi	Bolivar	1,768
Do	Jefferson Davis	1,772
Tennessee	Haywood	1,773
Mississippi	Marshall	1,784
Do	Sunflower	1,790
Georgia	Taliaferro	1,795
Mississippi	Panola	1,799
Kentucky	Casey	1,802
Do	Clay	1,833
Mississippi	Choctaw	1,833
Kentucky	McCreary	1,835
Do	Lee	1,847
Tennessee	Lauderdale	1,847
Mississippi	Benton	1,853
Georgia	Burke	1,855
Kentucky	Monroe	1,856
Virginia	Lee	1,856
Mississippi	Webster	1,857
Do	Sharkey	1,859
Do	Madison	1,862
Tennessee	Claiborne	1,868
Georgia	Union	1,885
Arkansas	Fulton	1,886
Mississippi	Leake	1,892
Kentucky	Cumberland	1,898
Do	Rockcastle	1,898
Texas	Houston	1,901
Arkansas	Sharp	1,902
Do	Woodruff	1,902
Mississippi	Pontotoc	1,903
Tennessee	Hardeman	1,906
Arkansas	Lincoln	1,911
Georgia	Calhoun	1,913
Alabama	Crenshaw	1,914
Tennessee	Lake	1,916
Kentucky	Metcalfe	1,922
North Carolina	Tyrrell	1,927
Arkansas	Madison	1,928
Kentucky	Robertson	1,930
Do	Adair	1,939
Georgia	Dooley	1,942
Tennessee	Fentress	1,942
South Carolina	Clarendon	1,945
Texas	Leon	1,946
Georgia	Atkinson	1,956
Tennessee	Meigs	1,956
North Carolina	Warren	1,958
Arkansas	Van Buren	1,968
Do	St. Francis	1,973
Kentucky	Morgan	1,976
South Dakota	Todd	1,976
Missouri	Ripley	1,977
Georgia	Clay	1,978
Do	Stewart	1,979
North Carolina	Hyde	1,979
Mississippi	Wilkinson	1,982
Tennessee	Bledsoe	1,984
Georgia	Taylor	1,987

The 1959 median family income and 1964 unemployment rates in the following 12 counties qualify them for inclusion in the list of 100 poorest counties as well as the 100 highest unemployment areas. In order to avoid duplication, they have been included in the 100 highest unemployment list and excluded from the low-income areas.

State	County	1959 median family income
Kentucky	Breathitt	\$1,432
Alaska	Wade Hampton	1,469
Kentucky	Magoffin	1,504
Do	Knox	1,722
Do	Wayne	1,729
Alaska	Bethel	1,745
Texas	Zapata	1,766
Tennessee	Johnson	1,784
Kentucky	Leslie	1,838
Do	Knott	1,876
Oklahoma	Adair	1,919
North Carolina	Clay	1,921

ESTIMATE OF INCREASE IN GNP RESULTING FROM BRINGING THE 100 AREAS OF GREATEST UNEMPLOYMENT UP TO THE NATIONAL AVERAGE

It is commonly estimated that for each worker who is jobless for a full year the Nation loses \$8,500 in gross national product. In the 100 areas of highest unemployment in 1964 an additional 52,000 jobs are needed to reduce the rate of unemployment to the national average. An additional 22,000 jobs are needed to overcome the deficiencies in job opportunities which have discouraged many men and women from finding jobs and who have withdrawn from the labor force. These individuals are not counted as unemployed.

If these workers were put back to work, it is reasonable to assume that there would be an annual increase in the gross national product of more than one-half billion dollars.

The population of the 100 metropolitan areas of highest unemployment was 23 million in 1960.

The population of the 100 so-called poorest counties in rural America was 1.4 million in 1960.

The estimated increase in gross national product referred to above was computed as follows:

1964 average work force	709,610
Actual unemployed (number)	88,864
Number of unemployed at national rate (5.2)	36,900
Excess of unemployment over national rate	51,964
Estimated annual loss in GNP per jobless worker	\$8,500
Estimated increase in GNP resulting from decrease in rate of unemployment to national average	million-- \$441.7

The above estimate would be increased by \$187 million if "hidden" unemployment were taken into account. Hidden unemployment includes the many men and women who have despaired of finding jobs and have withdrawn from the work force and therefore are not counted as unemployed. If the average proportion of persons employed or seeking work in these 100 areas equaled the national average, there would be some 22,000 additional persons seeking work.

Senator RANDOLPH. In the proposed legislation, as has been mentioned by several Senators, Senator McNamara and Senator Cooper, we authorize \$250 million annually under title I for public facility grants. Is there any estimate, I mean a working figure, that you could discuss with this committee on the backlog of needs for public facilities in the areas which qualify under the provisions of the proposed act, and would the act also provide grants for water treatment and distribution facilities?

Secretary CONNOR. In answer to your first question, there is a backlog of projects that might well qualify. The total is roughly \$450

million. With respect to the water-treatment facilities, these would not qualify. Mr. Williams reminds me that for supplementary grants, they would qualify but not for direct grants.

Senator RANDOLPH. Thank you, Mr. Secretary.

I have one final question, Mr. Chairman. One of the limitations of the Area Redevelopment Act has been that it offers comparatively little incentive for major corporations—to locate or expand operations in redevelopment areas. Would this deficiency be corrected under the legislation proposed today?

Secretary CONNOR. It is our hope this 2 percent interest incentive would help us interest more of the major corporations into coming into this program. We think this would be a very helpful reason for us to encourage their participation.

Senator RANDOLPH. I agree with you, Mr. Secretary, and appreciate your affirmative response.

Mr. Chairman, I think it is significant that approximately 40 members of the Senate have joined with Senator Douglas and yourself in presenting the Senate 1648 to our body. This indicates the interest, the intense interest of the membership in many, many areas of the country and of both political parties. I am very happy that, faced as we are with a time limitation on the ARA running out June 30, you are moving quickly and, of course, thoroughly to consider this legislation. I hope we can pass this legislation in the very near future.

I want to join with you, Senator Douglas and other members of the committee, and the Senate, in moving it forward quickly.

At this point in the record, Mr. Chairman, I ask unanimous consent to insert excerpts of a perceptive article by Mr. Phil Hirsch which was recently published in the *Gazette and Daily of York, Pa.* The article refers to the Appalachian Regional Development Act as path finding legislation for the type of legislation we are considering today.

(The article referred to follows:)

The CHAIRMAN. Thank you, Senator Randolph.

Senator Douglas, do you have any comments or questions at this point?

AID FOR APPALACHIA: A FEDERAL-STATE PARTNERSHIP

A way to resolve an old conflict

WASHINGTON.—The most significant part of the "Appalachian Regional Development Act of 1965," now passed by the Congress, is not the money it would provide, nor the programs it would launch, but rather the State-Federal partnership it proposes.

Ever since George Washington's day, Federal and local government officials have been arguing about the limits of their respective responsibilities. The Appalachian aid bill offers a way of resolving the conflict.

COMPREHENSIVE RESPONSIBILITY

The Appalachian aid bill, as enacted, will set up the first development agency with enough depth and breadth to bring about truly comprehensive genuinely regional development.

This agency, the Appalachian Regional Commission, will be concerned with highways, vocational schools, hospitals and clinics, sewage treatment plants, and a variety of other facilities ranging from libraries to airports; with control of soil erosion, with development of timber resources, rehabilitation of coal mines, and encouragement of private investment. In short, it will have a comprehensive responsibility.

ARC will also have the administrative tools needed to produce successful plans: a research and technical staff, an office in Washington, close liaison with aid-granting Federal agencies, and authority to set up demonstration projects. Congress willing, the agency will have a budget—amounting to approximately \$2 million in fiscal 1966 and 1967—that is large enough to produce something more concrete than discussion.

The Commission's field of operations will cover a region of like economic, historic, and social background that includes all of one State—West Virginia and parts of 10 others: Alabama, Georgia, Kentucky, Maryland, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia. New York will be added to the list if Governor Rockefeller agrees. The jurisdiction, in other words, will be truly regional.

LONG OVERDUE BREAK

The program will be run by the participating States, though, not by the ARC or the Federal Government. Considering how many previous attempts at regional development have foundered on this rock, the operating mechanics of the Appalachian plan are probably its most important single feature.

The way this particular bill has been enacted, it represents a long overdue break in the argument over States' rights, an argument that has hamstrung social and economic progress in this country for years. Speeches and articles by the carload have been produced, attacking planning on a regional or larger basis. The critics contend that such planning restricts the individual American's control over his own destiny. An equally huge torrent of words has been uttered and written in defense of such planning, on the grounds that otherwise the individual, along with his freedom, will drown in a polluted traffic-snarled, overcrowded, bankrupt, racially-torn urban jungle.

Neither side has been willing to admit that regionalism, no matter how technically desirable, runs counter to this country's entire historic tradition. Beginning with the migration of religious rebels to these shores early in the 17th century, continuing through the Revolutionary and Civil Wars, the settlement of the frontier, and coming down to such still-current events as the civil rights bill and the hassle over Federal aid to education, Americans have made it abundantly plain that they want their governing agencies to be locally-based.

The distinctive feature of the Appalachian Regional Commission is that it sets up a comprehensive program for developing an entire region, but leaves control in locally elected hands. Section 222 of the adopted legislation says: "Nothing contained in this act shall be interpreted as requiring any State to engage in, or accept, any program under this act without its content."

GOVERNORS ON COMMISSION

Scattered through the bill are a number of related controls. For example, the ARC, on its own, can't develop programs, apply for Federal funds or operate any facilities. The programs must be originated by one of the participating States, or by a political subdivision.

The Commission is to be composed of the Governor of each participating State, or his designated representative, plus a Federal appointee. The Federal official and one of the State representatives serve as cochairmen. The Commission can act on a proposal only after the Federal representative, plus a majority of the State representatives, have agreed.

The virtue of this arrangement is that a State doesn't have to go along with a project which the Commission majority desires; but that refusal, in itself, won't prevent the program from going forward. Neither will it prevent the objecting State from getting aboard later on if the initial opposition subsequently evaporates.

CHANCES LOOK GOOD

Resolving controversial issues on such terms is impossible in smaller regional associations, simply because of the mathematics involved. Even when three or four State or local governments cooperate, it is still easy for well-organized pressure groups to block action. And this is probably why so few intergovernmental agencies have been able to come to grips with basic problems.

Now that the Appalachian aid bill is enacted, the chances look pretty good according to Senator Jennings Randolph of West Virginia, chief architect of the measure, that the ARC is likely to become a model for similar agencies

in other areas. Already, a bill has been introduced in the Senate to provide Federal assistance to regional development agencies formed by any two or more contiguous States having like geography, cultural, historic, and economic backgrounds.

Even more important, though, passage of the Appalachian aid bill has set the stage for a new era in Federal-local relations—one characterized by more concrete action and fewer polemics.

Senator DOUGLAS. Thank you, Mr. Chairman. I first want to congratulate the Secretary for his very intelligent and aggressive spirit of the testimony. We frequently hear about the costs of the Area Redevelopment programs, and the Accelerated Public Works program, and the Manpower Development Training program, but it is not true. If we did nothing the costs terms in money would probably be even greater. Namely, it would be welfare and unemployment payments.

Secretary CONNOR. Yes, sir; Senator Douglas. The economic costs would be very high, but in addition, the human costs, lack of realizing a potential of hundreds of thousands of people, would be even more serious.

Senator DOUGLAS. And also you get people back to work, you have a tax base for the localities and for the cities, and for the National Government, isn't that true?

Secretary CONNOR. Yes, sir. No question about it.

Senator DOUGLAS. So in truly economic terms, it is probable the cost of doing nothing is much greater than the cost of doing something?

Senator CONNOR. Yes, sir; and as I think you have indicated, welfare costs would fall upon regions that are having a tough time anyway. This would be a very severe hardship.

Senator DOUGLAS. Now, it is sometimes said that we should let these so-called depressed areas drift and use the high unemployment in these areas to force people to go into the expanding areas. In the first place, I think it was Adam Smith who said that man is, of all baggage, the most difficult to be transported. There are family ties and local attractions that will hold a great many local people in these areas, are there not?

Secretary CONNOR. Yes, sir; that has been our experience. Many families just don't want to move even though there are job opportunities, hundreds or thousands of miles away. I might say that in my prior business experience, I had a considerable amount of experience in foreign economic programs and this is also the case in other countries. People, many people, like to continue to live in the area where they were born and raised.

Senator DOUGLAS. Secondly, if they go to these expanding areas, it would be necessary to build housing for them; it would be necessary for the local governments to extend the streets and provide sewer systems and water systems for the public utilities, to extend the electric lines and the telephone lines for capital construction in the field of retail trade, and for churches and other public institutions. In other words, it would have to be a tremendous investment of what can be termed social capital to care for this migration of people.

But if industry can be developed in these regions you can utilize, can you not, what I believe intellectuals down in the State Department, call "infrastructure" and in many cases the infrastructure is more than adequate to take care of larger populations presently in the region.

It is in the overall national interest, I think, to bring jobs to these people and to bring more job opportunities to attract more people into the regions if possible.

The CHAIRMAN. Senator Murphy, do you have any comments or questions?

Senator MURPHY. I would like to congratulate the Secretary for what I consider the best presentation I have heard in my short period of serving in the Senate. I would like to say this bill seems pointed directly at one of the problems I have talked about at great length, the necessity of creating jobs and increasing payrolls, giving people a chance to go to work on their own. I would like to ask two questions, on behalf of Senator Fong, my colleague. His first question is:

What States, if any, will not have any areas eligible for Area Re-development assistance, at the present time, under the criteria in Senate bill 1648?

Secretary CONNOR. Mr. Batt has made a study of this and I would like him to answer your question.

Mr. BATT. They will all have something which is eligible, Senator Murphy; that is, subject to the guidance we get from the Congress on the Proxmire amendment. We did and do have a difference of opinion between the GAO and Department of Commerce, on whether or not Hawaii, Delaware, Vermont, and New Hampshire should have these areas which were worked out between ourselves and the Governors. Under the Proxmire amendment, they feel they should not be in and we feel they should. We hope Congress will give us some guidance.

Senator MURPHY. Thank you very much. I have no further questions.

The CHAIRMAN. Senator Douglas, will you continue?

Senator DOUGLAS. In your testimony you say—

In addition, new annual interest-rebate contracts are authorized which cannot exceed \$5 million annually.

For 2 percent interest, subsequently this would presumably relieve \$250 million of private investment, would it not?

Secretary CONNOR. Yes, sir.

Senator DOUGLAS. Do I understand this is cumulative, that is, \$5 million additional authorization each year so that in the second year there would be a total of \$10 million; third year, a total of \$15 million, and the fourth year a total of \$20 million, and so on?

Secretary CONNOR. Yes, sir; that is the intent.

Senator DOUGLAS. So there would be an additional relief of \$250 million each year. I would like to ask: Do you think there should be some maximum limit placed upon the total amount of the interest subsidy or some limit upon the number of years that this interest subsidation be carried through?

Secretary CONNOR. Of course, there is a 10-year limit. Since this is experimental in nature, I think it might be reasonable to have a specific limitation for this provision. We have not given it any specific thought.

The underlying objective here is to get corporations that have adequate financial resources to involve themselves in these projects, to come in. They don't need any loans or guarantees, but we think this incentive of the 2-percent rebate would provide that. It may be that

after a period of time, this will have served its purpose or it may prove to be as useful as we now think it will.

Being an experiment, it probably should have a limitation.

Senator DOUGLAS. Do I understand your statement then to be that you think the present 10-year limitation would make possible ultimate subsidy of \$50 million in the 10th year?

Secretary CONNOR. Yes, sir.

Senator DOUGLAS. And a total investment during this time of \$2,500 million, that is \$250 million for each 10 years?

Secretary CONNOR. Yes, sir.

Senator DOUGLAS. You get tremendous leverage by subsidy of interest rather than by loan of capital?

Secretary CONNOR. Exactly, sir.

Senator DOUGLAS. One other question I want to ask. I would like to follow up on the bill introduced by Senator McIntyre, of New Hampshire, which I think Senator Muskie also has an interest in. Take a place like the Portsmouth Navy Yard, which is being closed down. You can tell in advance this is going to strike a heavy blow in Portsmouth, N.H., and Kittering, Maine. We had to wait after the passage, we had to wait until after the blow occurred and until only then could relief and loans be given.

Does this bill have any authorization to permit the authorities to anticipate what is going to happen and take steps to mitigate in advance the severity of the blows?

Secretary CONNOR. It is my understanding it does.

Mr. Batt has made a study of the specific situation involving Portsmouth, and I would like him to elaborate on it.

Mr. BATT. Under section 401(a), subparagraph (4), Senator Douglas, the Secretary may designate, upon request of such areas, those additional areas in which he determines that the loss, removal or closing of a major source of employment, has caused or is about to cause an unusual and abrupt rise in unemployment or underemployment of such magnitude that the area can reasonably be expected to become eligible for designation under the other provisions of this act within 3 years unless assistance is provided. We have in mind not only the situation of defense closedowns, but also major private plant closedowns where this situation wouldn't make them eligible. We wouldn't have to wait for that. We could with the help of the Labor Department, predict that and bring them in under the act.

Senator DOUGLAS. I want to congratulate you on including this provision and congratulate Senator McIntyre and Senator Muskie for including the legislation. I think it makes this measure more workable, more responsive than the Area Redevelopment. We were never able to get this provision in the Area Redevelopment Act.

The CHAIRMAN. Thank you, Senator.

Senator Gruening, do you have any comments or questions?

Senator GRUENING. Yes, first of all, Secretary Connor, I want to commend you on a very fine and lucid statement. I think this is a very important piece of legislation and I happen to be a cosponsor.

I have a couple of questions. You say: "We believe that the authorization figure of \$250 million annually for development facility grants is both adequate and realistic." It is my understanding that when the public works program ran out of funds, there was some

\$750 million worth of projects ready to go. There was local matching—I'm not sure whether this was the figure you had in mind when you said \$450 million. At any rate, there was a substantial amount. Assuming no new projects develop and those projects are still current, it would take 3 years to catch up with those. Don't you think it would be a good idea to clean these up?

Secretary CONNOR. The \$450 million figure I gave is our estimate after taking into consideration the stricter or tighter area criteria in this act, compared with the Accelerated Public Works Act. However, even this figure may include projects no eligible under the new act. If we included the backlog of projects that fell under the broader test, having to do with surplus areas under the Accelerated Public Works Act, the figure would be closer to the one you mentioned.

Now, looking at the \$450 million figure, it is true it would take that period of time to work it out, but we do have this continuity feature in this legislation and we think the \$250 million a year is a realistic estimate of what the needs will be that can be taken care of in meeting the tighter criteria.

Senator GRUENING. In your statement in the paragraph beginning with the word "Third," you also say: "A massive public works program to bolster a sagging national economy is, fortunately, not needed at the present time."

Well, of course, our economy isn't sagging and it is a very affluent economy, as we know, but the lower levels will still have the unemployment and poverty which this act and other measures aim to correct. I am wondering whether the real problem today isn't trying to get rid of as much unemployment as rapidly as we can and at the same time propose and carry out useful projects.

I want to digress a moment and say that Senator Randolph's testimony about the woman who never had the opportunity to have hot-and-cold-running water in her home, is found many, many times in my State of Alaska. There are whole communities in which there has never been running water, and other communities in which there is no adequate sewer and water treatment. Raw sewage is dumped into the rivers or seeps into the ground among the dwellings.

Elsewhere in this program, the President felt it desirable to eliminate pollution, which is still widespread all over our country.

My hope would be to correct the very deficiency to which Senator Randolph made reference. We want to move as rapidly as we can on these projects. While I realize there are budgetary considerations which have to be kept in mind, I am hopeful the committee will carefully study this figure and whether it finds itself in agreement with your survey or not, I hope that the program of grants will be adequate. I think that is a matter we will probably take testimony on. Many people have testified before—Governors, mayors, county officials, chamber of commerce and organized labor representatives, and so forth, all over the country. If it is found that the amount proposed is not realistic, judging from the testimony, I hope the subcommittee and full committee will take that into consideration.

That is all I have to say. I don't know if you want to comment on that, but I think it is perfectly understandable that any representative of the administration would take the view that whatever the President proposes would be adequate.

Secretary CONNOR. Thank you, sir. You are very understanding. The CHAIRMAN. Any questions, Senator Muskie?

Senator MUSKIE. Yes, sir. I have a few questions. First, I would like to say I join in the general approval of the committee with respect to the statement you have made.

I would like to say very briefly but definitely that in my State both the Area Redevelopment Act and the accelerated public works programs have been meaningful and helpful programs and their extension and their further development are fully justified along the lines you suggest in the bill.

I want to add that little personal endorsement at this point.

Secretary CONNOR. Thank you, Senator.

Senator MUSKIE. I would like to pursue the question asked by Senator Douglas with respect to Portsmouth. I would like to direct your attention to page 22 of the bill which relates to that kind of situation because I have some doubt as to whether the present language would fully serve our requirements in the Portsmouth area.

Let me read the language of that subsection. "Upon request of such areas, those additional areas in which the Secretary determines that the loss, removal, or closing of a major source of employment has caused, or is about to cause an unusual and abrupt rise in unemployment or underemployment of such magnitude that the area can reasonably be expected to become eligible for designation under the other provisions of the act, within 3 years, unless assistance is provided."

Under the Portsmouth case, because of the extent to which the Navy yard is intertwined in the economy of the area, the Secretary has provided 10 years for phasing out the closing. We hope there may be developments in the 10 years which would suggest the reversal of the program to close the base, but that isn't the purpose for which the 10-year phaseout was provided. The 10-year phaseout was provided to enable us to adjust to the closing of the base.

The language I read here would not suggest 10 years is of such immediacy in terms of the unemployment policy necessary to trigger this portion of the bill. I think most of the other bases were closed immediately or within a 3-year period. Portsmouth is a 10-year period.

As you know, and I will add this to fill out the record, there has been consideration of removing the designation of eligibility for that area of Maine near Portsmouth under the Area Redevelopment Act for over a year now. I don't know what is going to happen to that situation if this legislation is enacted, but presumably one of the features that would give us relief is this one.

I want to be sure this is adequate.

Secretary CONNOR. I am not sure we have given that adequate consideration to the type of phasing out situation over a long period of time, such as you have described. I would like the opportunity to take another look at this and possibly make some suggestions.

Senator MUSKIE. Obviously, since that 10 years was provided to help us phaseout then the resources of the Federal Government should be at our disposal, especially under this act. I would hope you would look at it and possibly suggest changes which would help us.

Secretary CONNOR. We will do that.

Senator MUSKIE. On the public works feature of the bill—and I understand it, we are to concentrate on those features in the hearings, since we will take up the other features in the Banking and Currency

Committee, of which I am also a member—let me ask this question, pursuing the line started by Senator Randolph and Senator Gruening. The backlog, you say, is \$450 million. I am curious about two results if we were to stick with the \$450 million. First, all these projects in the backlog are fully developed and ready to move the moment this act is authorized. What is going to happen to those communities which were not able to establish need at the time this backlog was developed, were not able to establish their projects? Are those communities going to have to wait 2 years before they can even file an application that is going to be considered?

Secretary CONNOR. No, sir. The situation is that even the applications now on file for APW type of assistance will have to be reexamined by the sponsors and a new application filed meeting the new test.

The engineering and other studies that were the basis for the APW application will save them a lot of time in preparing the new-type application, but, nevertheless, all bets will be off under this new law and everyone will have to come to a new starting point.

Now, communities that have no such application on file, presumably are studying the possibility under this new legislation, and will have the opportunity of preparing this application and submitting it as soon as they can. It will be a different way than was the case before.

Senator MUSKIE. Yes, but these runners have spikes on their shoes. I am not sure new entries will have.

Secretary CONNOR. That is true. They will have some advantage to the extent these studies they have already made will be useful.

Senator MUSKIE. I found under the Accelerated Public Works Act, many communities, even though they knew the legislation was being considered, had not really done anything about preparing themselves and there was only a 2-year period over which they could develop these projects. Most of them started from behind the line, from the time that legislation was enacted so they really never had a good chance to develop good projects, especially sound projects. They were able to develop some projects for the APW program that were already in the community or State pipeline, but in terms of the long-range planning about which you are speaking, on which this public works bill is based, communities have not had that opportunity, especially small towns such as in my State.

Of course, if we are talking of the large cities which have developed sophisticated public works agencies of their own, they can move into this program quickly. But I am concerned about the small towns and communities which cannot move as quickly and which do not have the engineering staffs, do not have the opportunity of long-range community planning which must be the basis of the concept which you describe in your statement.

I am concerned that this \$250 million limit is going to work to their disadvantage, especially. I don't know what you can say that will be reassuring on this point, but I want to say this is going to be in my mind as I consider the adequacy of that \$250 million feature.

Secretary CONNOR. There is no question that a community that has done no such planning up to the present time will have to take some time in preparing its project, with technical assistance that is available, we think. But the big advantage of the proposed legislation is that it is not a crash 1- or 2-year program. It will have continuity,

so, although it will take longer for these communities starting from scratch to get into the line, they will have reasonable expectations that there will be money available in subsequent years.

Senator MUSKIE. Did you ever have occasion to watch one of these automobile jalopy races that are so prevalent out in rural areas of my own State? Do you know how they bunch up for that race? The track is usually 4 or 5 cars wide, but there are usually 50 or 60 cars in the race. If you are quite a few cars back, it takes quite a few laps of the track to catch up to the front, even if you have a good car. That is what I am worried about.

Secretary CONNOR. We are all familiar with the story of the tortoise and the hare.

Senator MUSKIE. Yes, but we are helping the hare here. In response to either Senator Randolph's or Senator Gruening's question, you indicated you did not think waterworks would be eligible for direct grants. Now, under APW, they were eligible and, in fact, those kinds of facilities were a major activity under the program. I wondered if your recollection on that was accurate.

Secretary CONNOR. It may be inaccurate, and I would like Mr. Batt to talk directly to this whole point.

Mr. BATT. As you know, water and sewer lines were our busiest customers under APW and we would assume they would be the same under this program, because this seems to be the greatest shortage in all the areas.

Senator MUSKIE. Thank you. I am glad to have that assurance.

Now, this bill, as I understand it, builds upon the Area Redevelopment Act, extends it by an expansion of the public facilities programs of the Area Redevelopment Act and with lessons taken from APW. Then it adds to it, the Appalachian regional development program concepts.

Is this an accurate thumbnail description of the bill?

Secretary CONNOR. Yes, sir; I think that gives the genesis.

Senator MUSKIE. Administratively, does this mean the continuity will be established on the basis of the Area Redevelopment Act organization or will the Area Redevelopment Act be phased out and a new organization be established?

Exactly what will be the picture from the administrative standpoint?

Secretary CONNOR. As you know the Appalachian program has been pulled off in a separate administration so that is not in this picture. Our intent is to build on the Area Redevelopment Act organization for this new legislative purpose.

Senator MUSKIE. The present organization will continue?

Secretary CONNOR. Well, I have not focused on specific individual people at the present time. I want to discuss this, of course, with the President.

Senator MUSKIE. I wasn't thinking so much of individuals as of the organization.

Secretary CONNOR. I think there will have to be some organizational and structural changes because this is a different program and it has the broadest ramifications and has this long-term purpose which is quite important.

Senator MUSKIE. I am curious. I personally have a lot of confidence in the Area Redevelopment Act administration although I would not

want to limit the flexibility if administration modified that to conform to the new legislation. I feel comfortable as it is.

I notice the salary of the Administrator is cut one grade.

Secretary CONNOR. I think the salary of the Administrator under this act is unchanged from the salary of the Administrator of the Area Redevelopment Act program.

The salary level would be level V under this and at a \$26,000 level. That is unchanged from the present situation.

Senator MUSKIE. Well, would you look at that again. The staff is under a different impression on that point. All I want is a clarification.

Secretary CONNOR. I will be glad to take another look, but that is my understanding.

Senator MUSKIE. I have a few other points.

Secretary CONNOR. Mr. Batt confirms the fact his present salary as head of ARA is \$26,000.

Senator MUSKIE. How about the grade?

Secretary CONNOR. That is unchanged.

The executive pay bill, of course, has come in but since the executive pay bill, the present level is unchanged in the proposed legislation.

Senator MUSKIE. Under the original act, the salary was intended to be the same as that of an Assistant Secretary. Is that the case under this one?

Secretary CONNOR. That is not the case, no, sir. We think it is more important to compare this with the position level and salary of the head of the Federal public roads program. For example, that is a comparable position in the Agency. This is an important position, but so are they.

Senator MUSKIE. There is that change, although the actual dollar salary is the same?

Secretary CONNOR. There is no change in this proposal from the present situation.

Senator MUSKIE. What is the grade of the Federal cochairman in the Appalachian program?

Secretary CONNOR. He has a higher level. He reports directly to the President of the United States, and we think it is a different situation than this bill.

Senator MUSKIE. He is an Assistant Secretary?

Secretary CONNOR. No, the head of the Appalachian program is a Federal cochairman, and is not within the Department of Commerce at all. He is an official of the Government that reports directly to the President.

Senator MUSKIE. I am talking about level. Is it the same level as consistent with an Assistant Secretary?

Secretary CONNOR. Yes.

Senator MUSKIE. So the Federal Appalachian program administrator is at a higher level than the administrator of this program?

Secretary CONNOR. Yes, sir.

Senator MUSKIE. And this could involve several Appalachian-type programs?

Secretary CONNOR. Well, of course, we can restructure all the positions in the Department of Commerce, but the Federal Roads Administrator has a position every bit as important as this one. We think that is the analogy that is appropriate.

Senator MUSKIE. No, Mr. Secretary, some of us are a little sensitive that the Appalachian program, worthy as it is, should have gotten at-

tention ahead of the others, which are just as important. We want to be sure we get as much attention as Appalachia. We want to see it grow. We voted for it and supported it, but we have problems too. We know that the place in the hierarchy of the Government can be very important in these programs and we just want to be sure we are given equal attention. I wish you would look at this once again. We are going to, so you might want to yourself.

Secretary CONNOR. I will be happy to take another look.

Senator MUSKIE. Let me ask you this, as long as we are on Appalachia. About 85 percent of the money authorization for Appalachia is for a developmental highway. Is the idea of developmental highways part of the concept of this bill?

Secretary CONNOR. The highway aspect in Appalachia was extremely important because of a peculiar characteristic of that region which was specifically under study. It is possible under this bill for the States to come forward with projects that will include some highway projects.

My estimate is that the highway aspect will be of considerable less importance than under the Appalachia program.

Senator MUSKIE. Let me put something in the record here. There is consideration of northern New England, perhaps all of it, for the development of regional programs. Now, in northern New England, we have three States side by side and it's pretty tough to move cars across these three States. All too often we have to go down to a city that considers itself the capital of New England. Also, we have to go south to Boston to go west to New Hampshire and Vermont. We are not too happy. We would like new highways, particularly with the rail decline in New England. So I am much interested in the possibility of using this program for developmental highways in northern New England, and I would like to have that concept considered for future development. I would like to see it a part of this bill.

Secretary CONNOR. There would certainly be nothing to prevent that from becoming a project and it could well be an accepted project, particularly if it becomes part of the regional program.

Senator MUSKIE. You would to be talking about something more than \$250 million if you are going to incorporate developmental highways in this program.

Secretary CONNOR. Well, the regional programs, as you know, are provided for in a separate provision of this bill, and they are for the working out of plans. The manner in which those plans are accepted and funded becomes a different case.

Senator MUSKIE. What you are telling me is that the regional development part of the bill is simply a foot in the door and as we open that door we could well get into the broader kinds of developmental programs that are envisioned in Appalachia. This is the intended bill to open that door?

Secretary CONNOR. Certainly the regional commissions that would be set up would come forward with projects that could not possibly be financed at the level that is provided for in this bill.

Senator MUSKIE. But they would get a sympathetic reception on the part of the administration, or you would not create them under this bill?

Secretary CONNOR. Without any prejudice, Senator Muskie, it is contemplated there will be this kind of proposal.

Senator MUSKIE. I am not asking for blank checks, but I want to be sure when we develop these programs in New England and other areas and come down here, you don't say, "Sorry, fellows, this is not what we had in mind. You'll have to eliminate that and concentrate on something more modest."

We have conservative ideas, too.

Secretary CONNOR. As a fellow resident of Cape Cod, I am familiar with that.

Senator MUSKIE. Should there be a limitation on how much total public works money should go into any one State?

Secretary CONNOR. The proposed act would probably have a limitation of 10 percent in any one State.

We have been talking about this and it is our intent to have that limitation. It is not in the act.

Senator MUSKIE. I think the usual percentage ranges from 12 to 15, but you are thinking of a figure anyway?

Secretary CONNOR. Yes, we are thinking of a limitation of 10 percent for any one State and this would be covered by some normal regulation at that time.

Senator MUSKIE. Should there be a limitation on project size under other sections of the bill?

I am not suggesting, I am just asking.

Secretary CONNOR. It is our recommendation there be as much flexibility as possible. We, of course, will have so many competing projects that it will be absolutely necessary to take the project size into consideration.

Senator MUSKIE. We would not want to limit the possibility of developmental highways.

Secretary CONNOR. I would not think you would.

Senator MUSKIE. Let me ask about the development of Indian tribes. We have small Indian tribes in Maine and if an Indian tribe falls in an area otherwise eligible under this project, will the fact it is a tribe of under 1,500 make it ineligible?

Secretary CONNOR. Yes; as I understand the present language.

Senator MUSKIE. I would like to see language to eliminate that. I am talking of an area—this is a regional approach idea—where we have two small tribes in one county. The whole county is eligible under the act now. Under the act as originally written, those Indian tribes, even though they are in the county, could not participate in the programs. We had to get that changed. We had to get quite a change, because those Indians were not eligible on their own account but were under the general plan. Now, in this bill there is a limitation that seems to restrict them.

Secretary CONNOR. I would like Mr. Harvey, chief counsel, to answer that.

Mr. HARVEY. The 1,500 limitation would apply to individual areas, but as I understand these two reservation areas, they are within the boundary limitations of the county, and they would be included and be eligible as part of the county area, if the county is eligible.

Senator MUSKIE. That would usually be true but there is specific reference to Indian tribes which seems to establish separate criteria. I want to be sure that doesn't tend to exclude other tribes which do not fall within this regional area.

Mr. HARVEY. It would not tend to exclude Indian tribes within the boundaries of an eligible county. One of the problems I think I

remember that you had, was a State problem rather than a Federal problem.

Senator MUSKIE. Yes, and it is still a State reservation.

Mr. HARVEY. Yes; but these have been included in the new legislation.

Senator MUSKIE. I hope you will look at the new legislation, so if there is any doubt, we will have no difficulty.

Senator Randolph asked you to put into the record the details on the 100 poorest areas and so on.

Secretary CONNOR. Yes, sir.

Senator MUSKIE. Would you actually identify those? I think it would be helpful.

Secretary CONNOR. Yes, sir.

Senator MUSKIE. Can you give any detail on the backlog of the public works authorization requests?

Secretary CONNOR. You mean the specific projects pending?

Senator MUSKIE. Yes, where they are pending. I would like to identify that \$450 million.

Secretary CONNOR. The backlog, we could give the list but it would be misleading because the criteria are not the same as in the Accelerated Public Works Act. Under that act, all you had to provide was temporary employment. Under this act, this is not true so the backlog mention of \$450 million would perhaps raise people's hopes if it were printed under the restrictions that are in this act. Many of these would not be eligible.

Senator MUSKIE. On this question of the restrictions——

Secretary CONNOR. Would it be adequate for your purpose if we gave a breakdown of that figure, State by State?

Senator MUSKIE. It would be helpful.

Secretary CONNOR. We have the list and it can be included.

The CHAIRMAN. Without objection it will be included at this point.

(The following information was subsequently submitted:)

Pending APW grant-in-aid applications in presently eligible redevelopment areas by State

State	Number of projects	Amount requested	State	Number of projects	Amount requested
Total.....	2, 518	\$467, 588	Nebraska.....	28	1, 806
Alabama.....	43	11, 531	Nevada.....		
Alaska.....	27	8, 467	New Hampshire.....	8	2, 359
Arizona.....	22	3, 948	New Jersey.....	108	29, 618
Arkansas.....	64	10, 373	New Mexico.....	53	6, 691
California.....	28	7, 356	New York.....	62	16, 805
Colorado.....	14	1, 408	North Carolina.....	21	5, 667
Connecticut.....	6	1, 777	North Dakota.....	4	553
Delaware.....	1	134	Ohio.....	68	12, 341
Florida.....	5	624	Oklahoma.....	54	7, 329
Georgia.....	73	13, 894	Oregon.....	34	4, 413
Hawaii.....	2	99	Pennsylvania.....	416	88, 009
Idaho.....	3	180	Rhode Island.....	13	7, 298
Illinois.....	93	17, 324	South Carolina.....	35	4, 795
Indiana.....	19	4, 091	South Dakota.....	40	3, 680
Iowa.....	7	499	Tennessee.....	68	15, 103
Kansas.....	11	1, 917	Texas.....	62	15, 314
Kentucky.....	98	27, 076	Utah.....	27	2, 927
Louisiana.....	56	14, 921	Vermont.....	1	30
Maine.....	14	709	Virginia.....	18	3, 031
Maryland.....	12	2, 844	Washington.....	22	3, 337
Massachusetts.....	27	5, 417	West Virginia.....	116	22, 153
Michigan.....	102	16, 565	Wisconsin.....	83	6, 807
Minnesota.....	76	14, 833	Wyoming.....	6	293
Mississippi.....	64	8, 690	Guam.....		
Missouri.....	32	3, 420	Puerto Rico.....	251	22, 950
Montana.....	21	6, 452	Virgin Islands.....		

ANALYSIS OF THE APW BACKLOG

From areas eligible under the Area Redevelopment Act on April 15, 1965—excluding the “labor surplus areas” eligible only under the Public Works Acceleration Act—the Community Facilities Administration of HHFA and the Public Health Service of DHEW had on hand 2,518 applications requesting \$468 million in APW grants.

However, these figures have only very limited significance as a measure of the potential demand for grants under section 101 of the Public Works and Economic Development Act for the following reasons:

(1) The principal purpose of the APW program was to create jobs, and projects had only to fulfill an essential public need, not necessarily related to economic development. Under the new act, each project must tend to improve either directly or indirectly the opportunity for the successful establishment or expansion of industrial or commercial plants or facilities, or assist otherwise in the creation of additional long-term employment opportunities, or primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1965.

(2) While apparently eligible under the provisions of the Public Works Acceleration Act, many of the pending APW applications clearly do not meet the requirements of the new act. For instance, the total includes 368 grant requests for courthouses, townhalls, and the like, amounting to \$61 million, and 51 grant requests for hospitals and other health facilities amounting to \$29 million, most of which do not meet the new requirements.

(3) Many of the pending APW applications date back to 1962 and 1963, and we do not know how many of these projects have been built in the meantime.

(4) Among the 624 grant requests for water and sewer facilities and other utilities amounting to \$129 million, there appears to be a preponderance of projects which may not meet the test of contributing to economic development, and the same appears to be true of the 573 grant requests for streets and roads, amounting to \$92 million.

Conservatively estimated, no more than one-third of the APW “backlog,” or about \$150 million in grant requests, will be eligible under the new act.

On the other hand, the flow of new applications under the Public Works Acceleration Act was drastically reduced in the spring of 1963, when both CFA and DHEW announced that APW funds were already oversubscribed. A large influx of new applications which would be eligible under the new act may, therefore, be anticipated as soon as the new law is passed.

Senator MUSKIE. With respect to the old community facilities program under the Area Redevelopment Act, those programs had to be related to the community facilities project. Is that correct?

Secretary CONNOR. That's correct.

Senator MUSKIE. The limitations you are speaking of in this bill are not that strict?

Secretary CONNOR. No, sir.

Senator MUSKIE. In other words, the community sewage treatment project, even though not related to a specific industry, can still be eligible under this program?

Secretary CONNOR. That is correct. But it would have to help in the economic development of the area as distinct from providing temporary jobs.

Senator MUSKIE. Could you give an illustration of the kind of things you think would be eligible?

Secretary CONNOR. Sewers, access roads, parks, in part.

Senator MUSKIE. How about schools?

Secretary CONNOR. We have a list of some things which we think are eligible and some we think would not be eligible.

Senator MUSKIE. Why don't you provide that list for the record?

Secretary CONNOR. I will be happy to do so.

(Subsequently the following information was submitted:)

Typical examples of public facility projects which could receive grant assistance under title I of S. 1648

All types of publicly owned public utilities related to economic development,
like water works, water and sewer lines, waste treatment plants.
Streets and roads needed for industrial or commercial development.
Harbor facilities, railroad sidings, water reservoirs, dams, bridges.
Airports not adequately financed by FAA.
Industrial parks (land improvement and site utilities).
Tourism facilities.
Area vocational schools.

Examples of public facility projects which would not be eligible for assistance

Courthouses and townhalls.
Swimming pools.
Playgrounds.

Senator MUSKIE. There is going to be a tendency on the part of all people to think we are talking of the APW project, and they will be misled. We should have an illustration of those things to be covered.

Mr. BATT. We are thinking of things eligible under this act. All types of public utilities, water and sewerlines, waste plants, streets and roads, but not just any road; harbor facilities, railroad sidings, water reservoirs, bridges, again relating to economic development; FAA, industrial parks, facilities for area vocational schools definitely. Some of the things not being considered would be playgrounds or swimming pools, courthouses, and townhalls, all of which were financed under APW.

Senator MUSKIE. One other category—hospitals?

Secretary CONNOR. We were thinking of those only if there is a total lack of adequate hospital facilities which seriously hampers the economic needs of the community. In that case a hospital project might be eligible.

A case we have financed under the ARA program, as you know, were the hospitals, the miners' hospitals in West Virginia and eastern Kentucky. They were terribly important to economic development.

Senator MUSKIE. How about hydroelectric plants?

Secretary CONNOR. While Mr. Batt is thinking of that, you asked with reference to schools. Of course, an area vocational school would be limited to the economic development area, and would be eligible.

Mr. BATT. The thing that would face us, I think, in a hydroelectric project would be the size of it. You would take all of the \$250 million for one project.

Senator MUSKIE. Well, we could use it for one.

I am not being an advocate at this moment in getting this definition, I just want the limits established if we can.

Let me ask this further question on the so-called Boston naval section. It seems to me here that you might be faced with a situation of that kind, a new one about now, and find your title I money all exhausted. Should there be a separate authorization for these economic disaster areas in the bill?

Mr. BATT. We had not thought about that possibility. Hopefully, with this being, as the Secretary pointed out, not an emergency bill,

but a long-term authorization, \$250 million a year, we would not find ourselves in that situation.

I am not sure it would not happen.

Senator MUSKIE. Would you take a look at it and give us your answer?

Mr. BATT. Yes, sir.

Senator MUSKIE. I have spoken my share. I have other questions if there is some time left later. I will be glad to use some more.

The CHAIRMAN. Thank you.

Mr. Bayh, any comments or questions?

Senator BAYH. Mr. Chairman, my colleague did a fine job of exploring the testimony of the bill and commenting on it. I would like to ask one or two questions.

I would like to add my voice to those already on complimenting the Secretary on his fine testimony.

Secretary CONNOR. Thank you, sir.

Senator BAYH. The crux of this act, as it has been pointed out again and again, is toward general economic development, chronic and severe distress, rather than temporary distress. Do you contemplate in the near future the development of the specific formula similar to those made to applicants under the previous programs.

Secretary CONNOR. Yes sir. Mr. Batt can go into that.

Mr. BATT. Senator, the criteria would be substantially the same as they are under the present act. The big change is the one the Secretary mentioned. That is under the Accelerated Public Works Act. That is the labor surplus areas, so called; they were eligible. Under this act they are not eligible.

Other than that, the eligibility is quite comparable and requirements are quite comparable. Unemployment has to be over 6 percent.

Senator BAYH. You would use this same criteria basically?

Mr. BATT. That is our present thinking.

Senator BAYH. I think even more emphasis should be put on the length of unemployment than was the case under the previous act, since you are talking of long-range distress and long-range economic development.

Mr. BATT. The greater focus would be put on helping the long-term chronic distress.

Senator BAYH. We would consider the same general criteria used previously?

Mr. BATT. That is correct.

The CHAIRMAN. Will you yield, Senator Bayh?

Senator BAYH. Yes, sir, of course.

The CHAIRMAN. It would seem, you say that current unemployment would not be part of the criteria but it would be generally in the so-called economic disaster areas. Is that right?

Mr. BATT. Current unemployment has to be a factor. It has to be over 6 percent now. You have to have had that unemployment for sometime.

Secretary CONNOR. At this point, would you like us to insert the names of the counties of the United States, State by State, that meet the test under the provisions of the act?

The CHAIRMAN. Thank you. That would be extremely helpful if you would supply it.

(Subsequently the following information and map were submitted:)

Eligible redevelopment areas under S. 1648 (89th Cong.) as of April 23, 1965

Alabama :

Autauga
Barbour
Bibb
Blount*
Bullock
Butler*
Cherokee*
Chilton
Choctaw
Clarke
Conecuh
Coosa
Crenshaw
Cullman*
Dallas*
DeKalb*
Elmore
Etowah*
Fayette
Greene
Hale
Henry
Jackson
Lamar
Lawrence
Limestone*
Lowndes
Macon
Marengo
Marion
Perry
Pickens
Russell
St. Clair*
Shelby*
Sumter
Walker
Washington
Wilcox

Alaska :

Election district No. 1 (formerly district Nos. 1 and 2) Ketchikan-Prince of Wales
Election district No. 2 (formerly district No. 3) Wrangell-Petersburg
Election district No. 3 (formerly district No. 4) Sitka
Election district No. 5 (formerly district No. 6) Lynn Canal-Icy Straits
Election district No. 6 (formerly district Nos. 7 and 8) Cordova-Valdez
Election district No. 7 (formerly district No. 9) Palmer-Wasilla-Talkeetna

Alaska—Continued

Election district No. 8 (formerly district No. 10) Anchorage
Election district No. 9 (formerly district No. 11) Seward
Election district No. 10 (formerly district No. 12) Kenai-Cook Inlet
Election district No. 11 (formerly district No. 13) Kodiak
Election district No. 12 (formerly district No. 14) Aleutian Islands*
Election district No. 13 (formerly district No. 15) Bristol Bay
Election district No. 14 (formerly district No. 16, Bethel
Election district No. 15 (formerly district Nos. 17 and 18) Kuskokwim-Yukon
Election district No. 16 (formerly district Nos. 19 and 20) Fairbanks-Upper Yukon
Election district No. 17 (formerly district Nos. 21 and 22) Barrow-Kobuk
Election district no. 18 (formerly district No. 23) Nome
Election district No. 19 (formerly district No. 24) Wade Hampton
Bristol Bay Reservation Area
Cook Inlet Reservation Area
Norton Sound Reservation Area
Southeast Reservation Area

Arizona :

Apache
Coconino
Monave
Navajo
Colorado River Reservation
Fort Apache Reservation
Gila River Reservation
Hopi Reservation
Hualapai Reservation
Navajo Reservation (Arizona, New Mexico, and Utah)
Papago Reservation
Salt River Reservation
San Carlos Reservation

Arkansas :

Ashley
Baxter
Boone*
Chicot
Clark*
Cleburne
Cleveland
Columbia*
Conway
Crawford

*Termination pending.

Eligible redevelopment areas under S. 1648 (89th Cong.) as of April 23, 1965—
Continued

Arkansas—Continued

Crittenden
Desha
Drew
Faulkner
Franklin
Fulton
Grant*
Hot Spring
Independence
Izard
Jackson
Johnson
Lafayette*
Lawrence
Lee
Lincoln
Little River
Logan
Madison
Marion
Monroe
Montgomery
Nevada
Newton
Perry
Phillips
Polk
Pope
Randolph
St. Francis
Scott
Searcy
Sevier
Sharp
Stone
Van Buren
White
Woodruff
Yell

California :

Del Norte
El Dorado
Lassen
Madera
Mendocino
Modoc
Nevada
Plumas
San Benito
Santa Cruz
Sierra *
Siskiyou
Stanislaus
Sutter
Trinity
Tuolumne
Yuca
Oakland City
San Diego City

Colorado :

Archuleta
Conejos
Costilla
Fremont
Huerfano
Las Animas
Montezuma
Teller

Connecticut :

Ansonia,* New Haven County
(part)

Towns of :

Ansonia
Derby
Oxford
Seymour

Bristol :

Hartford County (part), town
of Bristol
Litchfield County (part), town
of Plymouth

Danielson,* Windham County
(part)

Towns of :

Brooklyn
Canterbury
Eastford
Killingly
Plainfield
Pomfret
Putnam
Sterling
Thompson
Woodstock

Delaware :

Kent
Sussex

Florida :

Calhoun
Franklin
Holmes
Jackson
Jefferson
Lafayette
Liberty
St. Lucie
Sumter
Suwannee
Walton
Washington
Miami City

Georgia :

Atkinson
Baker
Baldwin
Banks
Barrow
Brooks
Bryan

*Termination pending.

Eligible redevelopment areas under S. 1648 (89th Cong.) as of April 23, 1965—
Continued

Georgia—Continued

Bulloch
Burke
Calhoun
Candler
Carroll
Chattahoochee*
Clay
Crisp
Dade
Dawson
Dooly
Dougherty
Early
Elbert
Fannin
Forsyth
Franklin
Gilmer*
Glascock
Gordon*
Habersham
Hancock
Hart
Heard
Henry
Irwin
Jasper
Jefferson
Jenkins
Johnson
Jones
Laurens
Lee
Liberty
Lincoln
Lumpkin
McIntosh
Macon
Marion
Meriwether
Miller
Montgomery
Murray
Oglethorpe
Paulding
Pike
Polk
Pulaski
Quitman
Rabun
Randolph
Schley
Screven
Seminole
Stewart
Sumter
Talbot
Taliaferro
Tattnall
Taylor
Telfair
Terrell

Georgia—Continued

Toombs
Towns
Treutlen
Twiggs
Union
Walton
Warren
Washington
Wayne
Webster
Wheeler*
White
Wilcox
Wilkes
Worth

Hawaii: Hawaii

Idaho:

Benewah
Blaine
Boise
Bonner
Boundary
Clearwater
Elmore
Idaho
Kootenai
Shoshone
Teton
Fort Hall Reservation
Nez Perce Reservation

Illinois:

Alexander
Bond
Calhoun
Carroll*
Christian*
Clinton*
Coles*
Cumberland*
Edwards*
Franklin
Gallatin
Hamilton
Hardin
Jefferson
Jersey
Johnson
Macoupin
Marion*
Marshall*
Massac
Monroe*
Montgomery*
Perry
Pope
Pulaski
Saline
Union
Wabash*
Wayne*
White*
Williamson

*Termination pending.

Eligible redevelopment areas under S. 1648 (89th Cong.) as of April 23, 1965—
Continued

Indiana :

Clark
Clay
Crawford
Dearborn
Greene
Harrison
Lawrence
Monroe
Morgan*
Ohio
Orange
Perry
Pike
Ripley
Scott
Spencer
Starke
Sullivan
Switzerland
Vermillion
Washington*

Iowa :

Appanoose
Monroe

Kansas :

Cherokee
Crawford
Rice

Kentucky :

Adair
Allen
Barren
Bath
Bell
Boyd
Breathitt
Breckinridge*
Butler
Calloway*
Carlisle
Carter
Casey
Clay
Clinton
Crittenden
Cumberland
Edmonson
Elliott
Estill
Floyd
Fulton*
Graves
Grayson*
Green
Greenup
Hardin*
Harlan
Hart
Hickman*
Jackson
Johnson
Knott
Larue*

Kentucky—Continued

Laurel*
Lawrence
Lee
Leslie
Letcher
Lewis
Livingston
Logan
Lyon
McCreary
Madison
Magoffin
Martin
Meade*
Menifee
Metcalf
Monroe
Morgan
Muhlenberg
Nelson
Oldham*
Owsley
Pendleton*
Perry
Pike
Powell
Pulaski
Robertson
Rockcastle
Rowan
Russell
Simpson
Trigg
Warren
Washington
Wayne
Wolfe

Louisiana :

Acadia
Allen
Avoyelles
Catahoula
Concordia
East Carroll
Evangeline
Franklin
Iberville*
Lafayette
Livingston
Madison
Natchitoches
Pointe Coupee
Red River
Sabine
St. Helena
St. John the Baptist*
St. Landry
St. Martin
Tangipahoa
Tensas
Vernon*
Washington
West Carroll

*Termination pending.

Eligible redevelopment areas under S. 1648 (89th Cong.) as of April 23, 1965—
Continued

Maine:

Biddeford-Sanford, York County
(part)

Cities of:

Biddeford

Saco

Towns of:

Acton

Alfred

Arundel

Buxton

Cornish

Dayton

Hollis

Kennebunk

Kennebunkport

Lebanon

Limerick

Limington

Lyman

Newfield

North Berwick

Old Orchard Beach

Parsonfield

Sanford

Shapleigh

Waterboro

Boothbay Harbor, Lincoln County,
except town of Waldoboro

Calais-Eastport, Washington
County

Dover-Foxcroft,* Piscataquis
County

Ellsworth, Hancock County

Fort Kent, Aroostook County
(part)

Towns of:

Eagle Lake

Fort Kent

Frenchville

St. Agatha

Plantations of:

Allagash

New Canada

St. Francis

St. John

Wallagrass

Howland,* Penobscot County
(part)

Towns of:

Edinburg

Enfield

Howland

Lagrange

Lowell

Mattamiscotis

Maxfield

Passadumkeag

Maine—Continued

Lewiston-Auburn, Androscoggin
County (part)

Cities of:

Auburn

Lewiston

Town of:

Lisbon

Limestone, Aroostook County
(part)

Towns of:

Grand Isle

Limestone

Madawaska

New Sweden

Stockholm

Van Buren

Plantations of:

Caswell

Cyr

Hamlin

Yeatmanland

Patten,* Aroostook County (part)

Towns of:

Crystal

Deer Brook

Hersey

Island Falls

Merrill

Oakfield

Sherman

Smyrna

Plantation of Moro

Penobscot County (part)

Towns of:

Patten

Stacyville

Herseytown

Plantation of, Mount Chase

Remainder of Aroostook Coun-
ty (except Fort Kent, Lime-
stone, and Patten)

Rockland

Knox County

Lincoln County (part),

Town of Waldoboro

Maryland:

Allegany

Calvert

Dorchester

Garrett

Somerset

Washington

Massachusetts:

Bourne-Wareham:

Barnstable County (part),
town of Bourne

Plymouth County (part),
town of Wareham

Dukes County (Martha's Vine-
yard)

*Termination pending.

Eligible redevelopment areas under S. 1648 (89th Cong.) as of April 23, 1965—
Continued

Massachusetts—Continued

Fall River
 Bristol County (part)
 city of Fall River
 Towns of:
 Somerset
 Swansea
 Westport
 Newport County, R.I. (part),
 town of Tiverton
 Gloucester, Essex County (part),
 city of Gloucester
 Towns of:
 Essex
 Rockport
 Lowell, Middlesex County (part),
 city of Lowell
 Towns of:
 Billerica
 Chelmsford
 Dracut
 Tewksbury
 Tyngsborough
 New Bedford:
 Bristol County (part), city of
 New Bedford
 Towns of:
 Achushnet
 Dartmouth
 Fairhaven
 Plymouth County:
 Towns of:
 Marion
 Mattapoisett
 Newburyport Essex County (part),
 city of Newburyport
 Towns of:
 Amesbury
 Ipswich
 Newbury
 Rowley
 Salisbury
 West Newbury
 North Adams:
 Berkshire County (part), city
 of North Adams
 Towns of:
 Adams
 Clarksburg
 Florida
 New Ashford
 Savoy
 Williamstown
 Franklin County, town of Mon-
 roe
 Provincetown, Barnstable County
 (part)
 Towns of:
 Provincetown
 Truro

Massachusetts—Continued

Plymouth, Plymouth County (part)
 Towns of:
 Kingstown
 Plymouth
 Plympton
 (See also Rhode Island-Providence-
 Pawtucket)
 Michigan
 Alcona
 Alger
 Alpena
 Antrim
 Arenac
 Baraga
 Bay*
 Benzie
 Branch*
 Charlevoix
 Cheboygan
 Chippewa
 Clare
 Crawford
 Delta
 Dickinson
 Emmet
 Gogebic
 Grand Traverse
 Gratiot
 Hillsdale*
 Houghton
 Huron
 Iosco
 Iron
 Kalkaska
 Keweenaw
 Lake
 Leelanau
 Luce
 Mackinac
 Manistee
 Marquette
 Mecosta*
 Menominee
 Missaukee
 Monroe*
 Montmorency
 Oceana
 Ogemaw
 Ontonagon
 Osceola
 Oscoda*
 Otsego
 Presque Isle
 Roscommon*
 Schoolcraft
 St. Clair*
 Wexford

*Termination pending.

Eligible redevelopment areas under S. 1648 (89th Cong.) as of April 23, 1965—
Continued

Minnesota :

Aitkin
Beltrami
Carlton
Cass
Clearwater
Cook
Crow Wing
Douglas
Hubbard
Itasca
Kanabec
Koochiching
Lake
Lake of the Woods
Mahnomen
Mille Lacs
Morrison
Norman
Pennington
Pine
Red Lake
Roseau
St. Louis
Northern Minnesota Reservation
(Including Leech Lake, Nett
Lake, Red Lake, and White
Earth)

Mississippi :

Amite
Attala
Benton
Bolivar
Calhoun
Carroll
Chickasaw
Choctaw
Claiborne
Clarke
Clay
Coahoma
Copiah
Covington
De Soto
Franklin
George
Greene
Grenada
Hancock*
Holmes
Humphreys
Issaquena
Jasper
Jefferson
Jefferson Davis
Kemper
Lafayette
Lawrence
Leake
Leflore
Lincoln*

Mississippi—Continued

Madison
Marion
Marshall
Montgomery
Neshoba
Newton
Noxubee
Oktibbeha
Panola
Perry
Pike
Pontotoc
Quitman
Sharkey
Simpson
Smith
Sunflower
Tallahatchie
Tate
Tippah
Tunica
Walthall
Warren
Washington
Webster
Wilkinson
Winston
Yalobusha
Yazoo
Choctaw Reservation

Missouri :

Bollinger
Butler
Carter
Dallas
Dent
Douglas
Franklin*
Grundy
Hickory
Howell
Iron
Lafayette
Madison
Mercer
Morgan
New Madrid
Oregon
Ozark
Reynolds
Ripley
St. Francois
Ste. Genevieve
Shannon
Stone
Taney
Texas
Washington
Wayne
Wright

*Termination pending.

Eligible redevelopment areas under S. 1648 (89th Cong.) as of April 23, 1965—
Continued

Montana :

Carbon*
Deer Lodge*
Flathead*
Granite
Lake
Lincoln*
Musselshell*
Park
Ravalli
Sanders*
Silver Bow*
Blackfeet Reservation
Crow Reservation
Flathead Reservation
Fort Belknap Reservation
Fort Peck Reservation
Northern Cheyenne Reservation
Rocky Boys Reservation

Nebraska

Boone
Custer
Dawson
Garfield
Greeley
Howard
Loup
Nance
Sherman
Valley
Omaha-Winnebago Reservation

Nevada :

Lincoln
Mineral
Pyramid Lake Reservation

New Hampshire :

Carroll
Coos
Crafton

New Jersey :

Atlantic
Cape May
Cumberland
Monmouth
Ocean
Passaic
Newark City

New Mexico :

Catron
Colfax
Guadalupe
McKinley
Mora
Rio Arriba
Sandoval
San Juan
San Miguel
Santa Fe
Socorro
Taos
Torrance
Valencia
Acoma Pueblo Reservation

New Mexico—Continued

Isleta Pueblo Reservation
Jemez Reservation
Jicarilla Reservation
Laguna Pueblo Reservation
Mescalero Reservation
Ramah Reservation
Santo Domingo Reservation
Zuni Reservation

New York :

Cayuga*
Chautauqua*
Clinton
Essex
Franklin
Fulton
Greene
Hamilton
Montgomery
Orleans
St. Lawrence
Schenectady
Schoharie
Wayne
Buffalo City
Cattaraugus Reservation
Allegany Reservation

North Carolina :

Alleghany
Anson
Ashe
Avery
Beaufort
Bladen
Bertie
Carteret
Cherokee
Clay
Cleveland
Currituck
Duplin
Franklin*
Gates
Graham
Greene
Halifax
Hoke
Hyde
Jones
Lincoln*
Macon
Madison
Mitchell
Northampton
Pitt
Robeson
Swain
Tyrrell
Vance*
Warren
Watauga
Yancey
East Cherokee Reservation

*Termination pending.

Eligible redevelopment areas under S. 1648 (89th Cong.) as of April 23, 1965—
Continued

North Dakota :

Bottineau*
Mountrail
Oliver
Rolette
Fort Berthold Reservation
Fort Totten or Devils Lake Reser-
vation
Standing Rock Reservation
Turtle Mountain Reservation

Ohio :

Ashtabula*
Athens*
Adams
Belmont
Brown
Carroll
Clermont
Gallia
Guernsey
Highland
Hocking
Jackson
Lawrence
Meigs
Monroe*
Morgan
Noble
Perry
Pike
Portage*
Ross
Scioto
Vinton*
Washington
Cleveland City
Toledo City

Oklahoma :

Adair
Atoka
Cherokee
Choctaw
Coal
Delaware
Grady
Greer*
Haskell
Hughes
Johnston
Latimer
Le Flore
Lincoln
Love*
McClain
McCurtain
McIntosh
Marshall
Mayes
Murray
Muskogee
Nowata
Okfuskee

Oklahoma—Continued

Okmulgee
Ottawa
Pittsburg
Pontotoc
Pushmataha
Roger Mills
Rogers
Seminole
Sequoyah
Wagoner

Oregon :

Clatsop
Columbia *
Hood River
Josephine
Lincoln
Sherman
Wasco
Yamhill
Warm Springs Reservation

Pennsylvania :

Pittsburgh : *
Allegheny
Beaver
Washington
Westmoreland
Kittanning-Ford City, Armstrong
Altoona :
Blair
Bedford
Sayre-Athens-Towanda,* Bradford
Johnstown :
Cambria
Somerset

St. Mary's :

Cameron
Elk *
Erie,* Erie

Clearfield-Dubois, Centra (part)
Boroughs of Phillipsburg and
South Phillipsburg, town-
ship of Rush

Clearfield, Jefferson (part)

Boroughs of :
Brockway
Falls Creek
Reynoldsville
Sykesville

Townships of :
Snyder
Washington
Winslow

Clarion

Clinton

Berwick-Bloomsburg, Columbia
(part)

Ashland Borough (part)
Beaver Township
Benton Borough
Benton Township
Berwick Borough

*Termination pending.

Eligible redevelopment areas under S. 1648 (89th Cong.) as of April 23, 1965—
Continued

Pennsylvania—Continued
 Berwick-Bloomsburg, Columbia
 (part)—Continued
 Bloomsburg Town
 Briar Creek Borough
 Briar Creek Township
 Catawissa Borough
 Catawissa Township
 Cleveland Township
 Fishingcreek Township
 Franklin Township
 Greenwood Township
 Hemlock Township
 Jackson Township
 Locust Township
 Madison Township
 Main Township
 Mifflin Township
 Millville Borough
 Montour Township
 Mount Pleasant Township
 North Centre Township
 Orange Township
 Orangeville Borough
 Pine Township
 Roaringcreek Township
 Scott Township
 South Centre Township
 Stillwater Borough
 Sugarloaf Township
 Sunbury-Shamokin-Mount Carmel,
 Columbia (part), Borough of
 Centralia and Township of Co-
 nyngham
 Montour
 Northumberland
 Snyder
 Union
 Meadville, Crawford
 Uniontown-Connellsville, Fayette
 Forest
 Fulton
 Greene
 Huntingdon
 Indiana, Indiana
 Punxsutawney, Jefferson (part)
 Barnett Township
 Beaver Township
 Bell Township
 Big Run Borough
 Brookville Borough
 Clover Township
 Corsica Borough
 Eldred Township
 Gaskill Township
 Heath Township
 Henderson Township
 Knox Township
 McCalmont Township
 Oliver Township
 Perry Township
 Pinecreek Township

Pennsylvania—Continued
 Polk Township
 Porter Township
 Punxsutawney Borough
 Ringgold Township
 Rose Township
 Summerville Borough
 Timblin Borough
 Union Township
 Warsaw Township
 Worthville Borough
 Young Township
 Lewiston :
 Juniata
 Mifflin
 Scranton, Lackawanna
 New Castle,* Lawrence
 Wilkes-Barre-Hazleton, Luzerne
 Lycoming
 McKean
 Sharon-Farrell,* Mercer
 Monroe
 Perry
 Pike
 Potter
 Pottsville-Lehighnton, Carbon*
 Schuylkill
 Sullivan
 Susquehanna
 Tioga
 Venango
 Warren
 Wayne
 Wyoming
 Philadelphia City
 Rhode Island :
 Providence-Pawtucket :
 Bristol County, R.I. (all)
 Kent County (all)
 Newport County (part)
 Cities of :
 Central Falls
 Cranston
 East Providence
 Pawtucket
 Providence
 Woonsocket
 Town of Jamestown
 Providence County (all)
 Washington County (part)
 Towns of :
 Exeter
 Narragansett
 New Shoreham
 North Kingston
 Richmond
 South Kingston
 Bristol County (Mass.) (part)
 City of Attleboro
 Towns of :
 North Attleboro
 Seekonk

*Termination pending.

Eligible redevelopment areas under S. 1648 (89th Cong.) as of April 23, 1965—
Continued

Rhode Island—Continued

Norfolk County (Mass.) (part)

Towns of:

Bellingham

Franklin

Plainville

Wrentham

Worcester County (Mass.) (part)

Towns of:

Blackstone

Millville

(See also Massachusetts-Fall
River)

South Carolina:

Aiken

Allendale

Bamberg

Barnwell

Beaufort

Berkeley

Calhoun

Chester

Chesterfield

Clarendon

Colleton

Darlington

Dorchester

Hampton

Horry*

Jasper

Kershaw

Lancaster

Lee

McCormick

Marlboro

Orangeburg

Sumter

Williamsburg

South Dakota:

Shannon

Todd

Cheyenne River Reservation

Crow Creek and Lower Brule Res-
ervations

Pine Ridge Reservation

Rosebud Reservation

Sisseton Reservation

Yankton Reservation

Tennessee:

Benton

Bledsoe

Campbell

Claiborne

Clay

Cocke

Cumberland

Decatur

De Kalb

Dickson

Fayette

Fentress

Grainger

Greene

Tennessee—Continued

Grundy

Hancock

Hardeman

Hardin

Haywood

Henry*

Hickman*

Houston

Humphreys*

Jackson

Johnson

Lake

Lauderdale

McNairy

Macon

Marion

Meigs

Monroe*

Morgan

Overton

Perry

Pickett

Putnam

Rhea

Roane

Robertson

Sevier*

Scott

Sequatchie

Stewart

Tipton

Unicoi

Union

Van Buren

Wayne

White*

Texas:

Anderson

Angelina

Bowie

Camp

Cass

Cherokee

Collingsworth*

Delta

Dimmit

Falls*

Franklin

Freestone

Frio*

Grimes

Harrison

Henderson

Houston

Jasper

Jim Hogg

Kinney

Lamar*

Leon

Limestone*

Madison

Marion

*Termination pending.

Eligible redevelopment areas under S. 1648 (89th Cong.) as of April 23, 1965—
Continued

Texas—Continued

Maverick
 Morris
 Nacogdoches
 Newton
 Panola
 Polk
 Rains
 Red River
 Robertson
 Rusk
 Sabine
 San Augustine
 San Jacinto
 Shelby
 Smith*
 Starr
 Terrell
 Titus
 Trinity
 Tyler
 Upshur
 Val Verde
 Van Zandt*
 Waller
 Webb
 Wood
 Zapata

Utah:

Beaver
 Carbon
 Duchesne
 Emery
 Garfield
 Juab
 Salt Lake
 San Juan
 Summit
 Wasatch
 Uintah and Ouray Reservations

Vermont:

Caledonia*
 Essex*
 Grand Isle
 Orleans*

Virginia:

Buchanan
 Carroll
 Cumberland
 Dickenson
 Fluvanna
 Grayson
 Lancaster
 Lee
 Northumberland
 Richmond
 Russell
 Scott
 Tazewell
 Westmoreland
 Wise
 Galax, Independent City
 Norton, Independent City

Washington:

Chelan
 Challam
 Douglas
 Ferry
 Grays Harbor*
 Kittitas
 Lewis
 Okanogan
 Pacific
 Pend Oreille
 San Juan
 Skagit
 Stevens
 Yakima
 Colville Reservation
 Yakima Reservation

West Virginia:

Barbour
 Boone
 Braxton
 Cabell
 Calhoun
 Clay
 Doddridge
 Fayette
 Gilmer
 Greenbrier
 Hampshire
 Hardy
 Harrison
 Jackson
 Kanawha
 Lewis
 Lincoln
 Logan
 McDowell
 Marion
 Marshall
 Mason
 Mercer
 Mineral
 Mingo
 Monongalia*
 Monroe
 Morgan
 Nicholas
 Ohio
 Pendleton
 Pocahontas
 Preston
 Putnam
 Raleigh
 Randolph
 Roane
 Summers
 Taylor
 Tucker
 Tyler*
 Upshur
 Wayne
 Webster
 Wetzel*
 Wyoming

*Termination pending.

Eligible redevelopment areas under S. 1648 (89th Cong.) as of April 23, 1965—
Continued

Wisconsin :

Ashland
Bayfield
Burnett
Douglas
Florence
Forest
Iron
Juneau
La Crosse
Langlade
Lincoln
Marinette
Oneida
Price
Rusk
Sawyer
Taylor

Wisconsin—Continued

Vilas
Washburn
Menominee
Northwest Reservations (Bad River
St Croix, Lac Courte Oreilles, Lac
du Flambeau, Red Cliff)

Wyoming :

Big Horn*
Lincoln
Platte*
Teton*
Wind River Reservation

American Samoa

Guam

Puerto Rico

Virgin Islands

*Termination pending.

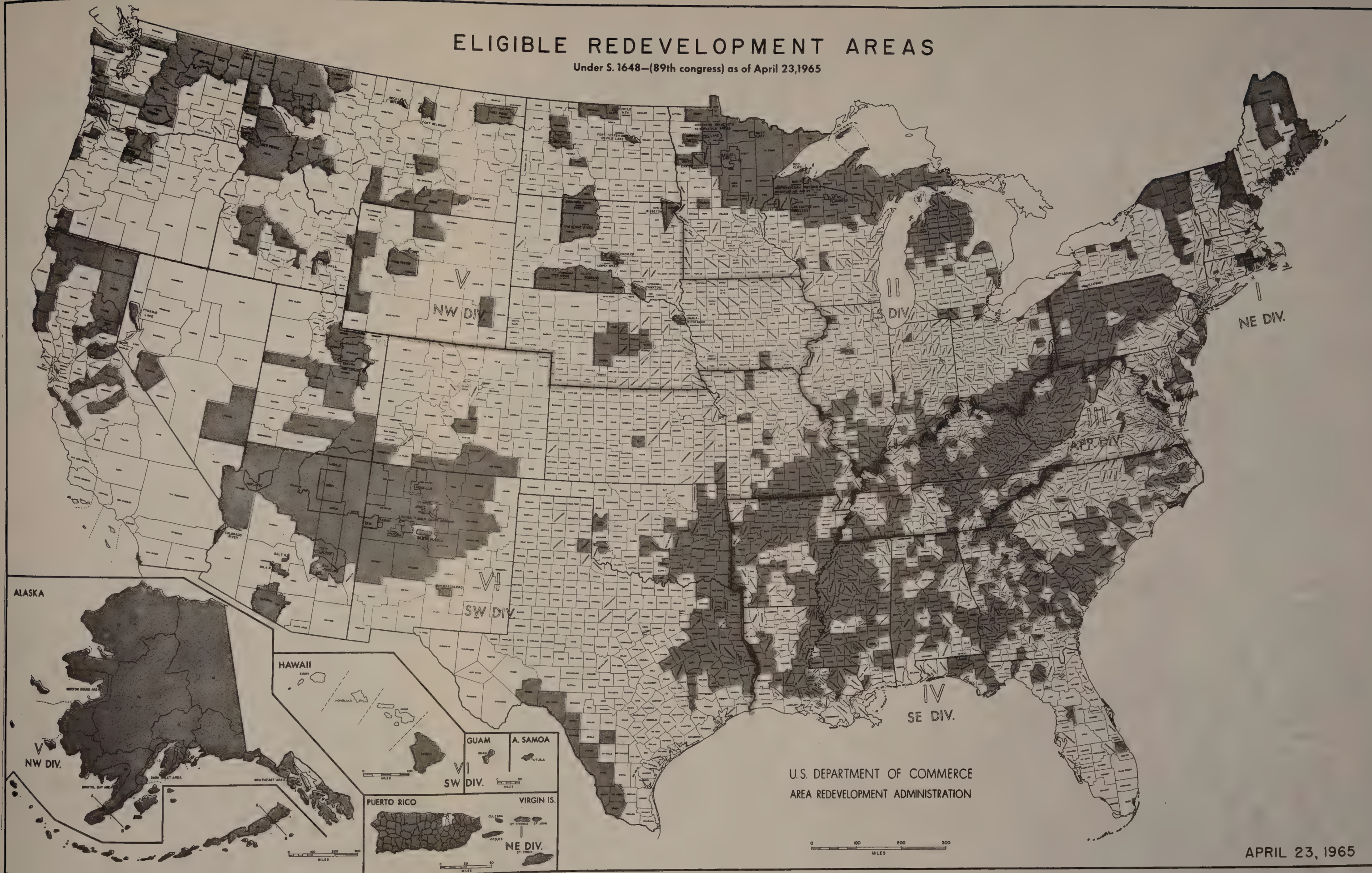
Areas meeting new eligibility requirements (income) not now designated

<i>State and area</i>	<i>Median family income (1960 census)</i>
Alabama : Henry County	\$2, 084
Arkansas :	
Monroe County	2, 162
St. Francis County	1, 973
Georgia :	
Atkinson County	1, 956
Brooks County	2, 053
Candler County	2, 226
Irwin County	2, 179
Miller County	2, 000
Seminole County	1, 993
Wilcox County	2, 012
Kentucky : Robertson County	1, 930
Louisiana :	
Franklin Parish	2, 094
Madison Parish	2, 190
Red River Parish	2, 034
St. Helena Parish	2, 111
West Carroll Parish	2, 155
Mississippi :	
Coahoma County	2, 101
Montgomery County	2, 000
Missouri : New Madrid County	2, 173
North Carolina :	
Duplin County	2, 151
Jones County	2, 238
Robeson County	2, 247
Warren County	1, 958
North Dakota : Oliver County	2, 213
South Dakota : Todd County	1, 976
Tennessee :	
Lake County	1, 916
Meigs County	1, 956
Stewart County	2, 179
Texas : Grimes County	2, 223

Senator BAYH. I think those of us in the communities affected, the application of it is very important. You deal in broad generalities, but when it gets down to applying it to the people that need it, the specific tests, I think are extremely important. I suppose that in this

ELIGIBLE REDEVELOPMENT AREAS

Under S. 1648—(89th congress) as of April 23, 1965



formula, the criteria will be made to each application as it comes or do you wait until you have assembled a group of applicants and then start down the list, giving consideration to the most needy?

Secretary CONNOR. I think it would be helpful if Mr. Batt would describe the ARA procedure and the respects in which they might differ.

Mr. BATT. Under the Area Redevelopment Act, we took the plans of the committee and then the projects submitted by the communities as they came in and dealt with them in that way. Our problem with the so-called depressed areas, has been to get enough good, valid projects, or enterprises, which would repay the Government and meet employment under the act.

In general, that has been the problem rather than 10 applicants for every available dollar. In the APW program we were in the opposite situation. We had 10 applicants for every available dollar and there we based it on unemployment in a given region. For example, we knew the unemployment in a depressed eligible area was X percent of the total unemployment of the United States, and they were assigned a fair share. We tried to shoot at that figure so Indiana would get their fair share but not the lion's share. We would presumably proceed on the same basis under this act.

Senator BAYH. Then you would have to use both formulas?

Mr. BATT. Yes.

Senator BAYH. Since you didn't mention the application, I think the comment made by my colleague from Maine is appropriate for our appreciation about the way you handled this part of the program.

I think it would be helpful to us if we could have a general rundown of the administrative system, which is contemplated, and, I trust, you are in the process of developing this, and will let us have this, as suggested by Senator Muskie.

Secretary CONNOR. That is being developed and we will be glad to insert that for the record.

The CHAIRMAN. Very well.

(Subsequently the following information was submitted:)

BRIEF STEP BY STEP RÉSUMÉ OF HOW AN ELIGIBLE AREA GETS BENEFITS UNDER THE PROPOSED PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

(Tentative and subject to changes in the act and revised administrative requirements)

1. If the area had previously been eligible under the Area Redevelopment Act and had an approved overall economic development program (OEDP) under that act, it will be eligible to submit projects for approval immediately.

2. Pending projects under the Area Redevelopment Act will automatically be reviewed by EDA and reactivated without further action on the part of the community.

3. Pending projects under the Accelerated Public Works Act will have to be resubmitted.

4. If an area had not previously been eligible under the Area Redevelopment Act, it will be necessary for the area to prepare an OEDP and submit it to the Administrator for Economic Development for approval. Assistance will be available from EDA upon request.

TITLE I—GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES

5. Public Works and development facilities projects may be submitted by any community, governmental organization, or private nonprofit organization from an eligible area.

6. Projects should be submitted to EDA on forms which will be made available.

7. EDA will publish a book indicating which areas are eligible for 80-percent grants, which for 70-percent grants, which for 60-percent grants, and which for 50-percent grants. Communities will be able to guide themselves accordingly.

8. When an applicant wishes to apply for supplementary grant for a project for which the basic grant is coming from another agency, the applicant will fill out a supplemental form to EDA at the same time the project is submitted to the other agency. Announcements of approval will be made simultaneously with the announcements of approval from the other agencies. Funds will be transferred to the other agencies in the amount of the supplementary grant.

9. Applicants will be required to justify all projects on the grounds that the projects will either directly or indirectly tend to improve the opportunities for the successful establishment or expansion of industrial or commercial facilities; or will assist in the creation of additional long-term employment opportunities; or will substantially further the objectives of the Economic Opportunity Act of 1964. Applicants will also have to demonstrate that the project will fulfill a pressing need of the area and that it is consistent with an approved OEDP.

10. Where a supplementary grant is requested the applicant will have to certify that funds are not available locally for the required community share without a supplementary grant.

TITLE II—OTHER FINANCIAL ASSISTANCE

11. Application for loans for public works and development facilities will be handled on the same basis as grants and will require the same justification.

12. Application for business loans may be from public or private borrowers and should be made directly to EDA on appropriate forms provided.

13. Applications for guarantee of working capital loans will be made a part of the application for the business loan as appropriate.

14. Applications for interest rate subsidies will be made directly to EDA by the borrower on appropriate form which will be available from EDA.

15. Applications for loan guarantees or interest rate subsidies will be required to exercise a certification of nonrelocation on appropriate EDA form.

TITLE III—TECHNICAL ASSISTANCE, RESEARCH, AND INFORMATION

16. Communities requiring technical assistance in carrying out their economic development programs will make application directly to EDA in accordance with published instructions similar to those now available for the Area Redevelopment Act program.

17. States, district organizations, and communities wishing grants in aids for economic planning staff and administrative expenses shall submit requests directly to EDA on appropriate forms to be made available. Detailed budgets and justifications will be required.

18. Eligibility of areas eligible under the Area Redevelopment Act on the date the new bill is enacted will automatically be considered eligible for benefits under the new act. Specific instructions will be given to these communities at a later date on the maintenance of their eligibility.

19. Those areas which will become eligible under the new act which have not heretofore been eligible under Area Redevelopment Act will receive a communication from EDA explaining how to prepare an OEDP and to qualify for designation under the new act.

20. When the new area has submitted an OEDP and it has been approved it will become eligible for benefits under the new act.

21. EDA and State officials will work together to establish tentative boundary lines for districts under part B of title IV.

22. State and EDA representatives will work with representatives of local communities to establish district development organizations.

23. When district development organizations are established, requests for grants in aid will be submitted to EDA on appropriate forms to be provided.

24. When these grants are approved the district organization will arrange to prepare their district development plan and submit it for approval.

25. One year after the date of enactment of the act or whenever the district development plan is approved, whichever comes later, the district will become eligible for benefits under part B of title IV. These will be administered in the same manner as projects submitted under title I and title II.

TITLE V—REGIONAL ACTION PLANNING COMMISSIONS

26. The Secretary of Commerce will, upon enactment of the bill, notify Governors of the provisions of title V regarding regional action planning commissions.

27. Representatives of the Governors and EDA will meet informally to agree upon preliminary general boundary lines for regions.

28. After this agreement the Governors will submit a formal request for recognition of the region, and a temporary budget for initial operation, accompanying this request with appropriate justification in terms with the purposes of the act.

29. After review and/or modification, the Secretary will approve the establishment of the regional planning commission and its initial budget and the President will name the Federal cochairman.

30. The Governors will name their representatives to the regional planning commission; the commission will organize itself and submit a detailed annual budget.

31. The Secretary will approve the budget and make the funds available for the commission to organize itself.

Senator BAYH. One further question. Relocation is prohibited, yet expansion is one thing we are after. I trust proper safeguards will be taken against an expansion of a business in one area or a branch of a business in one area and shutting down another branch in another area. It would have the same effect as relocation.

Secretary CONNOR. Yes, sir, that will be seriously watched.

Senator BAYH. You do have funds under this act for studies, getting at basic underlying costs. Is that correct?

Secretary CONNOR. Yes, sir. Under title III, the technical assistance and research part of the act.

Senator BAYH. This seems to be extremely important, because some of the communities have just not had the formula for success. A study of underlying causes might be as important as the appropriation of funds.

There has been a brief discussion about economic disaster areas. The discussion so far has been limited to those caused by actions of the Federal Government—removal of military bases, for example, which has caused extreme hardship on certain areas. How about the withdrawal on the spur of the moment of private industry which is also an extremely hard blow on the area affected? Maybe also it is taken for granted this type of economic disaster is included?

Secretary CONNOR. Yes, sir, that is part of the provision in that section.

Senator BAYH. How about studies after the fact, for example, the situation in South Bend, when, shortly before Christmas, some 8,000 workers were out of jobs with short notice or no notice. Then the Federal Government moved in very wonderfully with its full impact, working with local agencies.

How could studies of this kind of effort be useful to other areas similarly affected?

Secretary CONNOR. Our plan is to make such studies after the fact to learn from it.

Senator BAYH. So they would not make the same mistakes the second time?

Secretary CONNOR. Yes, sir, that is part of the plan.

Senator BAYH. One other question. Are we going to make some effort to assist small businessmen in this program? Do you think that is necessary?

Secretary CONNOR. Well, the title II, other financial assistance, does provide under section 202 for industrial and commercial loans, and

this would be applicable to small business as well as larger business. Now we have looked at the question of whether there is any overlapping or duplication of this program with the Small Business Administration, and I would like Mr. Batt to comment on our analysis.

Mr. BATT. Of course, most of the businesses we do help are smaller businesses because they are eligible. They very often have loans to new business, which I would say, by definition, are small. A lot of our loans are where they cannot get loans elsewhere, and these tend to be small. There is no limitation on size. This is enormously important. They have to stick to under \$350,000. We are interested in job creation and have been able to make very productive loans.

Senator BAYH. The interest rebate provision would indicate there is additional emphasis being placed in getting larger corporations with more jobs in this program than there has been in the past?

Secretary CONNOR. That is correct.

Senator BAYH. No further questions.

The CHAIRMAN. Senator Cooper, do you have any further comments or questions?

Senator COOPER. I would like to say to the Secretary that I compliment him for his very effective presentation, and explanation of the bill, not only concerning its general objectives, but in regard to its specifics. I think your presentation's effectiveness was best shown by the number of pertinent questions directed to the bill.

Secretary CONNOR. Thank you.

Senator COOPER. I think it is very fortunate that this bill does join the area redevelopment program with the public works program, which has been so important to many people in many areas all around the country.

I think the accelerated public works program—first considered as an emergency public works program—demonstrated something of tremendous importance that ought to have been known and recognized. It showed that there are literally hundreds, perhaps thousands, of communities that do not possess the elementary water and sewage systems so necessary for health as well as to industry. I like this idea of giving it regular continuity, even if on a smaller annual funding basis, and it is this type of ongoing program I have urged.

I like also your emphasis that under the Area Redevelopment Act, the Federal Government has not simply supported programs in local areas and States, but it has induced or encouraged these areas to form their own plans, encouraging local investment as well as promoting public health and general living conditions. I believe it is of the utmost importance that this policy be extended and continued by programs of this type, and your presentation was very helpful.

Secretary CONNOR. Thank you.

The CHAIRMAN. I am not cutting Senator Cooper off but we have authority to sit only until the end of the morning hour, and the buzzers just heard indicate the close of the morning hour. Therefore, we have no authority to sit beyond this point.

I will just take the time to thank you very much, you and your associates, for the very fine presentation here this morning. I am very much encouraged that we are making a very fine record in our first hearings, and the hearings will be continued as indicated.

Thank you very much.

(Whereupon, at 12:10 p.m. the committee recessed, to reconvene at 9 a.m., Tuesday, April 27, 1965.)

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

TUESDAY, APRIL 27, 1965

U.S. SENATE,
COMMITTEE ON PUBLIC WORKS,
Washington, D.C.

The committee met at 9 a.m., pursuant to recess, in room 1202, New Senate Office Building, Senator Edmund S. Muskie, presiding.

Present: Senators McNamara, Randolph, Muskie, Gruening, Moss, Montoya, and Murphy.

Senator MUSKIE. The hearing will be in order.

We have a long New England story to tell this morning, so we don't want to lose any time. I have a brief opening statement.

This is the second day of hearings on S. 1648, "The Public Works and Economic Development Act of 1965." Yesterday we heard testimony from the Secretary of Commerce, Mr. John T. Connor, on the general objectives of the legislation. Our questioning was aimed primarily at those sections of the bill concerned with public works.

Today we turn to title V of the bill and related proposals dealing with regional planning and development. This morning's "double-header" hearing opens a series of presentations on behalf of economic regions in various sections of the country.

It is appropriate that we should start with New England. For over 300 years this northeast corner of our country has been identified as a geographic, political, and economic unit. And today, more than ever before, New Englanders are working together to improve the prospects for our region.

Our list of witnesses is significant. Each represents the region as well as his or her State. Our Senators are members of the New England Senators' conference. Governor Hoff of Vermont comes to us representing the New England Governors' conference. Mr. Policastro of Rhode Island is president of the New England Labor Council, AFL-CIO. Mr. Caverly and Mr. Webber of Massachusetts represent the New England Council for Economic Research and Development.

New England was a leader in the founding of the Republic, and in the economic development of the Nation. Pioneers were attracted to her shores by the rich forests, the abundance of water, the harvest of the sea, and the invigorating climate.

From this base grew a rich and varied agricultural, industrial, and commercial economy. From this region went enterprising men and women to help with the settlement and development of other parts of the Nation.

In many ways New England is still a leader. But we are frank to recognize that in many ways we have not kept pace with the rest of the United States. We are a study in contrasts. We boast of highly developed "brain centers," but many of our children have inadequate opportunities for elementary and secondary education.

We are proud of the skills and reputation for hard work of our workers, but in some parts of New England unemployment approaches 25 percent of the population. We have the latest automated factories, but in many cities once humming textile mills stand empty and silent.

We are a tight-knit community, but our transportation systems—the lifeblood of commerce—are inadequate to our needs.

These are but a few of our problems. We shall hear more about them, this morning. We shall also hear of New England's plans for the future and how we think the regional planning and development features of S. 1648 and S. 812 can help us in our efforts.

We have had good success with the Area Redevelopment Administration and the accelerated public works program. We think the Appalachia Regional Development Act was a step in the right direction.

Last September, President Johnson came to New England. He noted New England's contributions to the growth of our Nation. And in Portland, Maine, he said:

We are working with you to create opportunities. We are acting to give people a chance to help themselves—to develop and use their own skills—to provide for their families through their own labor.

The administration's proposals, as embodied in S. 1648, represent a followthrough on President Johnson's pledge to New England, and to the rest of the Nation.

We shall now hear New England's response to these proposals and—since we are inveterate tinkers—our suggestions for improving the recommendations for regional planning and development.

I would like to welcome this morning the senior representative of the New England Senators' conference, an old friend of all New England, Senator Aiken, for appropriate comments.

STATEMENT OF HON. GEORGE D. AIKEN, A U.S. SENATOR FROM THE STATE OF VERMONT

Senator AIKEN. I didn't come over here to testify, Mr. Chairman. I think my position on the poverty program, so-called, is pretty well known, that is, the way to deal with poverty is to create opportunity, and that means development.

That is why I joined with Senator McNamara's proposal that applied to New England, but when it applies to a relief for poverty, that is something else, because I think the only way to deal with poverty is to create opportunity.

I realize there are some cases that are helpless that have to be taken care of, but when I think of all the potential opportunity for jobs and development which exists all through New England, and particularly across northern New England, and your State of Maine, then it seems to me that the direction in which we should be heading is to make more job opportunities. You realize now that in the State of Vermont, for instance, industrial labor is getting more pay than any other State, except for Connecticut and Massachusetts, and we have

almost caught up on Massachusetts, I believe. We are going right along.

Mr. Chairman, I do not have a formal statement today. I came here to listen a little while, then I have to go to an Agriculture Appropriations Committee, where we are going to hear the Extension Service testimony this morning, and that is going to be an important factor in the development of our New England area.

Senator MUSKIE. Thank you very much, Senator. I thought the record would be incomplete without that terse statement on the record.

Some of the other New England Senators have indicated they may be by this morning to testify, if they have an opportunity to do so. Others will present statements for the record.

But we do now have with us one of the leaders, one of the Senators who has been in the forefront of this concept of regional development for New England. Although he is one of the youngest members of the New England delegation, and indeed the youngest one, we are delighted to recognize his leadership and support it, and as you can see, Senator Aiken is leading in getting support for his bill.

Senator Kennedy.

Senator AIKEN. The problem is now whether we advise the other 69 members before having it printed or not.

STATEMENT OF HON. EDWARD M. KENNEDY, A U.S. SENATOR FROM THE STATE OF MASSACHUSETTS

Senator KENNEDY. Mr. Chairman, once again our senior colleague, Senator Aiken, has spoken eloquently on the basic thrust of this legislation. It is not a poverty bill. It is an economic development bill.

It is built upon the very sound principle and concept that we in New England who represent those States in the capacity here in the Congress know that while we do have the potential, the skill, the personnel, that we have overriding problems which to a great extent are not to the blame of those of us who have worked and lived in that geographical area for so many years, but we are looking for an opportunity to help ourselves.

Mr. Chairman, I would like to congratulate you and the committee for the leadership which has been manifest in this undertaking.

There have been, of course, many statements made in support of this legislation, but as all of us know, it is the hard work that is done in the committee, and the persistence of the chairman, which counts. I think all of us in New England, and certainly I speak as the representative of Massachusetts, want to extend our appreciation for this leadership in developing these concepts of economic assistance.

I am delighted to be here this morning, and express my support for S. 1648, the administration bill.

As the chairman well knows, many of us were seriously concerned during the Appalachia debate that other areas of the country, also lagging in economic growth, should have the opportunity to develop regional programs similar to Appalachia.

In fact, we were prepared to introduce our own region amendments to the Appalachian legislation, but held off on this after assurances from the administration that we would be covered in a forthcoming national development bill.

This we now have before us in S. 1648. One of its most important provisions concerns the creation of regional commissions to plan and implement long-range economic programs. For some time, I have urged that the establishment of such a commission for New England would be extremely effective and beneficial.

The administration has wisely chosen to extend the Appalachia approach of regional programing to other problem areas. In my opinion, this is one of the most significant new steps in economic development legislation to come forward in many years.

I would suggest that the committee seriously consider integrating the language of S. 812 into the administration bill. S. 812, of which I am a cosponsor, was introduced by the senior Senator from Michigan, Mr. McNamara, whose knowledge and experience in this field is of the highest caliber.

I feel that this language would provide more effective guidelines and greater flexibility in the selection of regional commissions, a stronger incentive for such commissions to come to the administration and to Congress with a development program as soon as possible, and a more specific description of the membership of the regional commissions and of the power of the Federal member in approving commission plans.

In addition to providing for regional development commissions, S. 1648 provides for continuation of the better features of area redevelopment and accelerated public works assistance, on a more flexible basis, with greater emphasis on planning for permanent industrial development, rather than the mere creation of temporary employment.

This assistance would be available as soon as money is appropriated, and for the most part would not have to wait for long-range programs to be developed by the commission.

Continuing ARA and APW type of funding to assist existing redevelopment areas is of crucial importance. My only major concern here is that the annual money authorized for public works and development facility grants is too modest and thus should be increased substantially in order to develop a truly meaningful growth program.

S. 1648 has two other features which I like very much, and which I feel will be helpful in implementing long-range growth programs. One involves the recognition of economic development centers which, although not distressed, would still be eligible for development assistance if the projects would contribute to the alleviation of high unemployment and low income in surrounding areas.

The other concerns the creation of multicounty economic development districts which would bring together eligible and noneligible areas under a kind of subregional development plan and program.

This type of coordinated area attack on unemployment could be extremely effective in the Lowell-Lawrence-Haverhill area of Massachusetts, and in the Fall River-New Bedford-Providence area.

Of particular importance to my State, and to New England, is the new provision for Federal assistance to those areas of military installation closings, or other economic emergencies.

Throughout the bill there is the basic philosophy that Federal assistance shall be concentrated in accord with sound planning, and directed to projects which will enhance long-term growth.

With this kind of assistance, and with the additional funding which I hope will come from a New England regional program developed

by its commission, we have substantial reason to be encouraged and hopeful.

New England's present economic status more than qualifies it for the assistance provided in the pending legislation.

It is a six-State area, with economic and cultural ties separated from surrounding regions by its geographical location and its topography. There is probably no more precise version of an economic region existing in the United States today than New England.

We have traditionally shared markets, employment, transportation, financial investment, education, and other resources. In size, the region covers only 2.2 percent of the country's area, yet it has almost 6 percent of U.S. population, and much of this is concentrated in its three smallest States.

Because it is a small but distinct area, its problems transcend local and State boundaries, and it is constantly in search of regional solutions.

Recognizing this, our New England Governors recently proposed a 6-State regional planning compact to deal with major New England problems. And on that matter, I think all of us would recognize the leadership that has been provided by Governor Hoff of Vermont.

This cooperative effort on the part of our Governors will be enhanced and strengthened by the creation of a New England regional commission, adding the Federal Government as a partner to our regional effort to solve problems and stimulate economic growth.

Details on New England's present economic condition will be set forth in exhibits and analyses which have been prepared by the Library of Congress, the Department of Commerce, State agencies, the New England Council, and others. These materials will be submitted for the record during our presentation.

From this economic information, I should like to make some important general observations.

New England is a region which is increasingly lagging behind the Nation's level of growth. Unlike Appalachia, we were once prosperous and productive, with a high level of employment in manufacturing and agriculture.

As the Nation expanded, our mills moved elsewhere, our farming declined, and there was not sufficient diversification of industry to take up the slack.

As a result, New England's increase in personal income is below the national average. Except for Massachusetts and Connecticut, its per capita personal income is considerably less than the national figure.

Serious pockets of poverty are prevalent in its northern rural areas and in older industrial centers of southern New England. Unfortunately, aggregate statistics cannot tell the true story, because the Metropolitan Boston area and southern areas of Connecticut, with heavy populations, are doing rather well, while many other parts of New England are falling far behind.

The most important single source of personal income in New England has been manufacturing. It has provided a base for the trade and the service industries. It has developed a splendid force of skilled and semiskilled industrial workers.

However, during the past 15 years, industrial employment in New England has fallen off by over 250,000. Most of this decline has come from losses of textile, shoe, furniture, jewelry, and other traditional industries which were concentrated in relatively few urban centers.

For many, the impact has been catastrophic, with substantial unemployment continuing for many years despite efforts to bring in new industry. Almost half of New England's labor markets are in this category.

And I know that, with respect to shoes and textiles, once again the junior Senator from Maine, Mr. Muskie, and the senior Senator from Vermont, Mr. Aiken, have been acutely aware of these problems of unemployment, and have exerted extraordinary efforts to try and find solutions to them.

But nonetheless, this is the record, we have economic problems, and I think we have to face up to them.

Other factors contribute to New England's economic distress. The region ranks close to the last in new buildings for trade and industry. Many of the old edifices which housed the production of a great industrial era now stand dilapidated and in some instances unusable.

New industry is not attracted to old environments. Existing industry lacks the incentive for expansion when cities and towns cannot provide modern public improvements. Much private housing, schools, and municipal buildings are of ancient vintage. All of these factors discourage new industry from moving into our labor depressed centers.

We need a major redevelopment effort through Federal assistance to provide the opportunity for more and diversified industrial activity, and the development of our human and material resources.

However, apart from its economic distress, New England has a number of immediate matters which need to be solved through regional cooperation and planning.

We have a crisis in transportation. Our major railroads are in, or near, bankruptcy, and need complete rehabilitation. We are at this moment faced with the discontinuance of all intercity passenger service, and the possibility of substantial abandonment of freight service which could ruin forever industrial development in hundreds of potential growth centers in New England.

Our only major airline is fighting for its life in the courts. It needs permanent status as a trunkline carrier, major financing for new equipment, and better airports with electronic guidance equipment. Air service from New England to eastern cities is suffering under this situation. Efficient air service is a necessary part of economic improvement.

And the expansion and development of certain local service is certainly fundamental, I think, to any regional development program in considering our transportation needs.

High-speed expressways are needed to open up the resources of northern New England. The port of Boston is not being adequately utilized. Many urban centers need new and larger warehousing and handling facilities for integration of truck, rail, and airfreight services.

All these things call for a regional program of coordination and assistance to develop a fast, efficient transportation network between New England centers, and to markets outside the New England region. Industry cannot grow without efficient transportation.

New England has an abundance of water—for human consumption, for industry, for power. Yet water is one of its major problems. Sewage and industrial wastes make much of this resource unusable and a peril to recreation, fishing, and industrial development.

Water collection and distribution systems are inadequate. Many urban areas increasing their demands for clean water will be faced with serious shortages. Again, we need a regional program, substantially financed, for both pollution control and water distribution, and conservation.

New England is the highest cost electric power area in the Nation. Its consumers and industries pay almost 30 percent more than the national average. While other regions of the Nation have benefited from billions of dollars of Federal funds for hydropower complexes, no major facility of this nature has been constructed in New England.

Nor do we have any substantial program for buying power from other regions. Instead, we rely on small and scattered power systems which must import various fuels from long distances at increased expenses.

This is another example of the need for a regional plan to coordinate our existing capacity, and to prepare major projects to meet the demand that lies ahead.

Certainly I want to include, in the development of major hydropower projects, the work which has been done by the junior Senator from Maine, Mr. Muskie, the Passamaquoddy project on which he has provided such leadership.

Cheap and abundant electric power is fundamental to any regional economic development program.

New England has natural resources which have not been adequately utilized. Perhaps it has been our preoccupation with manufacturing that has diverted our attention away from this.

We have more of our land area covered by forests than does any other region in the United States. This area is a natural for extensive recreational and housing development for middle and lower income families.

At the same time, through modern methods of forestry and transportation, commercial use of this resource can be expanded.

Since the early settling of New England, commercial enterprise has looked to the coastal areas and to the sea for profit. For many reasons, our fishing industry has been allowed to decline, when in fact it should have moved to keep pace with other regions of the United States and foreign countries.

This decline has contributed substantially to unemployment in Massachusetts and other States. The Continental Shelf and coastal regions abound in fish, shellfish, minerals, and other resources. Science has provided us with the technology and know-how to modernize our

fishing fleet and its marketing methods, and to begin industrial development of our offshore resources.

We need now the program and the initiative to move ahead. This, too, is a regional responsibility.

Other problems concern our human resources. New England's severe unemployment situation in areas which had long been dependent on a single industry points up the need for an accelerated program of vocational education and manpower retraining.

This is particularly necessary where the industry we are attracting have job opportunities primarily in the skilled categories. Our special need here is for regionally located vocational schools, training institutes, and community colleges, closely integrated with local industrial development programs.

New England can benefit greatly from a computerized assessment of its job opportunities leading to regional and subregional placement programs.

And I am sure what exists in Massachusetts exists also in other New England States. We have in excess of some 10,000 jobs which are going begging today because there cannot be located enough trained personnel with the skills to take advantage of these job opportunities.

Once again, I think a coordinated manpower training and placement program can be extremely significant in New England.

Boston is one of the world's most prominent medical centers, yet the rest of New England suffers substantially from the lack of modern hospitals, medical schools, and nursing care facilities.

This creates a special problem, because our region has one of the highest percentages of citizens over 65, and they will need increasing care in advancing years. Many of these older people are in the low-income category. We will have to develop a network of regional medical complexes, combining the latest in psychiatric, medical, and surgical care, and providing special inexpensive diagnostic services.

Our State universities must be encouraged to develop medical schools and training centers at these complexes. Extensive centers for aging and nursing care facilities should be constructed in each of our population centers.

A substantial financial investment is needed with respect to our human resources. A community which cooperates with industry, trains and places its workers, provides top medical care, and looks out for the aging is a community which is bound to grow. It is attractive to industry, and to the professions which will give it leadership.

Mr. Chairman, I have taken the time to explain some of New England's problems in order to place in perspective the importance of regional planning contemplated by S. 1648, and the great need for substantial Federal assistance to stimulate economic activity in our area.

In many ways New England's needs are different from those of Appalachia. We once had economic success, but now we are slipping behind the Nation, unable to offset fast enough the severe employment losses and industrial shifts dealt us over the past 20 years.

We still have the economic potentials—in human skills, in resources, in consumer strength, in industrial sites, but we need a new effort to put these potentials to work in a different kind of economy.

Both Appalachia and New England, like the areas of the Upper Great Lakes, the Ozarks, and others, can benefit from the special assistance and guidance that will come from a Federal-State regional planning program.

S. 1648 will begin the task. It is for New England to take the lead from there. We will take that lead, and we will succeed.

Mr. Chairman, I have a special economic profile of New England, prepared for me by the Department of Commerce which I should like to insert in the record, along with some other documents, at this point.

Senator MUSKIE. Without objection, so ordered.

(Documents referred to follow:)

U.S. DEPARTMENT OF COMMERCE,
Washington, D.C., April 26, 1965.

Hon. EDWARD M. KENNEDY,
*U.S. Senate, Old Senate Building,
Washington, D.C.*

DEAR SENATOR KENNEDY: Attached, as requested, are materials relating to the New England economy,

Salient points about the region's economy are:

1. Personal income in the New England States has been rising, but more slowly than the United States.

2. Only Connecticut and Massachusetts, among the several States, show significant associations between personal income and gross national product. The "pull" of overall national growth through stimulation of aggregate demand is likely still to leave behind and to aggravate the economic problems of New England.

3. The trend of employment, as revealed by industrial patterns in the period 1950-60, shows movement away from land use (agriculture), labor intensive production (textiles), and outmoded forms of manufacture and transportation. As demand shifts, as the service sector grows, and as automation and technological change takes place—these being concentrated in the metropolitan areas—the intraregional disparity in growth widens.

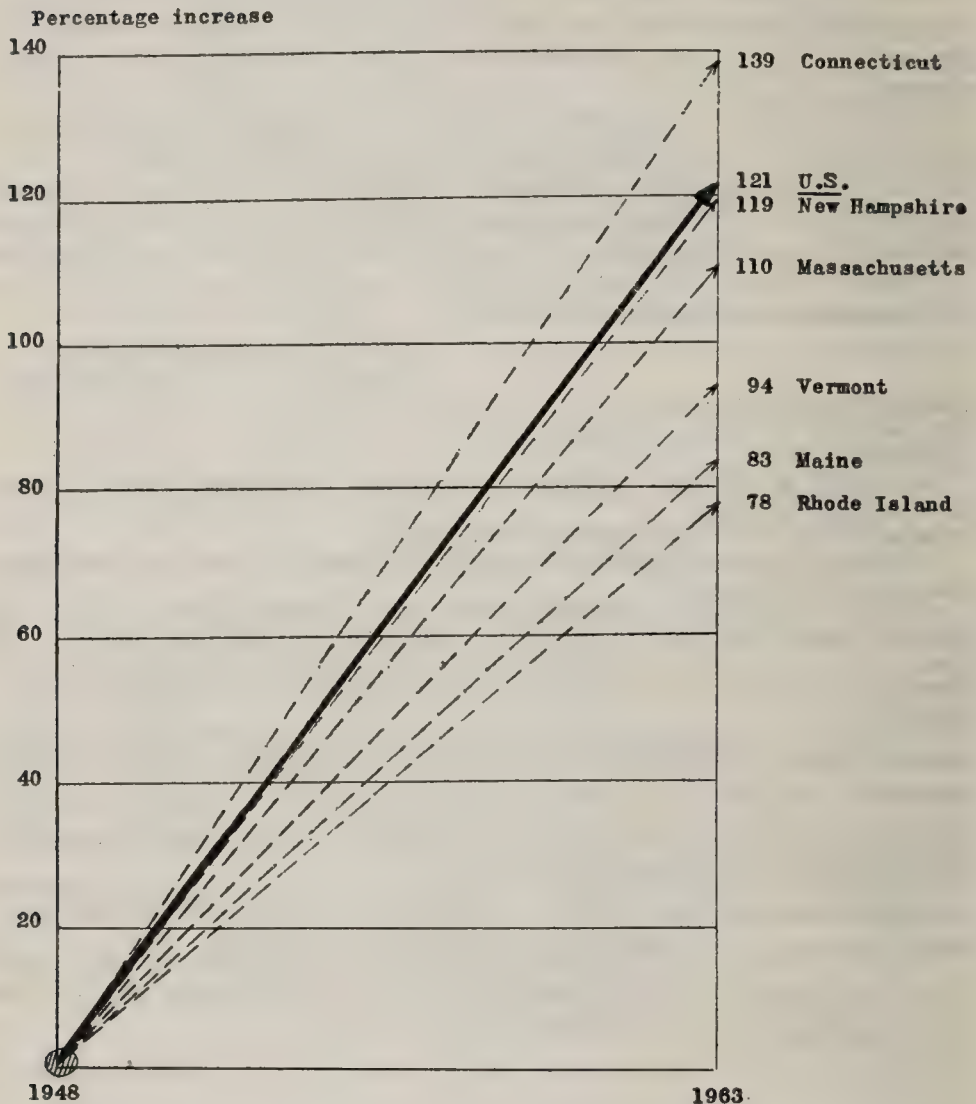
4. Economic activity is primarily concentrated in the Boston metropolitan area and in the Connecticut SMSA's. Aggregative indicators, therefore, understate the slow growth and development in the region as a whole.

To lessen intraregional disparities and to promote the growth of New England as a whole, the slowly growing areas need to be more closely integrated with and draw economic sustenance from growing areas.

Sincerely yours,

ROBERT T. MIKI.

Percentage Growth of Personal Income,
New England States, 1948-1963



CHANGES IN NEW ENGLAND EMPLOYMENT, 1950-60; INDICATORS OF TRENDS IN THE
REGION'S ECONOMY

The material in the following four pages show that :

1. The decrease in employment in each State is usually concentrated in one to three industries making up approximately 50 to 75 percent of the total. On the other hand, the increase in each State is distributed more evenly, with smaller percentages for each.

2. Most of the major decreases and increases center around corresponding movements away from land use (agriculture), labor intensive production (textiles), and outmoded forms of manufacture and transportation (railroads) and toward technological and automated industry.

DECREASES IN EMPLOYMENT

1. Of the three industries that represented over 80 percent of the decrease in employment in New England as a whole, all are represented in each State, and

at least one is a major (*) cause of the decrease (in relation to its percentage share and the number of industries in the total).

Industry	New England	Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
Textiles.....	*55.0	*54.9	*30.7	*53.1	*35.1	*76.5	18.7
Agriculture.....	*18.1	17.0	*33.4	8.7	*34.6	2.8	*42.8
Railroad and railroad express.....	*8.9	6.8	6.2	10.3	11.0	29.	8.6
Total.....	82.0	78.7	70.3	72.1	80.7	82.2	75.5

2. One other industry was represented in the decrease in every State, but the industry share was usually less.

Industry	New England	Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
Forestry and fisheries.....	2.3	1.1	5.9	1.7	0.3	3.8	1.3

3. Five industries were represented in the decrease in all but one State each:

Industry	New England	Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
Lumber, wood products.....	3.9	-----	10.6	1.6	2.8	0.3	9.8
Other transportation.....	2.5	1.1	.9	3.6	.2	3.6	-----
Food and dairy products.....	1.0	-----	1.5	3.6	.9	2.9	.5
Hotel and other personal service.....	2.6	1.9	.9	4.9	3.3	2.6	-----
Entertainment and recreation.....	.7	-----	1.3	1.3	.8	.2	.7
Total.....	10.7	3.0	15.2	15.0	8.0	9.6	11.0

4. Total percentage share accounted for by the nine industries listed above:

Industry	New England	Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
9 industries share.....	95.0	82.8	91.4	88.8	89.0	95.6	87.8

INCREASES IN EMPLOYMENT

1. The increase in total employment was distributed more evenly over several industries and not all of them represented a major share of the increase in each State.

Industry	New England	Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
Medicine, education, and other professions.....	23.7	20.2	17.8	27.1	18.8	19.4	27.8
Industry not reported.....	18.7	14.2	8.8	23.6	15.0	21.6	8.3
Electrical and other machinery.....	12.0	9.0	-----	15.4	21.5	5.1	12.0
Transportation equipment manufactured.....	8.9	20.6	6.6	2.9	4.0	4.0	-----
Armed Forces.....	7.4	2.6	21.1	5.9	10.6	14.0	3.1
Total.....	70.7	66.6	54.3	74.9	69.9	64.1	51.2

2. Five industries were represented in the increase in every State, but did not account for as large a share of the employment increase :

Industry	New England	Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
Food and kindred products manufacturing.....	2.9	2.3	3.7	3.0	2.2	3.6	2.7
Printing, publishing.....	2.7	3.0	2.1	2.6	2.3	2.3	3.3
Chemicals and allied products.....	0.5	1.1	0.4	0.1	0.1	0.8	0.4
Other retail trade.....	2.8	6.0	6.4	0.4	4.8	-----	10.5
Public administration.....	3.2	2.8	5.7	2.3	3.0	5.4	2.0
Total.....	12.1	15.2	18.3	8.4	12.3	12.1	18.9

3. Six industries were represented in the increase in all but one State each :

Industry	New England	Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
Apparel, other fabric.....	0.9	-----	1.6	1.8	0.6	3.8	0.8
Electrical and other machinery ¹	-----	-----	-----	-----	-----	-----	-----
Transportation equipment manufacturing ¹	-----	-----	-----	-----	-----	-----	-----
Trucking service and warehousing.....	.7	.6	-----	.7	1.0	.6	1.4
Communications.....	.8	1.1	.7	.8	.4	-----	.2
Miscellaneous manufacturing.....	4.6	-----	11.5	5.1	5.0	6.9	10.9
Total.....	7.0	1.7	12.8	8.4	7.0	11.3	13.3

¹ See section 1.

4. Total percentage share accounted for by the industries listed above :

Industry	New England	Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
14 industry share.....	89.8	73.5	85.4	91.7	79.2	87.5	82.4

THE NEW ENGLAND ECONOMY FROM THE PERSPECTIVE OF AN ECONOMIC DEVELOPMENT PROGRAM

The objective of New England, as a region, and of its component States includes the economic development of underdeveloped resources and the promotion of more vigorous development in growing areas, and the incorporation of lagging areas into growing sectors.

New England is growing, but less rapidly than the Nation as a whole. Over the long run, as a consequence, its share in total personal income has shrunk from 6.72 percent in 1948 to 6.44 percent in 1963. Concomitantly, nonagricultural employment has fallen from 6.94 percent of the total in 1957 to 6.70 percent in 1964; manufacturing employment from 8.66 percent (1957) to 8.25 percent (1964). As a region, New England has been losing economic resources to other, more rapidly growing regions.

1. Rhode Island, Maine, and Massachusetts shares in total personal income have fallen, while New Hampshire, Vermont, and Connecticut shares remain virtually constant.

2. The individual States have shared proportionately in the decline in manufacturing employment. In 1964, the percentages of New England manufacturing were :

Connecticut.....	30	New Hampshire.....	6
Maine.....	7	Rhode Island.....	8
Massachusetts.....	46	Vermont.....	2

There have been wide sectional variations within the region, for individual States experience different patterns and rates of growth depending on their industrial composition and the growth rate of a region within a particular industry—its regional share. In general, New England's employment gain (1950-60) in general industry, finance-insurance-real estate, transportation equipment manufacturing, and government has been offset by losses in agriculture, textiles, railroads, railroad express service, and retail food and dairy product stores.

1. In Connecticut, employment losses in agriculture, textiles, and miscellaneous manufacturing have been offset by longrun gains in machinery manufacturing, general retail, and finance-insurance-real estate.

2. New Hampshire's employment losses in agriculture, textiles, lumber-furniture-wood products, and railroads and railroad express services were matched by gains in machinery manufacturing and government, leaving a positive total employment effect.

3. In the other New England States, however, losses in the several sectors (agriculture, textiles, railroads and railroad express services, and retail food and dairy products) have outweighed employment gains in manufacturing and other sectors.

The pattern, then, is one of slow employment gains, punctuated by employment rates greater than the national average in Maine, Massachusetts, and Rhode Island and pockets of high unemployment in the several States. If the unemployment rate in Maine, Massachusetts, and Rhode Island were brought down at least to the U.S. average, the gap between potential and actual output would be narrowed and personal income should rise. Similarly, an increase in employment in Connecticut, Vermont, and New Hampshire, would raise the growth rate in output and income.

The pockets of continuous high unemployment are especially significant for these areas are not being pulled up by growing areas via spillover benefits. A program of public works and development facilities is particularly well-suited to assist in facilitating and accelerating the growth process by providing a capital structure for the creation of external economies in localities where such economies are presently poorly developed, and the fostering of the location of several enterprises in the same area.

Senator MUSKIE. Thank you very much, Senator, for your wide-ranging and useful discussion of New England's problems and prospects.

At this point we will include a copy of S. 812, to which both Senator Aiken and Senator Kennedy made reference.

(S. 812 follows:)

[S. 812, 89th Cong., 1st sess.]

A BILL To provide for the use of public works and other economic programs in a coordinated effort to aid economically disadvantaged areas of the Nation

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Regional Development Act of 1965."

FINDINGS AND STATEMENT OF PURPOSE

SEC. 2. The Congress hereby finds and declares that while the Nation as a whole has been undergoing an unparalleled period of peacetime prosperity, the benefits of this prosperity and the rate of economic growth have been spread unevenly and inequitably throughout the Nation. In some regions economic stagnation stubbornly resists the efforts of State and local governments and private initiative. Some of such regions comprise areas of several States, in other instances areas within a single State, but in almost all instances such regions need remedies which lie beyond the reach of local and State resources. Whether due to the decline of agriculture, the depletion of natural resources, the migration of industry, a shifting technology, or the impact of cutbacks in national defense facilities, the economic conditions engendered in these regions bar the development of a vigorous and self-sustaining pattern of local growth, depress the

quality of life of many American communities, and impede the advancement of the national economy. Therefore, recognizing the interdependence of the national economy with the economic vitality of local and regional sectors, the Congress declares it the purpose of this Act to establish a flexible framework for Federal, State, and local planning efforts to meet the varied problems of economic development, expand the opportunities for employment, provide the basic community facilities necessary for the growth of industrial, commercial, and recreational and cultural activities, and to achieve lasting improvement and enhancement of the domestic prosperity by establishment of stable and diversified local economies and improved local living conditions.

ESTABLISHMENT OF REGIONS

SEC. 3. (a) Upon receiving a request from the Governors of two or more contiguous States for the establishment of a development region for the purposes of this Act within such States, the President is authorized to establish such region after giving consideration to the following matters within such region:

- (1) the relationship of the areas within such region, geographically, culturally, historically, and economically;
- (2) the rate of unemployment in comparison to the national rate;
- (3) the extent to which the median level of family income is significantly below the national average;
- (4) the level of housing, health, and educational facilities;
- (5) the dominance of a single-industry economy;
- (6) the rate of outmigration of labor or capital or both;
- (7) the effects of changing industrial technology; and
- (8) the effects of changes in national defense facilities or production.

REGIONAL COMMISSIONS

SEC. 4. (a) The President is authorized to establish a regional commission for each region established pursuant to section 3. Each such commission shall be composed of one Federal member, hereinafter referred to as the "Federal co-chairman", appointed by the President by and with the advice and consent of the Senate, and one member from each participating State in the region. Each State member may be the Governor, or his designee, or such other person as may be provided by the law of the State which he represents. The State members of the commission shall elect a cochairman of the commission from among their number.

(b) Except as provided in section 9, decisions by a regional commission shall require the affirmative vote of the Federal cochairman and of a majority, or at least one if only two, of the State members (exclusive of members representing States delinquent under section 9). In matters coming before a regional commission, the Federal cochairman shall, to the extent practicable, consult with the Federal departments and agencies having an interest in the subject matter.

(c) Each State member of a regional commission shall have an alternate, appointed by the Governor or as otherwise may be provided by the law of the State which he represents. The President, by and with the advice and consent of the Senate, shall appoint an alternate for the Federal cochairman of each regional commission. An alternate shall vote in the event of the absence, death, disability, removal, or resignation of the State or Federal cochairman for which he is an alternate.

(d) The Federal cochairman to a regional commission shall be compensated by the Federal Government from funds authorized in section 9(b) at level IV of the Federal Executive Salary Schedule. His alternate shall be compensated by the Federal Government from funds authorized in section 9(b) at not to exceed the maximum scheduled rate for grade GS-18 of the Classification Act of 1949, as amended, and when not actively serving as an alternate for the Federal cochairman shall perform such functions and duties as are delegated to him by the Federal cochairman. Each State member and his alternate shall be compensated by the State which they represent at the rate established by the law of such State.

FUNCTIONS OF REGIONAL COMMISSIONS

SEC. 5. In carrying out the purposes of this Act, each regional commission shall, with respect to its region—

- (1) develop, on a continuing basis, comprehensive and coordinated plans and programs and establish priorities thereunder, giving due consideration to other Federal, State, and local planning in the region;

(2) conduct and sponsor investigations, research, and studies, including an inventory and analysis of the resources of the region, and, in cooperation with Federal, State, and local agencies, sponsor demonstration projects designed to foster regional productivity and growth;

(3) review and study, in cooperation with the agency involved, Federal, State, and local public and private programs and, where appropriate, recommend modifications or additions which will increase their effectiveness in the region;

(4) formulate and recommend, where appropriate, interstate compacts and other forms of interstate cooperation, and work with State and local agencies in developing appropriate model legislation;

(5) encourage the formation of local development districts;

(6) encourage private investment in industrial, commercial, and recreational projects;

(7) serve as a focal point and coordinating unit for region programs;

(8) provide a forum for consideration of problems of the region and proposed solutions and establish and utilize, as appropriate, citizens and special advisory councils and public conferences; and

(9) formulate for the Congress a program of development projects with proposals for Federal participation in their funding.

PROGRAM DEVELOPMENT CRITERIA

SEC. 6. In developing recommendations for programs and projects pursuant to this Act, and in establishing within those recommendations a priority ranking for such programs and projects, each regional commission shall follow procedures that will insure consideration of the following factors:

(1) the relationship of the project or class of projects to overall regional development including its location in an area determined by the State to have a significant potential for growth;

(2) the population and area to be served by the project or class of projects including the relative per capita income and the unemployment rates in the area;

(3) the relative financial resources available to the State or political subdivisions or instrumentalities thereof which seek to undertake the project;

(4) the importance of the project or class of projects in relation to other projects or classes of projects which may be in competition for the same funds;

(5) the prospects that the project, on a continuing rather than a temporary basis, the opportunities for employment, the average level of income, or the economic and social development of the area served by the project.

RECOMMENDATIONS

SEC. 7. Each regional commission may, from time to time, make additional recommendations to the President, and recommendations to the State Governors and appropriate local officials, with respect to—

(1) the expenditure of funds by Federal, State, and local departments and agencies in its region in the fields of natural resources, agriculture, education, training, health and welfare, and other fields related to the purposes of this Act; and

(2) such additional Federal, State, and local legislation or administrative actions as the commission deems necessary to further the purposes of this Act.

LIAISON BETWEEN FEDERAL GOVERNMENT AND REGIONAL COMMISSIONS

SEC. 8. The President shall provide effective and continuing liaison between the Federal Government and each regional commission and a coordinated review within the Federal Government of the plans and recommendations submitted by such commission pursuant to sections 5 and 7.

ADMINISTRATIVE EXPENSES OF REGIONAL COMMISSIONS

SEC. 9. (a) For the period ending on June 30 of the second full Federal fiscal year following the date of the establishment of any regional commission pursuant to this title, the administrative expenses of such commission shall be paid by the Federal Government. Thereafter, such expenses shall be paid equally

by the Federal Government and the States in the region. The share to be paid by each State shall be determined by the Commission. The Federal cochairman shall not participate or vote in such determination. No assistance authorized by this Act shall be furnished to any State or to any political subdivision or any resident of any State, nor shall the State member of such commission participate or vote in any determination by the commission while such State is delinquent in payment of its share of such expenses.

(b) There are authorized to be appropriated such amounts as may be necessary to carry out the provisions of this section.

ADMINISTRATIVE POWERS OF REGIONAL COMMISSIONS

SEC. 10. To carry out its duties under this Act, each regional commission is authorized to—

(1) adopt, amend, and repeal bylaws, rules, and regulations governing the conduct of its business and the performance of its functions;

(2) appoint and fix the compensation of an executive director and such other personnel as may be necessary to enable the commission to carry out its functions, except that such compensation shall not exceed the salary of the alternate to the Federal cochairman on the commission, as provided in section 4, and no member, alternate, officer, or employee of such commission, other than the Federal cochairman on the commission and his staff and his alternate, the Federal employees detailed to the commission under clause (3), shall be deemed a Federal employee for any purpose;

(3) request the head of any Federal department or agency (who is hereby so authorized) to detail to temporary duty with the commission such personnel within his administrative jurisdiction as the commission may need for carrying out its functions, each such detail to be without loss of seniority, pay, or other employee status;

(4) arrange for the services of personnel from any State or local government or any subdivision or agency thereof, or any intergovernmental agency;

(5) make arrangements, including contracts, with any participating State government for inclusion in a suitable retirement and employee benefit system of such of its personnel as may not be eligible for, or continue in, another governmental retirement or employee benefit system, or otherwise provide for such coverage of its personnel, and the Civil Service Commission of the United States is authorized to contract with such commission for continued coverage of commission employees, who at date of commission employment are Federal employees, in the retirement program and other employee benefit programs of the Federal Government;

(6) accept, use, and dispose of gifts or donations of services or property, real, personal, or mixed, tangible or intangible;

(7) enter into and perform such contracts, leases, cooperative agreements, or other transactions as may be necessary in carrying out its functions and on such terms as it may deem appropriate, with any department, agency, or instrumentality of the United States or with any State, or any political subdivision, agency, or instrumentality thereof, or with any person, firm, association, or corporation;

(8) maintain a temporary office in the District of Columbia and establish a permanent office at such location as it may select and field offices at such other places as it may deem appropriate; and

(9) take such other actions and incur such other expenses as may be necessary or appropriate.

INFORMATION

SEC. 11. In order to obtain information needed to carry out its duties, each regional commission shall—

(1) hold such hearings, sit and act at such times and places, take such testimony, receive such evidence, and print or otherwise reproduce and distribute so much of its proceedings and reports thereon as it may deem advisable, a cochairman of such commission, or any member of the commission designated by the commission for the purpose, being hereby authorized to administer oaths when it is determined by the commission that testimony shall be taken or evidence received under oath;

(2) arrange for the head of any Federal, State, or local department or agency (who is hereby so authorized, to the extent not otherwise prohibited by law) to furnish to such commission such information as may be available to or procurable by such department or agency; and

(3) keep accurate and complete records of its doings and transactions which shall be made available for public inspection.

PERSONAL FINANCIAL INTERESTS

SEC. 12. (a) Except as permitted by subsection (b) hereof, no State member or alternate and no officer or employee of a regional commission shall participate personally and substantially as member, alternate, officer, or employee, through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise, in any proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter in which, to his knowledge, he, his spouse, minor child, partner, organization (other than a State or political subdivision thereof) in which he is serving as officer, director, trustee, partner, or employee, or any person or organization with whom he is serving as officer, director, trustee, partner, or employee, or any person or organization with whom he is negotiating or has any arrangement concerning prospective employment, has a financial interest. Any person who shall violate the provisions of this subsection shall be fined not more than \$10,000, or imprisoned not more than two years, or both.

(b) Subsection (a) hereof shall not apply if the State member, alternate, officer, or employee first advises the regional commission involved of the nature and circumstances of the proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter and makes full disclosure of the financial interest and receives in advance a written determination made by such Commission that the interest is not so substantial as to be deemed likely to affect the integrity of the services which the Commission may expect from such State member, alternate, officer, or employee.

(c) No State member of a regional commission, or his alternate, shall receive any salary, or any contribution to or supplementation of salary for his services on such commission from any source other than his State. No person detailed to serve a regional commission under authority of clause (4) of section 10 shall receive any salary or any contribution to or supplementation of salary for his services on such commission from any source other than the State, local, or intergovernmental department or agency from which he was detailed or from such commission. Any person who shall violate the provisions of this subsection shall be fined not more than \$5,000, or imprisoned not more than one year, or both.

(d) Notwithstanding any other subsection of this section, the Federal co-chairman and his alternate on a regional commission and any Federal officers or employees detailed to duty with it pursuant to clause (3) of section 10 shall not be subject to any such subsection but shall remain subject to sections 202 through 209 of title 18, United States Code.

(e) A regional commission may, in its discretion, declare void and rescind any contract or other agreement pursuant to the Act in relation to which it finds that there has been a violation of subsection (a) or (c) of this section, or any of the provisions of sections 202 through 209, title 18, United States Code.

TECHNICAL ASSISTANCE

SEC. 13. (a) The Secretary of Commerce is authorized to provide to the regional commissions technical assistance which would be useful in aiding such commissions to carry out their functions under this Act and to develop recommendations and programs. Such assistance shall include studies evaluating the needs of, and developing potentialities for economic growth of such regions, and research on improving the conservation and utilization of the natural resources of the region.

(b) Such assistance may be provided by allocation of funds authorized for this section to other departments or agencies of the Federal Government, or through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes by the Secretary or the regional commissions.

(c) The Secretary may make grants to the regional commissions for the purposes of this section.

(d) There is hereby authorized to be appropriated for the purposes of this section \$15,000,000. Not more than 20 per centum of the total appropriated pursuant to this subsection shall be made available for assistance in any one region.

LOCAL DEVELOPMENT DISTRICTS—CERTIFICATION

SEC. 14. For the purposes of this Act, a "local development district" shall be an entity certified to a regional commission either by the Governor of the State or States in which such entity is located, or by the State officer designated by the appropriate State law to make such certification, as having a charter or authority that includes the economic development of counties or parts of counties or other political subdivisions within the region. No entity shall be certified as a local development district for the purposes of this Act unless it is one of the following:

- (1) a nonprofit incorporated body organized or chartered under the law of the State in which it is located;
- (2) a nonprofit agency or instrumentality of a State or local government;
- (3) a nonprofit agency or instrumentality created through an interstate compact; or
- (4) a nonprofit association or combination of such bodies, agencies, and instrumentalities.

GRANTS FOR ADMINISTRATIVE EXPENSES OF LOCAL DEVELOPMENT DISTRICTS AND FOR RESEARCH AND DEMONSTRATION PROJECTS

SEC. 15. (a) The Secretary of Commerce is authorized—

(1) either directly or through arrangements with the appropriate regional commission, to make grants for administrative expenses to local development districts. The amount of any such grant shall not exceed 75 per centum of such expenses in any one fiscal year. No grants for administrative expenses shall be made to a local development district for a period in excess of three years beginning on the date the initial grant is made to such development district. The local contributions for administrative expenses may be in cash or in kind, fairly evaluated, including but not limited to space, equipment, and services; and

(2) either directly or through arrangements with appropriate public or private organizations (including a regional commission), to provide funds for investigation, research, studies, and demonstration projects, but not for construction purposes, which will further the purposes of this Act.

(b) There is hereby authorized to be appropriated \$5,000,000 for the purposes of this section.

ANNUAL REPORTS

SEC. 16. Each regional commission established pursuant to this Act shall make a comprehensive and detailed annual report each fiscal year to the Congress with respect to such commission's activities and recommendations for programs. The first such report shall be made for the first fiscal year in which such commission is in existence for more than three months. Such reports shall be printed and transmitted to the Congress not later than January 3 of the calendar year following the fiscal year with respect to which the report is made.

Senator MUSKIE. As you know, this hearing before the Public Works Committee is concerned with the public works and regional development features of the legislation. The ARA features of the bill, so called, will be heard in the Banking and Currency Committee, beginning next week.

I was particularly pleased with your emphasis upon the transportation problem of New England, which is very real and very well understood, I think, by all of us in New England, as we consider New England's development, as well as our need for lower cost power.

That involves issues, which also involve Senator Randolph, which we won't get into this morning.

Senator RANDOLPH. Are you referring to residual oil?

Senator MUSKIE. I didn't mention the word.

Senator RANDOLPH. I don't want a void left in the record.

Senator MUSKIE. I welcome our colleagues here, Senator Randolph, Senator Murphy, and Senator Montoya, and I think I ought to yield now to explore the problems of our area of the country.

Senator Randolph.

Senator RANDOLPH. I wish to compliment you, Senator Kennedy, upon the broad interpretation that you indicate of the problems of New England.

They are interpretive, of course, to a degree, because the answers for one region would not be the answers for another. But the regional concept as incorporated in the Appalachian Regional Development Act is a new concept in Federal legislation to a degree, at least.

You will recall, you have so indicated in your statement, that during the consideration of that legislation there was very serious concern by you and others in other sections of the country as to the application of the same remedies as have been written into the law for Appalachia.

Is that true?

Senator KENNEDY. That is correct; yes, Senator.

Senator RANDOLPH. You will recall, and have so indicated in your statement, that there was the promise, not implied, that the Public Works Committee would very promptly give attention to the situation in New England, as in other sections of the country.

The record reflects now that the committee has acted very promptly, and certainly the administration has cooperated, in fact has been a leader in this consideration.

I would ask you this question: The problems that you set forth here, in a degree they are the problems of almost any portion of the country.

Isn't that true, as we go through this transition?

Senator KENNEDY. As I mentioned earlier in my testimony, Senator, the general area which is described as New England is certainly unique geographically, unique in the sense of being traditionally distinctive; it is a closely bound unit, in education, transportation; it has historical and cultural ties.

I don't disagree there are other parts of the country which are experiencing rather dramatic changes as their economy. Many may have more highly specialized economic situations. I say that New England is an economically distinct region which has basic economic problems and need assistance.

Senator RANDOLPH. Senator Kennedy, I am inclined to believe that in a degree perhaps the common denominator in New England as contrasted to West Virginia and the other Appalachian States, we have also had a common denominator that these two regions perhaps are the most distinctive as to the problems that more or less course up and down the New England area and course up and down the Appalachian area. I think we can identify them.

And in that regard, I am completely in concert with your thinking. I only wish to add that you have stressed the importance of transportation, and this is a very vital and imperative need in many sections of the country.

As we have come into the use of the jet aircraft, the longer range aircraft, the aircraft with much more seating and cargo capacity, we have tended to at least in a transition period, and I think for too long a period, to neglect the service pattern which must be kept very strong in the smaller communities of our country.

In West Virginia many of us have taken a special interest in seeing to it that our smaller communities were served by scheduled airlines, and whereas we have the three-trunk carriers, American, Eastern, and United, we also balance that type of carrier with the Allegheny and Lake Central and Piedmont airlines, so we know the importance of it in West Virginia.

The moving in and out of the areas that are not so-called metropolitan to the degree that we will say the capital, Charleston, W. Va., would be metropolitan, as we think of the populations in our State, of course are not in contrast to any degree with your Boston or some other city in New England, but I think we have to continue to be very diligent about transportation, and not allow the transportation to become too thin in the rural regions and the smaller communities of this country, because there is a tendency, and we understand it full well, of carriers to tap and develop those markets where of course the greater populations are.

But there is a responsibility, it is written into the Civil Aeronautics Act, and the Civil Aeronautics Board has the responsibility, of course, to interpret as you are interpreting here the need for transportation in New England as elsewhere.

I compliment you very much on the depth and scope of your presentation. I can assure you, as I assured you other Senators during the debate on Appalachia in that form that we passed the legislation, that I would be one most active in bringing this legislation to passage.

These meet the needs of the region so that they can be promptly, rapidly solved.

Senator KENNEDY. Senator, I would like to say that all of us in New England who are well aware of, and most appreciative for, the leadership which you have provided in the whole Appalachian program.

You do have an understanding of this concept, and I know that, with your additional shoulder to the wheel, this legislation will be processed with additional haste and additional speed.

Senator MUSKIE. Senator Murphy?

Senator MURPHY. I would like to congratulate the Senator for his presentation.

Having lived in New England a great period of my life, I know some of the problems. Having had the opportunity to visit there lately, I see hopeful signs. I see new factories here and there.

I think that the chairman has put his finger on the main interest of this particular committee, and that is transportation. It is a shocking sight to see those old railroads trying to work their way along as they have over the years.

I think that maybe we have worried about medicare for our older people, and I think that we get into an area of the United States which is the older area of the United States, and it needs rehabilitation. It needs new factories, it needs, particularly, transportation and water-power development.

The airlines, I don't know whether that is important, because some of the distances aren't as long as they are in other parts of the country, but certainly two of the things that come under the influence of this committee, and I would think that this might be the kickoff place for an entirely new concept in transportation which we certainly need, not only in New England, but throughout the United States.

I can think of no better place to start the effort and to use possibly as a Federal testing ground in order to make this forward step.

Next in the areas that I don't think come under the province of this particular committee, I think some careful research as to specifics as to why certain industries have moved away, and why it is more attractive for industries to go to other States, is needed. I am concerned with that.

We are having that problem in California at the present time. Many industries are beginning to look elsewhere. All of these are part of the whole commercial concept of our whole country, and we have to take a look at it.

I can't think of an area that would more warrant the attention, the attention of the Congress and this country, in the area that you have described of New England.

You can't treat it as just one area. The problems are similar, and there are no boundaries to the problems.

Senator KENNEDY. I appreciate the comment from the Senator from California.

He talked about air transportation in the shorter range. I happened to visit California fairly recently, and noticed that the transportation between San Francisco and Los Angeles, I believe, is \$14.50 by the trunk carriers.

Senator MURPHY. They have cut the price again.

Senator KENNEDY. To \$12.50 by the intrastate line.

And I think for many of us who travel up to New England who have been traveling on one of the major trunklines, certainly between here and New York or Boston, have seen the fares rise to some \$18.50, not for jet transportation as provided out there, but with older planes, slower planes, that are less comfortable.

I think this whole question raises many questions.

Senator MURPHY. Incidentally, I understand one of the lines is making a very good profit with excellent equipment, modern and faster service, and they have just approached it with an entirely new concept of air travel. And with the possibilities that are available now, with the new jet planes, the propjets, it is possible to do a much better job at a much lower cost.

Senator KENNEDY. We would welcome that in New England.

Senator MURPHY. Speaking for myself, flying up to Boston I avoid like the plague. I would almost rather swim up.

Senator MUSKIE. Thank you very much, Senator, for your interest in our region.

Senator MURPHY. You will find that there are not many parts of the country that I have not lived in. I also lived in West Virginia as a coal miner.

During the discussion on the Appalachia bill, my colleagues will tell you I was concerned with the problem of job opportunities, a definite plan to bring in and revitalize industry in these areas. I may have been monotonous in asking about reopening of coal mines.

The first thing, of course, is to build roads, and the rest, but actually we must have industry and payrolls and jobs, and get these areas back on the basis where they can support themselves so that the Federal Government will not have to.

I can't think of any area that can lend itself better than the area of New England, because there are new factories up there. Two weeks

ago I drove out to Framingham and Westboro and to Worcester. You see good signs. You see new shops coming in, new types of things, and they are modern.

The trunk roads have helped a great deal, because they depend apparently on the new super highways. I think it will be a great help.

Senator KENNEDY. I appreciate your concern and interest.

Senator MUSKIE. We will bring in another area of the country. Senator Montoya.

Senator MONTOKA. I merely want to add my word of commendation to the presentation of Senator Kennedy. I think that his presentation is more in the nature of a State of New England message. He has covered the landscape very well in his region.

I would only hope that as long as he covered the many States of New England, that we would have covered the western region, with which he is very familiar. He has traveled extensively in that region in years past. I think he has some vivid memories about it.

But I also want to add a word of commendation with respect to the plan of the New England Governors to convoke a regional planning conference. I understand they have had some preliminary meetings, from your statement.

Certainly the regions should be initiating or convoking such conferences so that, when and if the bill passes, they would be ready for some kind of a plan.

Now, you have been out in the West, in the Rocky Mountain region, Senator. Don't you feel that the region also lends itself for some type of governmental action, as is contemplated by the provisions of this bill?

Senator KENNEDY. I feel very strongly, Senator, that the rising tide raises all the boats. If we are going to have economic prosperity in New England, we are going to have to have a vital and growing and dynamic West. We must reach markets which will purchase the products produced in the manufacturing parts of the Northeast, we in turn will want to buy from these markets. This is total economic development.

I certainly feel, Senator, as you have pointed out, that each part of the country must develop its own program, one directed to its special needs, and then expedite such a program.

I think that this question of regionalism and regional assistance is something which is not unique to any particular part of the country, but is a broad concept which should be applied to every part of the country where there is the need.

Senator MONTOKA. You laid considerable emphasis on transportation, and I am very sympathetic to the transportation problems of New England, but, of course, the bill does not encompass any cure-all for the transportation problems of New England, except in the area of regional planning.

But you don't have any access problems in New England like we do in the West, which require the building of access roads, such as was encompassed in the Appalachian planning, do you?

Senator KENNEDY. As I understand it, the great majority of the funds that were authorized by this committee, for Appalachia dealt with roads.

I think that the question of transportation is of vital importance to New England, but by transportation we mean railroads, freight, inter-city; air service and certain improvements in road construction in northern New England.

It is a somewhat different need than is evidenced in Appalachia, and I would say somewhat different need than exhibited by the area of the great Southwest which you speak for.

Senator MONTGOMERY. Thank you, Senator.

In conclusion, I really mean it when I say that you deserve some commendation for the very splendid statement which you presented to this committee.

Senator KENNEDY. Thank you very much, Senator.

Senator MUSKIE. Thank you very much, Senator. We have enjoyed this opportunity to discuss these problems with you.

I guess we have to move on, because we have other witnesses who have come down from New England.

Thank you very much, Senator Kennedy.

I would like to call to the attention of our colleagues that this older region is producing the younger leaders.

Our next witness will be the Governor from Vermont, who will be presented by our distinguished Senator Aiken.

Senator AIKEN. Mr. Chairman, I am glad to be here.

I have a copy of what the Governor of Vermont is going to say to this committee. I intend to read it very carefully, because I know how interested he is in New England development and regional development.

I thought he would be through testifying by now, at the time he is starting. Unfortunately, I have the Extension Service testifying before Agriculture Appropriations at 10 o'clock this morning, besides a meeting of the Foreign Relations Committee, which, as you know, is receiving and giving hard times these days.

So I am very sorry I won't be able to stay and hear Phil's complete testimony, but I am going to read every word of it.

I will repeat again my first love is Vermont, my second is New England. I hope that we can work together to the greatest amount.

We do have a bill, I think, Mr. Chairman, now in the House, which provides for regional commissions. I understand the House is probably going to pass that shortly. I don't know just how that is going to fit into the picture that you get this morning, but I expect it will fit in somewhere.

I am glad to present our Governor this morning. I know that what he has to say to you will be very much worthwhile, and worthy of your careful consideration.

Senator MUSKIE. Thank you very much, Senator.

Governor Hoff, it is a pleasure to welcome you here this morning.

STATEMENT OF HON. PHILLIP W. HOFF, GOVERNOR OF THE STATE OF VERMONT

Governor HOFF. Thank you, Mr. Chairman.

Distinguished Senators, I have before you a prepared statement. I see no point in reading that again in detail.

You will notice that attached to it are some statistics with respect to the situation in New England, and I think, too, you will find at-

tached to it a copy of the New England planning compact which is before the six New England States. It is the first of its kind in the Nation. I think it is a noteworthy advancement.

Senator MUSKIE. Your entire statement and attachments will be placed in the record.

(The statement and attachments referred to follow :)

PREPARED STATEMENT OF HON. PHILLIP W. HOFF, GOVERNOR, STATE OF VERMONT

Mr. Chairman, it is a distinct pleasure and honor to act as liaison of my fellow New England Governors before you during your deliberations on Senate bill 1648.

New England, by the dint of the magnificent efforts of our forebears and the Yankee ingenuity of our inhabitants, has managed to share in the prosperity of our American free enterprise system. New England as a region badly needs the assistance of the current bill in order to maintain its proper share of the Nation's bounty.

To this point, I invite the attention of the body to that work with which you and your companion New England Senators are familiar, the 1961 Federal Reserve Bank of Boston Report: "New England at work in the Space Age." As so well stated by the author, "Obviously the New England economic machine simply cannot work—and equally obviously, it does."

DISADVANTAGES

Among the disadvantages New England labors under are its general lack of industrial raw materials, and its disadvantageous location. I have presumed, Mr. Chairman, to attach some core statistics (exhibit "A") which to me contain some important facts which help highlight the need and desirability of Senate bill 1648. Review of these facts show:

(1) Our declining share of population and density of population; our slow rate of change from agriculture to other income sources; our failure to automate.

(2) Our eggs-in-basket dependence on manufacturing; our decline in size of manufacturing work force; our low wage status.

(3) The substantial handicaps imposed on New England's manufacturers, e.g., lack of raw materials; high costs of fuel and power (to which I shall turn in a later section of my statement); our longer haul to market and our crucial transportation problems.

(4) Our curiously structured work force, with proportionately higher older workers and female workers than is found elsewhere in the Nation.

Added to our disadvantages, Mr. Chairman, are those economic scars, infrequent we are pleased to say, which are identified in the pending bill as distressed areas. And, further, those areas of pitifully low incomes. It is indeed encouraging to note that in legislation now being implemented, in the 3½-year history of the Area Redevelopment Administration, significant strides have been taken. I am sure that this committee is well aware of the well-documented report on this matter issued in February 1965 by the U.S. Department of Commerce Secretary, John T. Connor, and Area Redevelopment Administrator, William L. Batt, Jr.

I have attached hereto interim and informal statistics as to New England's participation in this worthy program (exhibit "B"). May I note, Mr. Chairman, that it was the wise and judicious action of the Senate which caused the so-called Proxmire amendment to be added so that our rural areas incapable of showing technical compliance with the distressed area concept might also share in the "operation bootstrap" improvements made available to our low-income areas by the original ARA bills.

I strongly urge that the pending bill might well be subjected to minor amendment to permit continuation of eligible areas designated under the Proxmire amendment. We realize the annual review section of the pending bill might be interpreted to divest States, such as Vermont and New Hampshire, of designations under the original ARA bill. We in Vermont have had the benefit of the Proxmire amendment by gubernatorial designation of a three-county area. This has brought needed municipal improvements and new industrial hope.

NEW FLEXIBILITY

The pending bill enjoys much needed new flexibility. We note, with appreciation, that grants and loans for municipal projects may now be given to improve job opportunities on a long-range basis, as well as the proven validity of the providing of jobs concurrent with the construction of the projects. The previous job justification criteria, proven somewhat unsatisfactory, has been eliminated. Also the area designations are more flexible in that in addition to the pocket-poverty distressed areas, now areas contiguous may share in the designation—provided the multiarea unit is a recognized economic region.

The new bill also provides guarantees for working capital to industries being aided. We feel this will enhance participation by private banking sources—in Vermont our recent amendments to our Industrial Building Authority Act were passed on this premise.

In 1963 I had the pleasure of appearing before the House Committee on Banking and Currency in respect to the ARA bill. At that time, I requested that technical planning money be made available without matching funds from the State or community. I note with appreciation that the \$15 million technical assistance program in the present bill does not require matching funds.

ACTION REMEDIES

In addition to the badly needed changes which this new bill includes, this bill provides what we in New England believe to be the key to the future. I refer to the regional action planning commissions we find in title V.

The six New England States comprise one region in the opinion of its inhabitants and in the opinion of the Nation.

As was well said in an editorial in the Burlington (Vt.) Free Press, on Tuesday, March 30, 1965: "the eastern megalopolis now stretching from Concord, N.H., south beyond Washington, D.C. * * * In 1975, New England * * * in effect if not in fact * * * will be one large State. Programs of regional cooperation which are just in the discussion stage now, will wipe away the stifling boundaries of traditional competition."

Over the years, valiant efforts have been made to meet the regional needs of New England. We are all well aware of the significant contributions to our economy and unity made by such groups as the New England Council, our labor groups, and various regional committees and commissions.

With partnership between the Federal Government and our State governments made feasible by the Regional Action Planning Commission, we could begin to find action remedies for many of our problems.

TRANSPORTATION

The transportation situation is but one of a number of major interstate-Federal problems that are in evidence. Our air system needs both planning and action. And, this Senate is well aware of the staggering multi-State impact of the proposed closing of rail services on the New Haven Railway. You are also well aware of the fact that with temporary economics in sight, some of our Federal agencies are curtailing use of rail services, such as now occurring to railway mail operations in New England. This, despite the fact that New England is so distant from the population center of the Nation—which continues moving westward—and New England urgently needs a major improvement in surface bulk and passenger transportation.

POWER

New England urgently needs massive improvements in electric systems. Our regional consumers pay as much as 20 percent more for electricity than the national average. Our industrial consumers pay 66 percent more than the national average. Our commercial enterprises pay 17 percent more than the national average (exhibit "C").

Again, the partnership among the New England States needs the addition of the Federal partner.

PLANNING

As indicated above, the New England States, have realized the urgent needs for regional action. I am proud to have led the introduction of a New England planning compact before the New England Governors. This compact has been

approved by each of the New England Governors and is currently pending passage in the several States (exhibit "D").

I hasten to assure this body that the New England planning compact is by no means an instrument competitive with the Regional Action Planning Commission, as viewed in title V of this bill.

Viewed in one light, the planning compact could serve a long-range purpose plan project for New England. Viewed in another, the planning compact could serve as one of the arms of the New England Regional Action Planning Commission.

The Appalachia solution, to us, seems long overdue and most reasonable. The problems of New England are not the problems of the Pacific coast. The enactment of legislation designed to meet New England needs is a real necessity. The joint Federal-State effort is long overdue.

While we in New England appreciate the significant contribution of ARA and APW, we foresee the Regional Action Planning Commission as the most significant device for improving the well-being of our citizens. A plan without a purpose is piffle. A plan without consideration of regional impact is equally worthless, and overall action without proper planning and proper recognition of the needs of our respective regions is reckless.

I have attempted, Mr. Chairman, to accurately reflect the combined views of the New England Governors. Factors of time did not permit submission of the text of these remarks to my fellow Governors. However, although we New England Governors may have differences of opinion as to the priority of needs, I am confident that I reflect our combined views when I urgently recommend passage of this significant legislation.

EXHIBIT A

NEW ENGLAND HANDICAPS

Basically—disadvantageous location; general lack of natural resources.

Specifically—1. Declining share in most of the Nation's economic activities and vital statistics.

(a) Population 1950—1960¹

	Percent	Density
New England.....	+12.8	166.5
Middle Atlantic.....	+19.3	300.1
Great Lakes.....	+19.2	148.0
Pacific.....	+40.2	23.6
United States.....	+18.5	50.5
Vermont.....	+3.2	42.0

(b) Employment changes—nonagricultural employment—1950—1960.¹

	Percent
New England.....	+11.1
Middle Atlantic.....	+9.2
Far West.....	+43.9
United States.....	+18.2

(c) Overall relatively lower output per employee (failure to automate).²

Gross product originating per employee—1960 dollars

	1947	1957
New England.....	\$5,400	\$6,606
Middle Atlantic.....	5,640	7,414
Great Lakes.....	5,582	7,535
Far West.....	6,523	8,274
United States.....	5,350	7,164
Vermont.....	4,357	5,681

See footnotes, p. 92.

2. Eggs-in-one-basket dependence on manufacturing for its livelihood.³

In terms of concentration on manufacturing—New England ranks No. 1:

	Percent
New England current income from manufacturing-----	38
Middle Atlantic current income from manufacturing-----	34
Far West current income from manufacturing-----	27
United States current income from manufacturing-----	28

Nonagricultural employment in manufacturing:

New England-----	39
Middle Atlantic-----	35
Far West-----	27

3. Decline both relative and absolute in size of manufacturing work force.³

Percent change

	1950-60	1947-62
New England-----	-2.2	-6.0
United States-----	+9.1	+7.8
Middle Atlantic-----	-.7	-6.4
Far West-----	+56.8	+70.1

4. Wage rates—differentials, hourly wages, manufacturing: ³

New England, \$2.09 (a low wage area).

Middle Atlantic, \$2.32, +11 percent over New England.

Far West, \$2.62, +25.4 percent over New England.

5. Handicaps imposed on New England manufacturer's: ³

a. Basic lack of industrial raw materials.

b. Higher than average costs of fuel and electric power.

c. Transportation costs higher because of greater haul to market.

d. Distance from Nation's population center and from rapidly expanding consumer markets.

6. The general antiquity of its overall manufacturing equipment and to its lower than average investment rate in new capital equipment.³

Miscellaneous

1. Low agricultural employment and income—1960: ³

New England, 3.4 percent of labor force—1.1 percent of total personal income.

United States, 10.0 percent of labor force—3.7 percent of total personal income.

Percent change—agricultural employment, 1950-62: ⁴

New England-----	-42.5
United States-----	-32.5

2. Transfer payments (social security and old-age benefits) large part of New England personal income: ³

New England, 10.8 percent of population—65+.

United States, 9.2 percent of population—65+.

Vermont, 11.2 percent of population—65+.

About 8 percent of New England personal income from transfer payments.

3. New England has older work force.

Structure of labor force—percent distribution 1960 ²

Age groups	14-24	25-34	35-44	45-64	65 and over
New England-----	16.52	19.48	23.40	35.47	5.13
United States-----	17.16	21.04	23.59	33.69	4.52
Vermont-----	17.51	18.74	21.60	36.11	6.04

*Long-term unemployment claimants for compensation*⁵

New England, 40 percent of claimants were over 55 years of age.

United States, 25 percent of claimants were over 55 years of age.

New England, 25 percent of claimants were 65+.

United States, 11 percent of claimants were 65+.

4. New England has a larger female work force.²

New England, 40 out of 100 women are in the labor force (34.59 percent).

United States, 36 out of 100 women are in the labor force (32.09 percent).

*Labor force participation rates—female, 1960*³

	All ages	45-64	65+
New England.....	29.4	51.1	11.5
Middle Atlantic.....	28.0	45.8	10.8
Great Lakes.....	25.5	44.0	10.4
Far West.....	26.9	47.0	10.2
United States.....	26.0	44.4	10.2
Vermont.....	25.3	48.8	12.5

New England: Women accounted for more than half of the long-term unemployment claimants for compensation.⁵

United States: Women accounted for only two-fifths of the long-term unemployment claimants for compensation.⁵

SOURCES

¹ Department of Commerce—Bureau of the Census.

² National Planning Association.

³ Federal Reserve Bank of Boston—Annual Report, 1961.

⁴ U.S. Department of Labor—Manpower Administration.

⁵ Federal Reserve Bank of Boston—New England Business Review, March 1963.

EXHIBIT B
ARA activity in 6 New England States as of Mar. 31, 1965

	Financial assistance			Technical assistance		Training			APW assistance (Jan. 1, 1965)		
	Number of projects	ARA investment	Employment potential	Number of projects	ARA investment	Number of projects	ARA investment	Trainees	Number of projects	Investment	Man-month employment
Connecticut-----	6	\$5,693,000	1,510	5	\$73,480	15	\$519,357	1,212	54	\$6,367,000	6,511
Maine-----	20	13,156,428	4,185	12	213,967	28	268,925	754	55	4,593,000	7,212
Massachusetts-----	15	3,257,683	1,095	10	463,631	29	777,646	738	102	20,857,000	21,306
New Hampshire-----	4	991,730	220	2	102,535				23	2,116,000	2,497
Rhode Island-----	4	1,485,784	565	5	190,590	17	955,687	1,225	43	12,398,000	16,554
Vermont-----	2	119,075	110	1	400	3	44,718	70	11	1,317,000	1,609
Total-----	51	24,703,700	7,685	35	1,044,603	92	2,566,333	3,908	288	47,648,000	55,689

New England-ARA totals:	
Number of project approved-----	178
ARA investment-----	\$28,143,636
Employment potential (direct)-----	7,685
Employment potential (direct and indirect)-----	12,680
Number of trainees-----	3,908
New England-APW totals:	
Number of projects approved-----	288
APW investment-----	\$47,648,000
Man-months of employment-----	55,689

EXHIBIT C

POWER

New England's electric consumers pay the highest electric rates in the continental United States.

Residential consumers pay as much as 20.2 percent more for electricity than the average for the Nation.

Highest bills in the continental United States for 250 kilowatt-hours are paid by residential consumers of Maine, New Hampshire, Massachusetts, and Rhode Island in that order.

As of January 1, 1963, Connecticut residential consumers' bills were 10.8 percent above the national average for 250 kilowatt-hours.

RESIDENTIAL

	<i>Percent paid above the national average</i>
Residential consumers:	
Maine ¹ -----	20.2
Massachusetts-----	18.9
New Hampshire-----	19.8
Rhode Island-----	16.6
Vermont-----	2.4

(Vermont's low figure is due to St. Lawrence and Niagara power.)

¹ Source: Typical Electric Bills, 1963, a Federal Power Commission publication (cities 2,500 and more).

INDUSTRIAL

	<i>Percent paid above the national average</i>
Industrial consumers:	
Maine ¹ -----	12.4
Connecticut-----	45.7
Massachusetts-----	57.1
New Hampshire-----	41.9
Rhode Island-----	61.9
Vermont-----	44.8

¹ Source: Federal Power Commission publication, "Statistics of Electric Utilities in the United States, Privately Owned, 1962."

COMMERCIAL

In 1962 New England commercial enterprises paid 17.2 percent more than the national average for power.

A combination of long winter nights, high heating requirements, and high rates * * * results in the commercial consumers paying from 11.3 to 45.4 percent more in their electric bill than the national average.

	<i>Percent paid above the national average</i>
Commercial consumers:	
Maine ¹ -----	42
Connecticut-----	17.2
Massachusetts-----	31.5
New Hampshire-----	45.4
Rhode Island-----	43.7
Vermont-----	11.3

¹ Source: Federal Power Commission publication, "Statistics of Electric Utilities in the United States, Privately Owned, 1962."

Power purchased by manufacturing industries—1962

	Kilowatt- hours pur- chased	Total cost	Average cost per kilowatt- hour	Percent above or below U.S. average
	<i>Billion</i> 313.7	<i>Million</i> \$2,827.1	<i>Cents</i> 0.9013	-----
Total, United States.....				
New England.....	12.0	180.0	1.4961	+66
West North Central.....	12.2	151.8	1.2468	+38
Middle Atlantic.....	47.7	545.3	1.1431	+27
East North Central.....	81.0	808.8	.9990	+11
South Atlantic.....	35.4	327.3	.9250	+3
West South Central.....	20.8	175.9	.8442	-6
Pacific.....	38.9	277.0	.7121	-21
Mountain.....	8.5	60.4	.7080	-21
East South Central.....	57.2	298.5	.5222	-42

Source: 1963 Census of Manufactures, Bureau of the Census, U.S. Commerce Department.

EXHIBIT D

STATUS REPORT—LEGISLATIVE ACTION ON THE NEW ENGLAND INTERSTATE
PLANNING COMPACT BY STATE, APRIL 23, 1965

CONNECTICUT

Compact legislation has been submitted in both the senate and the house. The house committee on State development has approved the compact and no opposition was voiced at the hearing held by the senate committee on Federal and intergovernmental relations.

MAINE

After a hearing at which there was no opposition the joint committee on State government reportedly has a very favorable reaction to the compact.

MASSACHUSETTS

Governor Volpe strongly supported the compact when he introduced the legislation at a meeting of the joint assembly on April 5, 1965. The compact was unopposed at a recent hearing held by the joint committee on State administration.

NEW HAMPSHIRE

The compact, which has the strong support of Governor King, is presently in the house rules committee.

RHODE ISLAND

The necessary legislation has been submitted by Governor Chafee's office, in addition to the introduction of a supplemental appropriation request to cover the State's share for the operation of the interstate planning commission.

VERMONT

The compact, considered to be one of Vermont's most important pieces of legislation by Governor Hoff, has recently passed the senate with extremely strong support. The legislation is now in the hands of the house conservation and development committee which held its first discussion on the measure on April 22. The house committee's initial reaction appeared quite favorable.

NEW ENGLAND INTERSTATE PLANNING COMPACT

ARTICLE I

FINDINGS

New England is by virtue of geographic location and other characteristics a great population, cultural, economic, and resource area which, with more intense use of physical, social, and economic resources, increasingly requires

coordinated planning as a basic ingredient of effective and orderly growth of the region. To this end, it is the intent of this compact to establish and provide for the operation of an interstate planning agency for New England.

ARTICLE II

PURPOSE

It is the purpose of this compact to provide, in the New England region, improved facilities and procedures for the coordination of the policies, programs, and activities of interstate significance in the New England region in the field of physical, social, and economic resources, and to study, investigate, and plan appropriate governmental activities with respect to the conservation, development, and use of the same; to provide means by which interstate conflicts may be resolved; and to provide procedures for interstate coordination of the interests of all public and private agencies, persons and entities in the fields covered by this compact, and to provide an organization for cooperation in such coordination.

ARTICLE III

CREATION OF COMMISSION

There is hereby created the New England Interstate Planning Commission hereinafter called the commission.

ARTICLE IV

MEMBERSHIP

The commission shall consist of one member from each party State to be appointed and to serve, in accordance with and subject to the laws of the State which he represents.

ARTICLE V

FUNCTIONS

To carry out the purpose of the compact it shall be the responsibility of the commission to prepare studies and plans, and to recommend procedures for implementing coordination of the policies and programs and activities of interstate significance in the field of physical, social, and economic conservation and development in the New England region which may include the following:

- (1) Collection and interpretation of basic data.
- (2) Investigation, planning, and programing (including scheduling) of projects of interstate or regional significance.
- (3) Planning and scheduling of governmental services and programs which would be of assistance to the orderly growth and prosperity of the region, and to the well-being of its population.
- (4) Encouraging of the referral of plans or proposals for projects and programs of interstate or regional significance to the commission.
- (5) Studying and recommending means for the most effective utilization of such Federal assistance as may be available on a regional basis or as may have an interstate or regional impact.
- (6) Assisting the party States, or any of them, in cooperative planning undertakings with the Federal Government or any agencies thereof.

To avoid duplication of effort and in the interests of economy, the commission shall make use of existing studies, surveys, plans, data, and other materials in the possession of the governmental agencies of the party States and their respective subdivisions or in the possession of other interstate agencies. Each such agency, within available appropriation and if not expressly prevented or limited by law, is hereby authorized to make such materials available to the commission and to otherwise assist it in the performance of its functions. At the request of the commission each such agency is further authorized to provide the commission with information regarding plans and programs affecting the New England region so that the commission may have available to it current information with respect thereto.

The commission shall use qualified public and private agencies to make investigations and conduct research, but if it is unable to secure the undertaking of such investigations or original research by a qualified public or private

agency, it shall have the power to make its own investigations and conduct its own research. The commission may make contracts with any public or private agencies or private persons or entities for the undertaking of such investigations or original research within its purview.

The officers and personnel of agencies of the party States, and of any other government or agency whatever, or private citizens, or representatives of private organizations, may serve at the request of the commission upon such advisory committees as the commission may determine to create; and such officers and personnel of any such government or agency, may serve upon such committees without forfeiture of office or employment and with no loss or diminution in the status, rights and privileges which they otherwise enjoy.

ARTICLE VI

COOPERATION WITH THE FEDERAL GOVERNMENT AND OTHER GOVERNMENTAL ENTITIES

Each party State is hereby authorized to participate in cooperative or joint planning undertakings with the Federal Government, any appropriate agency or agencies thereof, or with any interstate agency or agencies. Such participation shall be at the instance of the Governor or in such other manner as State law may provide or authorize. The commission shall facilitate the work of State representatives in any joint interstate or cooperative Federal-State undertaking authorized by this article, and each such State shall keep the commission advised of its activities in respect of such undertakings, to the extent that they have interstate or regional significance.

ARTICLE VII

VOTING

No action of the commission shall be binding unless taken at a meeting at which a majority of the commission members are present and a majority of the total number of votes on the commission are cast in favor thereof: provided that any action not binding by reason of failure to meet this requirement may be ratified within 30 days by the concurrence in writing of a majority of the commission members.

ARTICLE VIII

FINANCES

A. The commission shall submit to the Governor or designated officer of each party State a budget including a statement of all funds expected to be available to the commission and their sources and, a request for an appropriation to cover that State's share of expenditures for such period as may be required by the laws of that jurisdiction for presentation to the legislature thereof.

B. With due regard for such moneys and other assistance as may be made available to it, the commission shall be provided with such funds by each of the several States participating therein to provide the means of establishing and maintaining facilities, a staff of personnel, and such activities as may be necessary to fulfill the powers and duties imposed upon and entrusted to the commission.

With due allowance for moneys otherwise available, each budget of the commission shall be the responsibility of the party States, to be apportioned among them as follows: 50 percent on an equal basis; 30 percent on the basis of population; 20 percent on the basis of area, either within incorporated places or places having units of local government, such population to be determined in accordance with the last official U.S. census of population.

C. The commission shall not pledge the credit of any jurisdiction. The commission may meet any of its obligations in whole or in part with funds available to it under article IX(E) of this compact, provided that the commission takes specific action setting aside such funds prior to the incurring of any obligation to be met in whole or in part in such manner.

D. The members of the commission shall be paid by the commission their actual expenses incurred and incidental to the performance of their duties, subject to the approval of the commission.

E. The commission shall keep accurate accounts of all receipts and disbursements. The receipts and disbursements of the commission shall be subject to the audit and accounting procedures established under its bylaws. However, all receipts and disbursements of funds handled by the commission shall be audited by a qualified public accountant and the report of the audit shall be included in and become a part of the annual report of the commission.

F. The accounts of the commission shall be open at any reasonable time for inspection by such agency, representative, or representatives of the jurisdictions which appropriate funds to the commission.

ARTICLE IX

ADMINISTRATION AND MANAGEMENT

A. The commission may sue and be sued and shall have a seal.

B. The commission shall elect annually, from among its members, a chairman, vice chairman, and treasurer. The commission shall appoint an executive director who shall also act as secretary, and together with the treasurer, shall be bonded in such amounts as the commission may require.

C. The commission shall appoint and remove or discharge such personnel as may be necessary for the performance of its functions irrespective of any civil service laws which might otherwise apply. The commission shall establish and maintain, independently by contract or agreement, or in conjunction with any one or more of the party States, suitable retirement programs for its employees. Employees of the commission shall be eligible for social security coverage in respect to old-age and survivors insurance provided that the commission takes such steps as may be necessary pursuant to Federal law to participate in such program of insurance as a governmental agency or unit. The commission may establish and maintain or participate in such additional programs of employee benefits as may be appropriate to afford employees of the commission terms and conditions of employment similar to those enjoyed by employees of the party States generally.

D. The commission may borrow, accept, or contract for the services of personnel from any State or the United States or any subdivision or agency thereof, from any intergovernmental agency, or from any institution, person, firm, or corporation.

E. The commission may accept for any of its purposes and functions under this compact any and all appropriations, donations, and grants of money, equipment, supplies, materials, and services, conditional or otherwise, from any State or the United States or any subdivision or agency thereof, or intergovernmental agency, or any institution, person, firm, or corporation, and may receive, utilize, and dispose of the same.

F. The commission may establish and maintain such facilities as may be necessary for the transacting of its business. The commission may acquire, hold, and convey real and personal property and any interest therein.

G. The commission may adopt, amend, and rescind bylaws, rules, and regulations for the conduct of its business.

H. The commission shall make and transmit annually, to the legislature and Governor of each party State, a report covering the activities of the commission for the preceding year, and embodying such recommendations as may have been adopted by the commission. The commission may issue such additional reports as it may deem desirable.

ARTICLE X

OTHER COMPACTS AND ACTIVITIES

Nothing in this compact shall be construed to impair, or otherwise affect the jurisdiction of any interstate agency in which any party State participates nor to abridge, impair, or otherwise affect the provisions of any compact to which any one or more of the party States may be a party, nor to supersede, diminish, or otherwise affect any obligation assumed under any such compact; nor shall anything in this compact be construed to discourage additional interstate compacts among some or all of the party States or the establishment of intergovernmental agencies in subareas of the region. Nothing in this compact shall be construed to limit the jurisdiction or activities of any participating government, agency, or officer thereof, or any private person or agency.

ARTICLE XI

ENACTMENT

This compact shall become effective when entered into and enacted into law by any three of the States of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont. Thereafter it shall become effective with respect to any other aforementioned State upon its enacting this compact into law.

ARTICLE XII

WITHDRAWAL

This compact shall continue in force and remain binding upon each party State until renounced by it. Renunciation of this compact must be preceded by sending 3 years' notice in writing of intention to withdraw from the compact to the Governor each of the other States party hereto.

ARTICLE XIII

CONSTRUCTION AND SEVERABILITY

The provisions of this compact shall be severable and if any phrase, clause, sentence, or provision of this compact is declared to be unconstitutional or the applicability thereof, to any State, agency, person, or circumstance is held invalid, the constitutionality of the remainder of this compact and the applicability thereof, to any other State, agency, person, or circumstance shall not be affected thereby. It is the legislative intent that the provisions of this compact be reasonably and liberally construed.

Governor HOFF. I might add Senator Aiken has demonstrated the fact that we cooperate very well in Vermont, despite the revolutionary change that occurred a little over 2 years ago, and I want to publicly support here his great water bill, which I think will be a great boon to the rural areas of this country.

I would also like to commend Senator Kennedy for what I think is a topnotch statement.

One part of the bill that I like as much as anything is flexibility of this bill. You will perhaps not remember, but 2 years ago I came to Washington and testified with respect to the availability of services, even though the area might not be able to qualify under the terms established by the Area Redevelopment Act.

I think this was a significant advance forward, and I would like to touch on that in a large extent before I am through here this morning.

I would like again to emphasize the importance of transportation in New England. You, Senator Muskie, will recognize as much as I the need for what I call east-west transportation from Maine through New Hampshire and to Vermont. At least one, or maybe two, major arterial roads are needed to develop this area, and I think it goes beyond the question of railroads.

Senator MUSKIE. You may be interested to know, Governor, that in discussing this yesterday with Secretary Connor I was particularly interested in nailing this down, on the possibilities of building developmental highways under the provisions of this bill, and I indicated that this certainly could be included, and it is considered part of the plans in the regional commission if it is established.

Governor HOFF. I think it is a very important aspect, and it certainly is one of the keys, beyond any question.

I, too, would like to mention the power situation in New England. I am a subcommittee of one among the New England Governors to investigate the power situation in New England.

We have a vast duplication on a vast myriad, really, of not only generating but transmission facilities, as well. It is a situation on which I think the private power companies, as well as the municipalities and co-ops, are working.

We have not moved as quickly as I would like to have seen, but there is no question we have among the highest power rates in the country, and there is no question but that it is a deterrent.

I hope one day Passamaquoddy comes into being, not only being able to give us a lower cost source of peaking power, but also providing a measuring stick. We are one of the few areas that does not have a large public power policy which can be used among other things as a measuring stick.

You may or may not know that I have spearheaded the New England planning compact. I struggled with this for a period of 2 years. It emanates from a strong belief that the regional approach is an answer to our problems, not only in New England but I suspect it is a clue in terms of meeting some of the economic problems and other problems that I see on the horizon that will come more and more to play in the United States in the future. And I refer as much as anything to the whole problem surrounding megalopolis.

I would like to say that it seems to me section 5 has several aspects. I have covered them to a degree in my statement, and would like to enlarge upon them now.

In a very real sense, I think it could be called, one, an attempt to ascertain problems before they become acute. In short, all too often—I am afraid not only in this country but in my State and in other areas of the country as well—we wait until a problem has become acute before we attempt to meet it.

To this extent I would like to suggest for your consideration—and this is not included in my statement—an approach which might enable the Secretary, after a detailed plan or economic action plan has been developed in a particular area, if there are indications at that particular time that this particular region or area is on the decline, and in all likelihood it will continue unless there is an infusion of perhaps Federal and State money and local money as well, that perhaps at that time an area so found might be designated as being available for the various benefits which are available under this bill.

In short, what I would like to see is an additional amount of flexibility to this. Otherwise, I am afraid if we wait until a particular area or region becomes eligible in terms of the requirements of this bill that we will have waited much too long.

I think there is ample justification for where an area is clearly on the downgrade and is likely to continue, unless there is some priming of one sort or another, that at that point it should logically, I think, become eligible for the various benefits that are available under this bill.

I want to make it quite clear that I do not consider the New England planning compact in any way in conflict with what is being talked about here in section 5.

The planning compact, of course, in one aspect of it, is very much long range. I would hope, for example, that we would look forward a number of years to the tremendous urban problems that are going to be increasingly facing this country, and that we can plan not only

in terms of meeting the problems that it can engender, but, too, I hope we can recognize that it offers opportunities as well.

It might be the most logical vehicle for implementation of this bill in terms of the New England Governors' appointments to such a commission. I just can't think of anything more logical.

By and large, I think that completes what I have to say. I would like to reaffirm very strongly those things that Senator Kennedy has said. I back them 100 percent.

I must say I have listened with great interest to the comments of some of the other Senators here, particularly the comments of Senator Randolph, who has pointed out that the same problems we talk about in New England are probably true of the other areas of the country, as well.

I suspect this is true, and I think the sooner we move on to a regional approach, the better off we are going to be.

Senator MUSKIE. Thank you very much, Governor.

I would like to call to the attention of my colleagues the exhibits attached to your prepared statement. I think they are very important in highlighting the problems in a statistical way which you face in New England.

I note, for example, the exhibit having to do with power costs in New England as compared with the rest of the country, and other exhibits that throw a focus in a factual way on some of the problems we have been discussing.

Senator Montoya?

Senator MONTOKA. I have no questions. Thank you, Senator.

Senator MUSKIE. Thank you very much, Governor. We are delighted to welcome you to Washington.

Governor HOFF. I am delighted to be here.

Senator MUSKIE. Our next witness this morning is Mr. Policastro. It is a pleasure to welcome you here this morning.

Would it be useful, Mr. Policastro, if we had Mr. Webber with you at the witness stand at the same time, so you could both answer questions?

Mr. Webber, would you like to come, and I think you have Mr. Cole and Mr. Caverly. Why don't you bring Mr. Caverly with you?

This way we can make maximum use of the time we have available. Mr. Policastro, you may proceed.

STATEMENT OF THOMAS F. POLICASTRO, PRESIDENT, NEW ENGLAND LABOR COUNCIL, AFL-CIO

Mr. POLICASTRO. Senator and Members of the Senate, on behalf of the AFL-CIO unions in the New England region, we are very grateful for the opportunity to appear before this committee and urge passage of S. 1648, the Public Works and Economic Development Act of 1965.

We feel that the provisions of this bill will provide the necessary tools to revitalize the New England economy. This morning my remarks will be primarily concerned with the New England region of our Nation.

Organized labor in New England has long held the firm view that efforts to move our economy forward cannot be made with the old, outmoded local efforts. Such efforts are not adaptable to the new

and changing situations of the kind we face. Using outmoded, piecemeal remedies have been proven to be self-defeating.

Only by employing the most effective type regional planning, organization, and forward-thinking leadership can the economic problems of New England be solved. We need the full cooperation and the resources of Federal, State, and local government.

We need the cooperation and resources of the universities, colleges, and the private sector of our economy to be equipped to meet this important challenge.

The provisions of S. 1648 will provide many of the needed factors. It will provide for the study of multi-State regions, so that recommendations for planning and implementation of action programs can be made.

We feel that another study in depth of the New England economy is not necessary. The region has been studied to death. What we need now is action.

One of New England's most lucrative fields of endeavor have been grants to study our economy. We have had too many studies. What we need, and we need it now, is action. We believe that S. 1648 can provide that action.

First, we should take advantage of the bill's provisions for the establishment of a multi-State regional planning commission. This commission could readily implement many features of the bill, coordinate the best features of all the studies that have been made to date, and initiate programs.

One of the objectives of S. 1648, is to provide permanent employment opportunities. The New England Regional Planning Commission could take several needed action steps in this regard. It could take advantage of the provision that makes it possible for Federal grants to be made for the construction of public works facilities that are needed so much in New England.

The loan provisions could be utilized in many instances where grants are not applicable. There is a great need for the technical assistance and information that would be made available to alleviate or eliminate unemployment.

The bill provides for research. We are certain that the long-range problems of New England will not be solved without research and long-range forecasts. We need the working tools that S. 1648 can provide.

New England is admirably constituted to be susceptible to comprehensive planning. Such planning should be keyed to national goals of economic stability.

The entire New England area is only about 66,608 square miles. That is only 2.2 percent of the total area of the continental United States. However, within this compact area, there is an estimated population of 10.8 million people, or 5.7 percent of the total U.S. population.

New England has lagged behind the Nation in many respects. There has been a long historic decline in the economic importance of our six States in relationship to the rest of the Nation.

We have pressing, unsolved problems in providing more jobs, of expanding industry we now have, and attracting new industries. We have many areas of hard-core unemployment.

Out of the Nation's 150 major labor areas, the U.S. Department of Labor in November 1964, reported 26, wherein there was substantial unemployment, 6 or more of the total work force. Eight of these were in New England, one in Connecticut, six in Massachusetts, and one in Rhode Island.

The Rhode Island area encompasses almost the entire State, as well as parts of Massachusetts.

In addition to the major labor centers, there is substantial unemployment in 25 smaller areas in the region, including 3 in Connecticut, 7 in Maine, 9 in the Massachusetts-New Hampshire-Rhode Island triangle, and 6 in Vermont.

With regard to per capita income, New England stood 39.1 percent above the national average in 1929, and 12.6 percent over the national average in 1963. In 1929, Maine, New Hampshire, and Vermont had per capita incomes below the national average. The same was true in 1963.

In that year, only Idaho, New Mexico, South Dakota, and 11 Southern and Border States had lower per capita incomes than the State of Maine, while only Nevada and the District of Columbia stood higher than the State of Connecticut at the other end of the scale.

The average weekly wage in manufacturing for the United States was slightly over \$99 in 1963. Connecticut, with a figure of about \$105 weekly, was the only New England State to exceed the national average, and 16 States and the District of Columbia stood higher than she did.

Workers in New Hampshire and Mine received nearly \$22 and \$20 per week less, respectively, than the U.S. weekly average wage, Vermont and Rhode Island \$16 under the national rate, while Massachusetts was \$8 below.

It might be added for purposes of comparison, that only in North Carolina, South Carolina, Georgia, Mississippi, Arkansas, and Hawaii are there lower wages paid for a week's work in manufacturing industries than New Hampshire workers received.

New England no longer enjoys the prosperity and economic stability that was once ours. During the formative years of our Nation, New England businessmen prospered through shipping and trade with other nations. Later there were sizable profits derived from fishing, farming, and forestry.

New England was the first region to become industrialized. In 1790, with the establishment of the Slater Mill, it served as the cradle of the American Industrial Revolution. Great sums of wealth were reaped by the families engaged in the above enterprise.

Unfortunately, the income was not reinvested in the businesses from which it was derived. The wealth was invested across the Nation in oil, timber, minerals, and grazing.

The families of the wealthy continue to prosper, but the economy of New England continues to decline. We no longer enjoy the satisfaction of full employment for those who seek a job.

In addition to the outward flow of our material wealth, New England has been hampered by other factors. No longer are we near the population center of the Nation.

New England is faced with many economic disadvantages. Historically we have experienced high unemployment and much underemployment.

After the establishment of the Slater Mill in Pawtucket, R.I., in 1790, the textile industry provided jobs for thousands and thousands of workers. However, the textile industry has been declining in employment opportunities for at least 50 years, and only a fraction of the numbers are now employed.

At one time, New England was the shoe-producing center of the Nation. This once prosperous New England industry has been relocating for the past 30 years.

No longer does the fishing, farming, or forestry industries furnish wealth or many employment opportunities.

Over the years, thousands of workers in Southern New England depended upon employment in the jewelry industry. This industry is now decentralized, and is hurt through foreign competition.

New England suffers from another factor. It is deficient in many of the raw materials demanded of modern industry. Plant buildings and equipment are old and need modernization.

On one hand, industry is declining and job opportunities are lost. On the other hand, we find transportation costs, power costs, and taxes higher than those costs in other regions of the United States.

New England is the highest cost energy area in the Nation. It must import its coal, fuel oil, and natural gas to be turned into electric energy, or to be used in space heating and transportation.

Yet, our region has not developed its own proper potential carried in its river systems, some 2.6 million kilowatts of undeveloped hydro-power capacity.

As a whole, New England lacks large, efficient power stations adequate interconnections, intra- and inter-regional. The region is served by a multiplicity of small and scattered power systems, and without a single Federal power project or Federal wholesale power marketing program, has failed to enjoy the beneficial impact of low-cost wholesale power on the general rate structure of the region.

Consumers pay through the nose for this situation. Homeowners in New England were paying as much as 34 percent above the national average for their electric power in 1962. Commercial users paid as much as 45 percent over the national average in 1962. And industrial consumers were paying as much as 62 percent in excess of the national average that same year.

In 1962, manufacturing industries in the six New England States paid \$180 million for 12 billion kilowatt-hours of electric power, or 1.496 cents a kilowatt-hour, higher by 66 percent than the unit cost of electric power for manufacturing in the United States as a whole.

Had the price of this power been at the U.S. level, New England industry would have saved \$71.4 million, or 40 percent in their 1962 power bills.

In August 1963, organized labor solidly endorsed the Federal Government's proposed St. Johns-Passamaquoddy power development. We stated in a press release that:

New England cannot stand still economically. It must either move forward or retreat. Our citizens for many decades have contributed their share of the costs of great Federal development projects in other regions. In so doing, we have failed to realize our own resources potential.

While many of New England's ills are the result of population shift, changing technology, declining industry, and failure to reinvest, much of our difficulty rests upon the lack of leadership.

For many, many years, the people of New England have been noted for their independence and self-reliance. They have looked less to the Federal Government for help than did the people of any other region.

Because of this attitude, we have suffered. The time is long overdue for us to reconsider the attitudes of the past toward our Federal Government. It is imperative we become partners in an effort to develop mutual economic stability for this region.

New England must unite for economic preservation by taking advantage of and participating in the ever-expanding operations of the Federal Government. We can no longer shun the friendly hand of National Government.

The people of New England must consider our six States as a regional unit, working in cooperation with the help of the Federal Government in searching out ways to find solutions to our old economic problem and developing a blueprint for future growth.

The New England region needs Federal assistance in a comprehensive water resource development. Railroad facilities in New England are archaic. We need rapid long-haul passenger and freight service. We also need help in creating modern mass transportation for our cities.

Many different groups in New England have been traveling independent paths trying to find solutions to our problems. We believe that S. 1648 can be the focal point. We strongly urge passage of S. 1648, the Public Works and Economic Development Act of 1965.

Thank you, Mr. Chairman.

Senator MUSKIE. Thank you very much, Mr. Policastro.

Mr. Policastro, Senators Pastore and Pell have asked me to express their regrets that they could not be here for your testimony.

At this point I wish to place in the record of the hearing a statement by Senator Pell of Rhode Island, and a special report on New England's economic needs prepared by the Library of Congress Legislative Reference Service at Senator Pell's request.

(Statement and report referred to follow:)

STATEMENT OF HON. CLAIBORNE PELL, A U.S. SENATOR FROM THE STATE OF RHODE ISLAND

Mr. Chairman, it is indeed a pleasure to submit testimony on S. 1648, for I consider this threshold legislation which can set the framework for an economic resurgence in New England and other regions throughout this country.

Specifically, I would like to call to the committee's attention, a very thorough, well-researched report on the regional development needs of New England, prepared at my request by Mrs. Elizabeth Heidebreder of the Legislative Reference Service. I submit this report for inclusion in the hearing record.

One major problem in New England has been industrial decline in the face of a growing labor force. In Rhode Island, manufacturing employment declined from 148,000 in 1950 to 115,700 in 1963. Traditionally, the Southern New England States have been manufacturing centers, thus its decline in this area has resulted in serious unemployment problems to varying degrees.

The purpose of S. 1648 is to enable regions and subregions to delineate their economic needs and construct action programs to meet them. New England, as other regions, needs and can integrate her economy.

Transportation links need to be expanded and improved. This is particularly shown by the bad condition of our railroads. Greater conservation efforts need to be made, particularly in the northern areas, but even in my own State of Rhode Island, which has a surprisingly large amount of forest land, a substantial effort needs to be made.

The fishing industry needs modernization, and could be greatly expanded. Harbors can be improved, and with increasing trade with Europe, can play an important part in an economic upswing. In this connection, oceanographic research is vitally important, and I would like very much to see and urge that an oceanographic research center be developed in Narragansett Bay.

Our recreation needs are growing, for our own population as well as for the tourists who flock to New England. Scenic highways and resort development can develop this area into a major source of income and employment.

Special attention should be paid to making New England more attractive to industries which may wish to take advantage of our highly skilled labor force. Better transportation links which I have mentioned, industrial parks, improved local services, can do this.

New England is not comparable to Appalachia in its needs, but it most certainly has special problems which can be met through the mechanism of regional planning. This study that I have had prepared hopefully, can establish the groundwork. I must emphasize, however, that these problems can be studied to death. I would suggest, Mr. Chairman, that language in the bill be added to set some reasonable but definite time limit in which any commissions established must report back. We are at the juncture where acts, not academics, are needed.

Lastly, I would like to dwell somewhat on that section of the report concerning conservation and particularly that aspect having to do with oceanography. I have already mentioned the need to develop our recreational resources. Both of these will play an increasingly important part and have great consequence to my State.

Oceanography is a science that may someday be one of the greatest future assets to our country. Fortunately we have one of the most outstanding schools of oceanography in our Nation at the University of Rhode Island. This field represents the last physical frontier of our planet, and it may be in this area with its resources of food and minerals, with its potential for economic support, and in national defense that much of the future of our Nation will depend.

There is in my office a large relief chart showing the ocean depths of the North Atlantic, our last New Frontier. I keep it there to point out to visitors that ever increasingly we will look to the oceans in the future. Other nations are already starting to do so.

Rhode Island is a State with a long and fine heritage of the sea. And in the years ahead I believe my State will find its economy strengthened through development of the sea and its resources. We can look in the southern New England area for much assistance and help in this direction through the outstanding facilities we now have, such as the University of Rhode Island, the naval establishments in Narragansett Bay and at New London, Woods Hole, and in such sea-related industries as Raytheon, United Nuclear, and Electric Boat.

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REGIONAL DEVELOPMENT NEEDS OF THE NEW ENGLAND ECONOMY

(By Elizabeth M. Heidbreder, analyst in Area Economics and Transportation, Economics Division, Mar. 19, 1965)

1. INTRODUCTION

The purpose of this study is to survey the economy of the six-State New England region with a view toward identifying problems which could benefit from regionwide economic development.

Enactment of the Appalachian Regional Development Act of 1965 has pointed the way to a new Federal-State partnership; a partnership which is to be used to solve the problems of the lagging region of Appalachia.

New England also has problems of lagging economic growth, despite the fact that it is a great industrialized region with proud traditions. It has outstanding centers of learning. It has priceless assets in its forests, mountains, streams, and seacoast. Its new science-based industries are bringing prosperity to many sections of the region. Nevertheless, New England has some persistent economic problems. It is these problems, rather than its assets, which are the primary focus of this report.

2. THE REGIONAL APPROACH

The concept of regionalism in the United States goes back to the great depression. It was one way in which the New Deal sought to solve some of the com-

plex economic problems of the 1930's. Regional planning was a tool conceived to improve resources and thus improve the economic welfare of the people within the region.

The Federal Government first entered into regional planning in the 1930's through the field of water resources where it most clearly had primary jurisdiction. The watershed or river basin therefore became the focal point for regional development. Through the development of water resources, it was hoped that social and economic advance could be furthered.

The regional program of the Tennessee Valley Authority is, of course, well known and probably the most successful of the various programs to develop watersheds. Other programs have included the Columbia Basin, the Missouri Valley, and the Arkansas-Red River Valleys. Projects in these watersheds have included flood control; the development of facilities for navigation, electric power, irrigation, and recreation; stream sanitation; erosion control, reforestation, and even mineral development.

Comparatively recently, the river basin approach was used in a resource development study of the New England-New York area. This study was conducted by the New England-New York Interagency Committee composed of representatives of the seven States involved and the Departments of Agriculture, Army, Commerce, Health, Education, and Welfare, Interior, Labor, and the Federal Power Commission. It was headed by the Department of the Army, presumably because of the authority of the Army Corps of Engineers in the area of water resource development. This study resulted in a 1957 report that was over 40 volumes long and contained a great deal of technical data. The Governor of Vermont characterized the report as "exhaustive" and "voluminous."

The comments on the report by Gov. Dennis J. Roberts, of Rhode Island, are worth quoting in some detail as follows:

"As Governor of a densely populated and highly urbanized State, it is incumbent upon me to point out some factors in regard to resource development which it has not been possible to treat adequately within the scope and authority of the present study. The Interagency Committee itself early in the study has recognized the need for bringing into the picture the study of human resources, and as a result added representation from the Department of Labor and other Federal agencies which have extremely significant and influential programs bearing on the planning of physical resources which should be considered for inclusion in any future regional organization. The Federal Bureau of Public Roads in the area of highway planning is in touch with set programs which are the key to almost all economic growth at the present time. It is unfortunate that greater attention could not have been paid to the highway networks, transportation patterns, and the future road needs in the region, for these will be great determinants as to what is possible in regard to our natural resources.

"Throughout southern New England the outstanding feature of the region is the concentration of people in a series of large metropolitan areas. The continued growth of these metropolitan areas with their sprawling suburbs, and the prospect even of continuous urbanization along the entire northeast coast, requires that urban planning be considered very seriously in its relationship to rural resource problems. It is not just a matter of finding water supply, restricting pollution, and developing power resources to serve the metropolitan population. A great deal of hard thinking needs to be done in relation to the competition among various land uses at the urban fringe. This is particularly true in a small State like Rhode Island where land resources are limited and decisions are even now before us as to whether land is to be used for industry, agriculture, suburban development, or reservation for the future water supply."¹

The current Appalachian regional program, as set forth in the Appalachian Regional Development Act of 1965, has certainly followed the advice of Governor Roberts concerning the importance of highways. Highway development claims \$840 million of the \$1,092.4 million authorized by the act. Only \$5 million is devoted to water—for a water resource survey.

The Appalachian program does not, however, follow the advice of Governor Roberts concerning cities. Although certain provisions, such as the supplements to Federal grant-in-aid programs, could be used in urban areas, the primary aim of the program is to develop areas outside the large urban centers. The latter are looked upon as centers of economic strength around which the rest of the area can grow. Although the Senate report on the 1964 Appalachia bill notes

¹ New England-New York Interagency Committee. Land and Water Resources of the New England-New York Region (85th Cong., 1st sess., S. Doc. 14). Washington, D.C., U.S. Government Printing Office, 1957, pp. XVI-XVII.

that “* * * among the Nation’s major labor market areas with the highest unemployment rates in 1963, 6 of the top 10 areas were in Appalachia,”² nothing very specific is proposed for these areas.

The Appalachia program differs from some of the earlier regional programs in that it dealt with a mountainous region rather than a river basin or watershed. There have also been various regional studies (rather than programs) which were not oriented around watersheds. One important study has, in fact, been made, in 1951, of New England by the Council of Economic Advisers. This report, “The New England Economy,” we shall refer to again later in this study. We note here, however, that it has been criticized for its definition of New England as a homogenous region.

In an article on “The Concept of a Planning Region,” John Friedmann says: “While purporting to deal with the whole of the ‘region’, the report is actually preoccupied with southern New England, to the relative neglect of rural Maine, Vermont, and northern New Hampshire. Although in their statistics the authors were compelled to admit the basic north-south distinction inherent in the human geography of the region, they described New England elsewhere as an ‘old industrial community’. But surely this is no more than half of the story. The ‘region’ turns out, in fact, to be two, divided among an even greater number of metropolitan spheres of influence.”³

New England is not, of course, a completely homogenous region either geographically or economically (neither is Appalachia, since, for example, the generally impoverished region admittedly includes several prosperous counties). But New England can claim a certain cultural and geographical identity in its northeastern corner of the United States. Edwin Webber, director of Interstate Relations for the New England Council, wrote recently:

“Of all the so-called ‘regional complexes’ existent within the United States, it is conceivable that no more precise version exists than that referred to as ‘New England’. Whether it be no more than a fiction of history and a myth at best, the sense of belonging to an identifiable group of interests is shared by nearly 11 million New Englanders.”⁴

Mr. Webber also feels that there is considerable sympathy for the regional approach for New England as a whole as he says:

“At present there is probably more sentiment for the feeling that the six States might best solve some of their common dilemmas through regional cooperation than at any other time.”⁵

The regional approach can be applied (and has been applied as we have pointed out), to problems of natural resources, to the building of public works, and to human resource problems. We shall examine some of the economic and resource problems of New England in the following sections to help identify those which can be expected to respond to regional or subregional solutions.

8. POPULATION

In the last several decades, there has been a continuing movement of population away from New England (and also the upper midwestern areas) toward the Far West and the Southwest. Although the population in New England has increased absolutely, it has increased at a rate slower than that of the Nation as a whole and than that of certain other regions. In the decade 1950 to 1960, New England’s population increased at an average annual rate of 1.2 percent compared to an annual rate for the United States of 1.7.

There are also differing growth rates within the region. From 1950 to 1960, the population of the three Southern States increased by 14 percent while that of the three Northern States increased only 8 percent. Many young people have migrated from northern New England to the southern part in search of greater opportunity and higher wages.

Table I gives further detail, on a State-by-State basis, of population change in the last 4 years. Connecticut had the greatest absolute and percentage increase, while Maine had the smallest percentage increase and Vermont the smallest absolute increase.

² U.S. Congress, Senate, Committee on Public Works. *Appalachian Regional Development Act of 1964* (88th Cong., 2d sess., S. Rept. 1383). Washington, U.S. Government Printing Office, 1964, p. 4.

³ Friedmann, John. “The Concept of a Planning Region—the Evolution of an Idea in the United States,” in *Regional Development and Planning: a Reader*. Friedmann, John and William Alonso (editors), Cambridge, Mass. The MIT Press, 1964, p. 508.

⁴ Webber, Edwin. “Six of one * * *” *New Englander*, September 1964, p. 43.

⁵ *Ibid.*, p. 14.

Massachusetts and Connecticut are the most populous States. Dr. Saul B. Cohen has estimated that, on a geographic basis, 85 percent of New England's population is concentrated in the Connecticut valley (which cuts across Connecticut and Massachusetts) and in the coastal area.⁶

A recent U.S. Census Bureau publication gives a breakdown by age of population as of July 1, 1963. It shows that New England had a greater percentage of its population 65 and over (10.6), than any other region except the West North Central (11.4). The percentage for the United States is 9.3. Maine, New Hampshire, Vermont, and Massachusetts all had 11 or 11.1 percent of their population 65 and over. Rhode Island's percentage was 10.5 and Connecticut was only slightly over the national average with 9.4 percent.⁷

TABLE I.—*Total resident population of the United States and New England 1960 and July 1, 1964 (provisional)*¹

Area	Population Apr. 1, 1960 (census)	Population July 1, 1964 (provisional)	Net change	
			Number	Percent
United States.....	179,323,175	191,334,000	12,011,000	+6.7
New England.....	10,509,367	11,070,000	561,000	+5.3
Maine.....	969,265	989,000	20,000	+2.1
New Hampshire.....	606,921	654,000	47,000	+7.7
Vermont.....	389,881	409,000	19,000	+4.9
Massachusetts.....	5,148,578	5,338,000	189,000	+3.7
Rhode Island.....	859,488	914,000	55,000	+6.4
Connecticut.....	2,535,234	2,766,000	231,000	+9.1

¹ Total resident population includes persons in the Armed Forces stationed in each area.

Source: U.S. Bureau of the Census. Estimates of the population of States: July 1, 1963, with preliminary estimates for July 1, 1964. Current population reports. Population estimates. Series P-25, No. 289, Aug. 31, 1964.

New England's population of 11 million is, then, growing at a slower rate than the national average. Correspondingly, with the exception of Connecticut, the New England States have a larger percentage of citizens over 65 than the Nation as a whole. Most of New England's population is concentrated in the three lower States of Connecticut, Rhode Island, and Massachusetts.

IV. INCOME

New England's per capita 1963 personal income figure of \$2,766 was above the national figure of \$2,449. As can be seen in table II, however, only Connecticut and Massachusetts are above the national average when each State is considered separately. Maine and Vermont per capita incomes are significantly lower.

TABLE II.—*Per capita personal income, 1963 (dollars) the United States and New England*

United States.....	2,449
New England.....	2,766
Maine.....	2,007
New Hampshire.....	2,313
Vermont.....	2,121
Massachusetts.....	2,853
Rhode Island.....	2,433
Connecticut.....	3,185

Source: "Personal Income by States and Regions in 1963." Survey of Current Business, August 1964, p. 16.

Another measure of a region's prosperity is family income. The Federal Reserve Bank of Boston has prepared a study of regional statistics for families with incomes under \$3,000 to determine how much poverty exists in New England. The bank found that compared with the Nation and with other regions,

⁶ Cohen, Dr. Saul B. "New England's Boundaries—How Realistic Are They?" New Englander, August 1964, p. 26.

⁷ U.S. Bureau of the Census. Estimates of the population of States, by age: July 1, 1963. Series P-25, No. 294, Nov. 5, 1964.

New England had comparatively few families in the poverty category. The proportion of families with incomes under \$3,000 in 1960, was 14 percent compared with the U.S. figure of 21 percent.

On the other hand, as it true of per capita income figures, the family-income figures are very different among the New England States. The bank says:

"Within the region, however, the distribution of these poor families varied widely among the States. Connecticut had fewer families living in poverty—9.8 percent—than any other State in the Nation. Massachusetts placed third among the 50 States in its low-poverty incidence but in two of its old textile centers—Fall River and New Bedford—about one-fifth of the families were poverty stricken, almost twice the State's average of 12.4 percent. Rhode Island ranked 18th in poverty incidence. Here also considerable poverty existed in the old industrial centers such as Providence and Woonsocket.

"In northern New England, New Hampshire had a lower incidence of poverty—15 percent—than the Nation. On the other hand, more than a fifth of all families in Maine and Vermont lived in poverty. Those States ranked 29th and 30th in their incidence of poverty. The largest concentration of their poor families were in the northern rural areas."⁸

Thus, although New England is relatively well off when compared as a whole to regions like Appalachia where, according to the President's Appalachian Commission, over 30 percent of the families had an income under \$3,000 in 1960, low incomes are prevalent in New England's northern rural areas and in the older industrial centers such as Providence.

5. EMPLOYMENT AND UNEMPLOYMENT

According to figures published by the U.S. Department of Commerce, the most important single source of personal income in all six New England States in 1963, was wages and salaries from manufacturing activity.

Employment figures also show the importance of manufacturing in the New England economy. Factory jobs accounted for 37.4 percent of all nonfarm employment in 1963 compared to the U.S. average of 29.8 percent.⁹

Obviously, New England's economy is still heavily dependent upon its manufacturing industries. Nevertheless, factory jobs in the region have declined from 43.9 percent of all nonfarm employment in 1950, to 37.4 percent in 1963. In Rhode Island, manufacturing employment declined from 148,000 in 1950, to 115,700 in 1963, for a loss of over 32,000 jobs. The loss of these jobs was not ever sufficiently compensated for by the creation of other nonmanufacturing jobs. As a result, despite an increase in the labor force, total nonagricultural employment in Rhode Island declined from 298,600 in 1950 to 297,000 in 1963.¹⁰

As is well known, there has been a long-term decline of the textile industry in New England. There was an estimated loss of some 144,700 textile jobs in the decade ending in 1959, and an additional 13,300 were lost between 1960 and 1963. Since 1960, industry employment declined in virtually all of the major textile centers in New England with the exception of Hartford. Boston, Fall River, Lowell, Springfield-Chicopee-Holyoke, New Bedford, Manchester, and Providence-Pawtucket showed the largest overall losses.

Other manufacturing industries in New England which have suffered job losses over a 13-year period include the jewelry industry, the shoe industry, lumber, the primary metal industries, apparel, and food processing. Paper products and chemicals had an employment uptrend in the 1950 decade, but declined between 1960 and 1963.

In 1964, New England is estimated to have lost another 10,700 manufacturing jobs.¹¹ The greatest job losses were in the areas of ordnance, electronics, and transportation equipment. These industries had been important sources of employment in the 1960-63 period.

Since New England is a manufacturing region and there has been a loss in manufacturing jobs, it has consequently had major unemployment problems. Un-

⁸ "Poverty in New England." New England Business Review, April 1964, pp. 6 and 7.

⁹ "New England's Changing Economy." Employment Service Review, July 1964, p. 33. Many of the figures concerning New England's employment between 1950 and 1963 in the following analysis are from this U.S. Department of Labor publication.

¹⁰ Preliminary figure for 1964, 297,400.

¹¹ "Preview 1965. Review 1964: New Englander." February 1965, p. 15.

employment varies, however, throughout the area. This can be seen in table III. New Hampshire and Connecticut have generally lower rates than the region and the United States, while Rhode Island has much higher rates.

TABLE III.—*Unemployment in the United States and New England, 1960-64*

	1964 ¹	1963	1962	1961	1960
United States.....	5.2	5.7	5.6	6.7	5.6
New England.....	5.2	5.6	5.4	6.4	5.6
Connecticut.....	4.7	4.9	5.0	6.7	5.6
Maine.....	5.6	5.7	5.7	7.2	6.5
Massachusetts.....	5.3	5.8	5.5	6.0	5.4
New Hampshire.....	3.7	4.1	3.5	4.6	4.1
Rhode Island.....	6.5	7.2	7.0	8.0	6.7
Vermont.....	5.7	6.2	5.8	7.0	5.4

¹ Preliminary.

Source: U.S. Department of Labor, Bureau of Unemployment Security.

Within the States, unemployment problems also vary. Although Massachusetts was only slightly above the national average in 1964, with 5.3 percent unemployment, Lowell, Mass., was classified at the end of 1964, by the U.S. Bureau of Employment Security in group D which means that it had unemployment between 6 to 9 percent of the work force. In January 1965, Lowell was reclassified downward to group E which signifies 9- to 12-percent unemployment. The shift of the Lowell area from group D to group E resulted mainly from an over-the-year decline in ordnance employment and the closing of another textile plant.

Lowell is one of the eight major labor market areas in New England which is still classified in January 1965, as an area of substantial unemployment with at least 6 percent of the labor force unemployed. The other major areas are Waterbury, Conn., Providence-Pawtucket, R.I., and in Massachusetts the areas of Brockton, Fall River, Lawrence-Haverhill, New Bedford, and Springfield-Chicopee-Holyoke. Massachusetts has the unfortunate distinction of having two out of the three major labor areas in the United States which are in the group E unemployment category in January. Lowell, as we have already mentioned, is one and the other is Fall River.

New England has a total of 17 major labor market areas. Therefore almost half of these large areas are areas of substantial unemployment. New England also has 11 small labor market areas and 14 very small labor market areas which are areas of substantial unemployment. Nine of the very small areas are located in Maine and Vermont.

Most of the New England areas which have had substantial, long-term unemployment have been dependent upon a single industry such as textiles or shoes, and they have not been able to make up for large losses of jobs in these industries despite extensive local development efforts. In the Providence-Pawtucket area, for example, unemployment rates have been above the national average since the recession of 1949. This area has been officially classified by the Department of Labor as an area of substantial unemployment continuously since July 1951 when the current area classification program was inaugurated. A major causal factor has been the exodus of the textile industry from the area. In 1950, area textile plants employed an average of 54,900 workers, well over a third of the area's 153,000 manufacturing workers. In 1962, the textile employment average of 24,400 was less than half the 1950 average, or a loss of over 30,000 jobs.¹²

The loss of this number of textile jobs, augmented by smaller losses in the jewelry, machinery and machine tool, electrical and nonelectrical machinery industries, has proven very difficult to offset. As of September 1964, for example, the Area Redevelopment Administration estimated that 1,515 direct jobs had been created in Rhode Island as a result of its programs. But the creation of many times that number of jobs would be needed to remove Providence from the redevelopment list.

¹² U.S. Department of Labor in cooperation with the U.S. Department of Commerce, Area Redevelopment Manpower Report. Providence-Pawtucket, Rhode Island-Massachusetts, June 1963.

The future outlook for employment in the textile industry in New England remains bleak. The recent cutback in defense spending also makes employment in ordnance and electronics uncertain. Continuing emphasis on raising efficiency through automation in the manufacturing industries tends to curtail employment in manufacturing generally.

The declining fishing industry, with a multitude of special problems, has affected employment in ports such as Gloucester. The present outlook for an employment upturn in this industry is not good as we shall discuss in some detail later in this report.

New England is, of course, becoming more and more dependent upon jobs in trade, service, and State and local government for increasing employment opportunities. Virtually all of New England's job growth of 124,000 between 1960 and 1963 took place in the nonmanufacturing sectors of the economy. The increasing importance of these types of jobs as opposed to manufacturing employment is evident throughout the country.

Many of the new jobs created in recent years, for example, were in the State-local government category, particularly in the field of education.

Unfortunately, New England areas which have been depressed by long-term cutbacks in manufacturing employment are not likely to have the tax base to provide the needed increase in governmental services, which would in turn lift local government employment, and in this way take up some of the slack left by manufacturing layoff. Unfortunately, also, the workers who lose their jobs in manufacturing industries often are not able to qualify for the professional and white-collar jobs that are becoming available in government and the service industries.

Thus, in summary, almost half of New England's major labor market areas remain areas of substantial unemployment. Massachusetts, Rhode Island, and Connecticut all have areas in this category. Massachusetts has two large areas which are in particularly deep economic trouble judging from their unemployment rate. Thinly populated Maine and Vermont also have unemployment problems in smaller areas.

Of the New England States, Rhode Island has the highest overall unemployment rate and New Hampshire the lowest.

6. NATURAL RESOURCES

A. Land and forest

Exhibit I illustrates how the major New England landforms cut across State boundaries. Going generally from east to west we have: (1) The coast, which is narrow, sandy, and smooth in the south and broader, rocky, and more deeply submerged in the north; (2) the eastern uplands, which are irregular, glaciated hill areas cut by river valleys; (3) the fertile lowland of the Connecticut Valley; (4) the western uplands, whose rolling hills grade into the mountains; (5) the old, glaciated western mountains which include the Taconics, Berkshires, Green and White Mountains; and (6) the interior lowlands of the mountains.¹³

The hilly, rugged topography of New England and the glacial till soils have limited the development of large scale agriculture. These relatively unfavorable land conditions, and the early growth of industry in the region, combined to make New England one of the first areas in the Nation to shift from agriculture to an industrially based economy. Already in the first half of the 19th century industrialization made heavy inroads in New England. This industrialization has dominated the economy ever since, although, as has been pointed out, the service industries are recently increasing in importance.

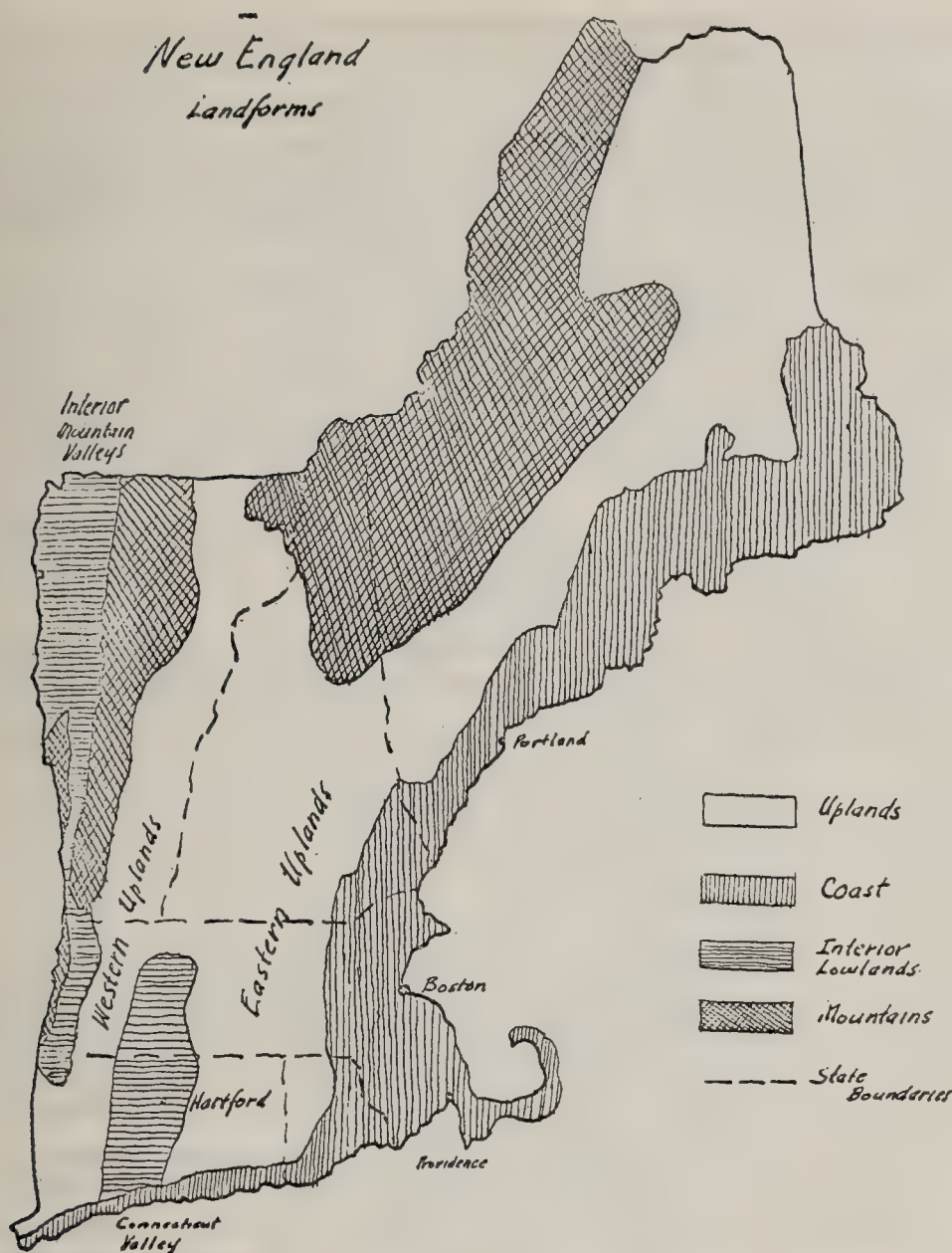
The already cited New England-New York resource study summarizes the recent land use pattern as follows:

The "most notable trends of recent years have been a rapid increase in the use of land for industrial, residential, and related purposes; a steady decline in the acreage of land use for crop production and forage and a corresponding increase in forest land; a rapid expansion in recreational uses of rural land; and quality depletion of forest resources."¹⁴

The position of agriculture in the current New England economy can be judged by the fact that personal income from farming, which was already down to 2 percent of total personal income in 1953, declined still further to less than 1 percent in 1963.

¹³ Map and description are adopted from the article by Dr. Saul B. Cohen, *op. cit.*, p. 8, and 26.

¹⁴ New England-New York Interagency Committee, *op. cit.*, p. 43.



As was true in many parts of the country, forests originally covered most of New England. Some of this virgin timber was cut as the land was cleared for agricultural operations. Much of it went up in smoke, although the timber was also used to house the growing population.

In the 1800's, the industrial expansion of New England created a demand for timber products. Large scale logging operations continued until the better and more accessible stands had been depleted by the inefficient and wasteful cutting practices of the time.

Today, much of New England is covered by second and third growth forests which produce large quantities of raw material for the wood-using industries of the region. New England has, perhaps, a larger part of its land area in forest than any other section of the United States. Maine, the largest of the six States, had over 80 percent of its area in commercial forest land in 1953. Even Rhode Island, although densely populated, had two-thirds of its land area covered with forest in the same year.

New England's forests are an important source of income in the region. The manufacture of paper and allied products provided payrolls of over \$396 million in 1962, and lumber and wood products payrolls of over \$108 million. In Maine, value added by manufacturers of paper products, lumber, and wood products in 1963 amounted to more than a third of all value added by Maine manufacturing.

Nevertheless, the use of New England's forest resources for manufacturing purposes is not without its problems. For one thing, industrial use of the forests sometimes conflicts with recreational use which is a growing source of income in New England. Hunters, fishers, campers, and tourists spend money for supplies, for lodging, for services; and their numbers are growing.

In a recent article about Maine, the Federal Reserve Bank of Boston says:

"It is becoming increasingly apparent that the demand for outdoor recreation facilities in northern Maine has only started its growth. Over the past decade the population of New England increased only 10 percent, while the use of Maine State parks and camps increased 122 percent. The Outdoor Recreation Resources Review Commission has estimated that the population of New England and the Middle Atlantic States will increase by 13 to 25 percent between 1960 and 1976. Furthermore, the future population will have more income and more leisure time, and one study estimates that by 1976 camping in northern and eastern Maine will increase by 70 percent."¹⁵

This growth of demand for outdoor recreations seems bound to collide with the production of pulpwood, logs, pulp and paper at the lowest possible cost by a few corporations and family groups who own about 75 percent of the 11 million acres of Maine wildlands. As the article points out:

"Each year additional thousands of sportsmen and family groups are using the lands and roads of private owners for recreation purposes. Careless campers occasionally start forest fires. Passenger car traffic on logging roads causes accidents and forces logging operators to move equipment and pulpwood at lower rates of speed. Although the paper companies exclude the public from areas where substantial volumes of pulpwood are being cut and hauled, these exclusions create serious public relations problems."¹⁶

These "public relations" problems are augmented by the fact that papermills use millions of gallons of water—about 50,000 gallons per ton of product, and pollution control has been inadequate in the past. Papermills polluted the Kennebec and Penobscot Rivers in Maine and caused the Atlantic salmon to disappear from these rivers.

The problem is not only that the lumber companies need to create a better image, or to permit vacationers to use their land; there is a real conflict concerning the use of the forests for manufacturing as opposed to their use for recreation. This conflict is being sharpened by increasing demand for outdoor recreation by our growing population. Furthermore, the case for unlimited use of the forests by manufacturing companies is weakened by the fact that employment in the wood-using industries is decreasing despite capital expansion. Automation is increasing in the industry, and many multimillion dollar expansions involve the addition of only a few new employees.

As opposed to the intensive use of the forests by large pulp and paper operations, very little use of their forests is made by the many small landowners in New England. Many little forests are not large enough for their owners to devote personal time and effort to their management. As a result, much of this forest land is in poor condition. Whether or not these forests are worth rehabilitating for commercial use probably depends upon their location and marketing possibilities. In populous southern New England, there would seem to be little need for forest development for wood products.

As a study of the timber resources of Rhode Island states:

"Water, recreation, agriculture, and residential and industrial development compete with timber for the use of land in Rhode Island. Already rural land values are higher than in most other States; undoubtedly they will continue to rise as population increases. Forward-looking owners of forest land may well question whether timber will bring as much income as some of these other competing land uses. Whether the land use is likely to change before timber benefits accrue will have to be considered in public rehabilitation programs."¹⁷

¹⁵ "New England's Last Frontier. Part III * * * planning for the development of wildlands." New England Business Review, January 1965, p. 5.

¹⁶ *Ibid.*, p. 3.

¹⁷ U.S. Northeastern Forest Experiment Station. The Timber Resources of Rhode Island. Upper Darby, Pennsylvania, 1957, p. 5.

In the sparsely populated northern New England States, however, small forest owners might supplement their income through development of their land for forest products.

B. Water and the fishing industry

New England has a plentiful supply of water. As in so many parts of our country, however, much of the water is polluted. Sewage and industrial wastes have spoiled many a river for recreation, and shellfish beds off the coast have also been ruined by pollution. Senator Muskie of Maine recently stated in introducing S. 4, the Water Quality Act of 1965:

"In my own State, as in others, our previously abundant shellfish-producing waters have been immeasurably harmed through disposal of deleterious wastes. The economic losses to shellfishermen have been catastrophic."

In a report such as this, we cannot attempt to assess the seriousness of the pollution problem in any detail. The New England-New York Interagency report published in 1957 considered stream pollution at some length, but conditions have undoubtedly changed since then. Early in 1965 Governor Rockefeller of New York told the House Public Works Committee that the Nation is actually losing ground in its fight against water pollution. The magnitude of the problem can be judged somewhat by the fact that the Governor estimated that New York alone would need \$1.7 billion to clean up its streams, and the present level of Federal antipollution grants is \$100 million a year.

Polluted water has affected New England fisheries, as Senator Muskie pointed out. Another factor adversely affecting fishing is the draining of the wetlands. A recent article points out:

"Only recently have fishermen begun to appreciate how important these low, marshy lands are in maintaining sport and commercial fishing along our New England coast. Only recently have marine scientists begun to understand the complex chemistry that makes up the relationships between marshes and the rich nutrients they produce to support finfish, shellfish, shorebirds, waterfowl, and other forms of animal life.

* * * Draining for agriculture, mosquito control and for industrial purposes has spoiled many important wintering marshes. The destruction of marshland along the Atlantic coast has produced not only a critical situation for waterfowl but has destroyed the natural conditions needed for the food chains which are so important for our fisheries, both sport fisheries and commercial fisheries."¹⁸

Aside from the destruction of the habitat for fish and shellfish, the New England commercial fishing industry has other problems. Port facilities are antiquated and inadequate. The fishing fleet is aging, and vessels that go down or are retired are often not replaced due to the high cost involved. Foreign vessels operate profitably over the Grand Banks, Georges Bank and other fishing grounds that are being abandoned by American fishermen as the New England fleet shrinks. New foreign vessels appearing off the New England coast are recognized as being far in advance of their American competitors in modern equipment. Foreign fleets are heavily subsidized by their governments while American fleets have received only limited aid.

The New England fishing industry is not attracting young men who wish to make it their life's work; nor is it attracting capital. The industry appears to be faced with further decline unless an important rejuvenation is accomplished.

C. Water and power

Various surveys of New England that have been undertaken in the past, including the 1951 report of the Council of Economic Advisers, found that the cost of electric power in New England is higher than in most of the rest of the country, partly because of the lack of local fuel resources such as coal. The 1964 "National Power Survey" of the Federal Power Commission reported that this is still true. The Commission said:

"New England at the present time is one of the highest cost electric power areas in the Nation. The average retail price of power in New England in 1962 was 29 percent higher than the national average."¹⁹

One way of improving New England's electric power supply, which has been discussed for years is the development of low-cost hydroelectric power, particu-

¹⁸ Sherman, Edward A. "Wetlands Are Not Wastelands." *New Englander*, February 1963, p. 43.

¹⁹ Federal Power Commission. *National Power Survey*. Washington, U.S. Government Printing Office, 1964, p. 230.

larly by the Federal Government. Seymour Harris, in his 1952 study of New England, found that New England contained no Federal hydroelectric developments while the rest of the country had 156 projects. Mr. Harris goes on to say:

"The omission of New England suggests first an aloofness toward Federal participation in the life of the region; second, strong opposition to Federal power and multipurpose projects partly instigated by propaganda from well-organized power interests; and third, the absence of Federal competition which might depress rates and force private power companies to experiment more with low prices and quantity sales. Surely Federal competition accounts in some part for the much greater reduction of rates in the Southeast than in New England in the last 20 years. I am not, however, suggesting that a New England TVA would help our region as much as it helped the South."²⁰

Mr. Harris further pointed out that multiple purpose projects, such as TVA which include power, flood control, recreation, forestation, etc., are often feasible where single purpose projects are not.

The above mentioned Council of Economic Advisers' report also said:

"It is probable that an impartial survey of the water resources of New England will indicate that there are undeveloped hydroelectric sites which would produce large quantities of power cheaply but which are not susceptible of single-purpose development. The exploitation of these sites would require a multipurpose approach to the development of an entire river valley including flood control, soil conservation, reforestation, water supply, stream pollution, and recreation, as well as power. Under such a multipurpose development, part of the total costs would be allocable to the nonpower phases of the project and the cost of generating power would be correspondingly reduced. By such an approach and under commonly accepted procedures for allocating the cost on a multipurpose project, certain power projects may well become economically feasible which would not be feasible if developed on a single-purpose basis. It should be one of the major purposes of the survey of the interagency committee to determine whether and to what extent multipurpose developments represent the most economical way for developing the water resources of New England."²¹

The report of the New England-New York Interagency Committee on land and water resources did not, however, emphasize multipurpose development or Federal development. The report states:

"It is to be noted that with few exceptions there are no multipurpose projects included in the (river) basin plans and therefore the entire cost would have to be borne by power. Power values or benefits were determined on the basis of the cost of generating equivalent power by a privately financed steam-electric plant, this being the most likely alternative source of power * * *. It has been assumed that in this region, projects are most likely to be constructed under private financing practices. Consequently, all estimates of annual costs are presented on the basis of private financing."²²

The Interagency report did not, apparently, go far toward solving New England's hydroelectric problems. As we pointed out earlier, New England is still one of the highest cost electric power areas in the Nation.

Currently, a federally financed project is being reconsidered to extract energy from the tides of the Passamaquoddy Bay in eastern Maine in conjunction with a hydroelectric development on the St. John River in northern Maine. This would be a multipurpose development which would have recreational as well as economic benefits. It would provide Maine with a permanent major tourist attraction, and it would preserve the Allagash River which has long been recognized by outdoor enthusiasts as one of the best primitive river courses in the United States. Alternative hydroelectric power development proposals, such as the Cross Rock project, would completely inundate the Allagash.

Senator Muskie, in introducing the bill this year (S. 515, 89th Cong.) to authorize the Passamaquoddy tidal power project, claimed that the project would provide electrical power for the northeast region at prices 25 percent below prevailing rates.

Technological improvements, such as new high voltage transmission techniques, have made the Passamaquoddy project more feasible than it once was. There have, however, been technological advances in other methods of power genera-

²⁰ Harris, Seymour E. "The Economics of New England; Case Study of an Older Area." Cambridge, Mass. Harvard University Press, 1952, p. 226.

²¹ Council of Economic Advisers. Committee on the New England Economy. The New England Economy. Washington, U.S. Government Printing Office, 1951, p. 113.

²² New England-New York Interagency Committee, op. cit., pp. 33 and 34.

tion, particularly in steam plants and nuclear plants, which one day may make large-scale hydroelectric developments obsolete. The Federal Reserve Bank of Boston states:

"These technological gains may in time largely eliminate one of New England's historical competitive disadvantages—relatively high industrial power cost compared to the other regions of the country. By the year 1980, any new hydro-power projects of the type envisioned for Passamaquoddy Bay and the St. John River Basin in northern Maine will probably be more difficult to justify than they are today."²³

The development of cheaper electric power, particularly federally developed hydroelectric power, is still apparently a matter of continuing controversy in New England.

7. SUMMARY AND CONCLUSIONS

In this study we have attempted to identify some of the problems of New England through an examination of some major economic indicators such as personal income and employment, and also a brief survey of its natural resources.

We have not tried, however, to cover every facet of the economy. Transportation was not covered because there did not seem to be any obvious regionwide problems in the transportation network. There are isolated areas, of course, in northern New England, but any "development highways" similar to those planned for Appalachia would have to be considered in conjunction with plans to develop water and forest resources. The preservation of unspoiled wilderness areas would require the exclusion of high-speed highways. Southern New England has some transportation problems, particularly in the area of mass transportation, but they require more detailed study than is possible in a survey of this type.

As was pointed out in the section on employment and unemployment, New England has some labor market areas which have persistently high unemployment rates. These areas include old industrial centers in the south and rural areas of the north. As would be expected, an examination of income statistics also shows that these same areas of high unemployment have many families with low incomes.

A major New England problem is that of providing for its older citizens. All of the New England States except Connecticut have a higher percentage of people over 65 than the country as a whole.

In the area of natural resources, coastal and stream waters have suffered considerable pollution. As a result, use of these waters for fishing, recreation, and even for industry has suffered.

New England must decide between competing uses of its land, water, and forests. Industrial uses are often incompatible with recreational development. On the other hand, balanced economic development is necessary for the growth of the region.

Certain possible solutions to the problems outlined above are suggested by the nature of the problems and by approaches that have been tried in the past or are being tried in the Appalachian program.

VOCATIONAL EDUCATION

New England's severe unemployment problems, particularly in areas dependent upon one type of industry, suggest that vocational education and retraining may need to be accelerated, particularly since new job opportunities tend to be in the skilled categories.

The Federal Reserve Bank of Boston estimated in 1962 that 165,000 additional skilled workers would be required in New England by 1970. It said:

"Currently the region's vocational schools are graduating about 10,000 each year from their trades-and-industry day program. The need for craftsmen, to meet both replacement and growth needs, is expected to average 16,500 per year to 1970. Thus, needs per year will exceed graduates by about 6,500. * * * If an effort is not made to provide additional vocational training facilities, more youths will find themselves thrown on the unskilled job market. And experience indicates that this will contribute to our unemployment problem."²⁴

²³ "New England's Last Frontier: Part II: Competing Proposals for Power Development." New England Business Review, November 1964, p. 5.

²⁴ "Training for Needed Skills—Vocational Education." New England Business Review, November 1962, p. 4.

Vocational education as it is referred to here, however, will benefit only the young, and studies indicate that depressed areas such as Providence and Fall River have a high percentage of older people, many of whom are unemployed. A recent study by the Area Redevelopment Administration, titled "Population, Labor Force and Unemployment in Chronically Depressed Areas," included four New England major labor market areas in its study (the two mentioned above and Lowell and Lawrence-Haverhill).

This study found that the depressed areas have been experiencing a relative aging of their population, primarily as a result of outmigration of younger workers. From this fact the study concluded:

"* * * it may be more difficult to bring new firms into the areas if such firms count on hiring primarily young workers who would be trained 'on the job.' Given the relatively old population of the depressed areas and the relatively high proportion of middle aged among the unemployed, it would appear that creation of new job opportunities would have to be combined with some local training programs—programs that would make the older workers more attractive to potential employers."²⁵

Provisions of the Manpower Development and Training Act could be utilized, and possibly strengthened, to provide such local training.

PROGRAMS FOR THE ELDERLY

Not all of the older workers in New England's depressed areas will, in all probability, be able to be successfully retrained and find jobs. Other older people are in poor health or over retirement age. Community programs and centers for older persons would seem to be necessary for New England's aging population, particularly in the Northern States.

Senator McNamara has introduced a bill (S. 811), the Older Americans Act of 1965, which may indicate a possible approach. It would establish an Administration on Aging in the Department of Health, Education, and Welfare. It would provide grants to the States for community planning and services for the elderly, and for training projects.

TIMBER DEVELOPMENT ORGANIZATIONS

The provision for technical assistance and loans to private timber development organizations as provided in the Appalachian Regional Development Act of 1965 seems equally applicable to New England since much of it is covered by forests and much of it is in the hands of small owners. Most of the studies of New England's forests suggest the need for similar cooperative efforts to develop small forests. The New England-New York Interagency Committee said:

"The principal measure included in the plan for improvement of forest lands is providing technical assistance to the forest landowners, particularly the nearly 400,000 small owners, to enable them to properly manage their woodlands. * * * Additional educational work is needed among the landowners, the timber operators, the forest products industries, and the general public to make sure that an adequate, concerted and sustained cooperative effort is made to improve the forest lands and to so manage them that the owners and the region may receive full value from them."²⁶

Under the provisions of the Appalachia Act, the timber development organizations may receive up to \$5 million in Federal loans, not to exceed 50 percent of their initial capital requirements, in fiscal 1966 and 1967. The loans shall not be used for the construction or acquisition of facilities for manufacturing, processing, or marketing forest products, or for physical consolidation of small timber holdings except for the establishment of demonstration units. The Federal loans will be administered under the applicable provisions of the Consolidated Farmers Home Administration Act of 1961.

FISHING DEVELOPMENT ORGANIZATIONS OR INSTITUTE

The fishing industry of New England is plagued not only by foreign competition and disappearance or depletion of the fish; it is also plagued by inefficiency and poor marketing practices: A 1954 report of the national planning association said:

²⁵ U.S. Department of Commerce. Area Redevelopment Administration. Population, Labor Force and Unemployment in Chronically Depressed Areas. Washington, U.S. Government Printing Office, 1964, p. 39.

²⁶ New England-New York interagency committee, op. cit., p. 46.

"In New England the typical handling of fish on vessels and at the pier has been seriously deficient and has been an especially important cause of deterioration in quality * * *. Inefficient and destructive handling should be eliminated by industrywide consultation and cooperative action. Modern equipment to remedy conditions may be costly but far less so than inaction.

"Improved methods of processing are also important ways of increasing quality and reducing cost. Unfortunately the New England fishing industry as a whole has not done as much as it should about either. Only a few firms have research facilities of any kind, and most others have been slow to adopt new ideas * * *.

The New England fishing industry should invest more in its own future, as have the meatpackers and other groups whose products compete with fish, as well as the fishing industry of the west coast. The research carried on by the U.S. Fish and Wildlife Service on fish technology, fish biology, methods of catching fish, and other problems is valuable to the industry, but it is not a substitute for the industry's own efforts. A New England fish-products research institute might well be established, supported by the entire industry for its collective benefit."²⁷

New England fishing facilities and practices apparently have not changed much in recent years. In a recent article, a University of Rhode Island professor says:

"Archaic methods of handling fish in some New England ports have changed little in 50 years; pitchforks and handcarts are the rule. Had agriculture remained as firmly committed to ancient methods as has much of the fishing industry there would be many more hungry Americans than we now have."²⁸

A study just released by the area redevelopment administration of the New Bedford fishing industry comes to similar conclusions. It says:

"New Bedford fishing industry in all its phases consists of highly individualistic persons who employ primitive and antiquated facilities and techniques. There are technical plant and dockage problems that must be overcome; there are problems dealing with marketing and product distribution."²⁹

The study goes on to conclude:

"* * * there seems to be evidence in favor of a unique fishing institute in this geographic area. In view of the fact that biological and oceanographic work is conducted at Woods Hole and the proposed radiation center is to be located in Gloucester, it would seem that a fitting adjunct to these areas would be a marketing center and overall information clearinghouse which could be incorporated in the activities of such a fishing institute. There is ample reason to feel that the proposed southeastern Massachusetts Technological Institute could provide necessary facilities for such an undertaking."³⁰

In view of the deteriorating state of the New England fishing industry, it would seem appropriate to provide the stimulus for increased efficiency and marketing improvement through a coordinated approach. This could take the form of fishing development nonprofit organizations similar to the timber development organizations or, possible, the establishment of a fishing institute.

OCEANOGRAPHIC RESEARCH

Increased oceanographic research is undoubtedly needed to develop further information concerning the fish and shellfish along New England's coast. It is also needed to fight water pollution and to help develop and safeguard marine recreation.

President Johnson has, however, recently asked for funds for increased ocean research, and the Woods Hole research facility is an established fact. Whether or not an additional regional facility or additional funds are needed is a matter of judgment beyond the scope of this study.

RECREATION

The development of recreation in the area depends upon the way the natural resources of the region, land, forest, and water, are developed. As we have

²⁷ National Planning Association. Committee of New England. *The Economic State of New England*. New Haven, Yale University Press, 1954, p. 69.

²⁸ Lampe, Harlan C. "An Antiquated and Fragmented U.S. Fishing Industry Faces Many Problems." Inserted in the Congressional Record, July 23, 1964, p. 16131.

²⁹ U.S. Department of Commerce. Area Redevelopment Administration: *A Marketing Study of the Scallop and Flounder Industry of New Bedford, Mass.* Washington, U.S. Government Printing Office, 1965, p. 44.

³⁰ Ibid., p. 78.

pointed out earlier, development of an area for recreational uses may often conflict with industrial use. Unplanned urban sprawl will eat up land that could be used for parks, public forests, and bathing beaches.

Development of the recreation and tourist industry can be an important source of income and employment—not to mention aesthetic enjoyment.

One way to develop recreational opportunity is to apply multipurpose development to major river basins. New England has never had such multipurpose development. Currently, however, plans are underway to develop both the Connecticut River and the Passamaquoddy Bay for multiple uses. The latter project would also provide cheap hydroelectric power. Because of the importance placed on multipurpose development by previous successful regional plans such as TVA, and also because several of the studies of the New England region have stressed this approach, serious consideration to the implementation of multipurpose river basin plans should be given in any program for regional economic development.

The prevention and control of water pollution should also be given emphasis in any plans to develop recreation. Many beaches and streams have already been ruined by pollution and the amount of Federal aid available in current programs is meager.

URBAN PUBLIC WORKS

Like the Appalachian report, and like many of the preceding studies of New England which we have mentioned, this survey has not attempted to go into any detail concerning the problems of urban areas. They could be the subject of many reports. We can only note here that many of New England's urban centers have continued high unemployment. They are burdened with antiquated, abandoned factories and antiquated public facilities. Much of the housing is old and deteriorating. Much needs to be done besides luring in new industry or retraining the work force. Continued emphasis should be placed on Federal grants for public facilities and urban renewal.

In conclusion, all of the solutions which we have mentioned are merely suggestions where coordinated State and Federal action might be focused, based upon the specific problems of the region. New England has been studied and restudied, but research alone cannot determine what should be done. This depends, in the final analysis, upon the wishes of the people of the region.

Senator MUSKIE. I want to take this opportunity to compliment Senator Pell on his imaginative contribution to this inquiry, and to our understanding of New England's problems and opportunities.

We have another one of our distinguished colleagues here, and his presence is required at another hearing, so I would like to welcome him here this morning, and to invite his testimony at this point.

Senator Saltonstall.

STATEMENT OF HON. LEVERETT SALTONSTALL, A U.S. SENATOR FROM THE STATE OF MASSACHUSETTS

Senator SALTONSTALL. Mr. Chairman, Senator Montoya, I know your time is limited. I appreciate the opportunity to be here.

I would like to ask unanimous consent that my full statement be put in the record, and then acquaint you briefly with what I consider the most important points.

Senator MUSKIE. Thank you, Senator. I appreciate your understanding. Your statement will be included in the record.

(The statement referred to follows:)

PREPARED STATEMENT OF HON. LEVERETT SALTONSTALL, A U.S. SENATOR FROM THE STATE OF MASSACHUSETTS

I support legislation to establish a regional development commission to study economic needs and develop a program of financial assistance for New England. Such a regional development commission should be composed of a representative from each of the New England States and the Federal Government. Its func-

tion would be to study the economy of New England and formulate a program for assisting the economic development of the region.

While the economic interests and many of the problems of each of the New England States are by no means uniform, the similarity of these interests and problems requires a collective approach as the best way to develop a constructive program for economic improvement of the region. I feel that such a regional development program will result in the desired expansion of the physical, social, and economic resources of New England.

An intelligent, long-range development program for New England can be best assured through a collective planning and development effort. This should be done through a regional commission which will be authorized to study and analyze those problems common to all New England. These studies would include important subjects such as manufacturing and business expansion, employment, population needs, transportation requirements, and utilization of natural resources. Better coordination of the approximately—and this is very important, Mr. Chairman—200 Government assistance programs administered by 19 Federal agencies, would be possible through a regional commission, which could be of considerable assistance to New England development.

There is a strong need for a regional approach to the promotion and expansion of the New England economy. This can be seen from statistics which show a generally lagging economic growth within the six State region when compared with other sections of the United States. A basic reason for this development is the substantial redistribution of economic activity throughout the country since 1940. Between 1940 and 1960, employment in the Far West more than doubled; in the Southwest and Rocky Mountain States, employment increased approximately two-thirds. In sharp contrast, there was only a one-third increase in New England, the Middle Atlantic States, and the Southeast.

An example of the need for a constructive, unified, regional approach to achieve desired economic expansion for New England and my own State of Massachusetts, can be found in figures from perhaps the two most important segments of any economy; manufacturing and business, the latter represented by wholesale and retail activity. In Massachusetts and throughout New England, these figures are representative of a decline in position.

The last year for which reliable figures on manufacturing are available was 1962. Massachusetts ranked ninth among the 14 leading industrial States. This is the same position as that occupied in 1959; however, Texas as No. 10, with a higher rate of growth, threatens to displace Massachusetts within the near future. Between 1959 and 1962, the Massachusetts growth rate was 11.6 percent; higher by 0.4 percent than the national average, but lower than 7 of the other 13 leading industrial States. During the period 1959–62, Massachusetts was second in position to Maine among the New England States.

In 1963 Massachusetts ranked ninth nationally along with Texas in terms of business failures as a percent of concerns doing business. This represents 0.41 percent or 323 of the 79,679 concerns doing business in Massachusetts that year. Massachusetts ranked third among New England States in business failures for 1963.

A reliable indication of economic growth can be found in figures representing manufacturers' expenditures for new plants and equipment. During the period 1953 through 1962, Massachusetts ranked 10th in the Nation, having invested \$2,372 million for plant and equipment. Massachusetts ranked first in New England with 43.5 percent of the regional total manufacturers' expenditures in this area. On the national level, New England ranked sixth out of the nine geographic regions.

For the period 1960–63, Massachusetts was the eighth largest State in the nation in terms of manufacturing employment; it had a 5.1-percent decrease in manufacturing employment—the greatest decrease among the 14 leading industrial States for that period. This is to be contrasted with a national increase of 1.4 percent for the same period. However, only six of the leading industrial States showed an increase. In New England, Massachusetts was the largest State in manufacturing employment, but it also reflected the largest decrease of any New England State. It is interesting to note that during this period, only Connecticut among the New England States showed an increase, which was 3.4 percent.

The nonmanufacturing or business segment of the Massachusetts economy, and that of New England, reflect a lag compared to national economic growth. In 1963, sales of wholesale trade establishments in Massachusetts totaled approximately \$10.4 billion, a 19.8-percent increase since 1958. This is to be contrasted

with overall figures for New England which reflect an increase of 22 percent during the same period. This, along with the Middle Atlantic and West North Central region, placed New England lowest in percentage increase among the nine regions of the United States. The sales of the merchant wholesaler segment of the wholesale business trade in Massachusetts, totaled approximately \$4.9 billion, an increase of 25.9 percent since 1958.

Retail sales in Massachusetts for 1963 totaled approximately \$7.5 billion, a 19-percent increase over 1958. This placed Massachusetts first among the New England States. On the national level, New England ranked seventh among the nine geographic regions.

These figures are representative of the failure of Massachusetts and New England to keep pace with national economic growth and development. Massachusetts enjoys a higher overall economic level than any of the other New England States, but it, like the others, is limited in growth by the fact, ironically, that it is the oldest industrial region in the United States. Antiquated plants and equipment and past failures to adapt quickly to the ever-changing needs of an expanding economy have contributed to a deteriorating economic position. Innovation through study and planning is essential to restore the leadership of Massachusetts and New England.

There are characteristics of the New England economy which distinguish this region from other parts of the United States. These differences are the principal factor in favor of a New England Regional Commission.

For example, New England, unlike Appalachia, does not suffer from general economic poverty. There are pockets of unemployment and underemployment in New England; however, they exist next door to areas of general prosperity, which often overshadow these trouble spots.

A regional development commission in New England would be suited to recognize these factors as well as other regional characteristics which would require consideration in developing an intelligent economic program for the area. The commission would necessarily study the recreation, research, and service industries to determine how these growth industries can contribute further to regional economic growth and development. Its study would apply the lesson of their success to a consideration of the problems which presently beset our textile, rubber, and shoe industries. Any study by the commission would necessarily take into account changing patterns of defense business along with the entire problem of defense conversion.

Our needs are different from other areas. New England does not generally require public works programs in their historic sense. Instead, greater economic assistance is required through selected urban renewal, education, and better transportation.

We have reason to be optimistic about the future for New England. Urban development in Boston, for example, gives promise of a bright future. This can be seen from the splendid, new Prudential Center, which has had already a considerable impact upon business expansion.

We have reason to be enthusiastic about the future of New England. This enthusiasm will be increased through creation of a regional development commission suited to study ways and means for further developing economic assistance for New England.

I believe that through collective planning and action on the part of all six States, presently existing manufacturing and business enterprises will be improved and expanded. Furthermore, this approach will result in the attraction of new enterprises to New England. The economic interests of Massachusetts and its sister New England States are tied together. As each increases its prosperity, so also will the others.

Three basic bills have been introduced during the current session of Congress, any of which will have the effect of extending economic assistance to New England. The principal bill for consideration is S. 1648, introduced by Senator Douglas, and supported by the administration. Its counterpart in the House of Representatives is H.R. 6991. The other bills are S. 812 and H.R. 7075.

S. 1648 appears to expand the Area Redevelopment Act and the accelerated public works program by making grants and loans available to areas of substantial and persistent unemployment and underemployment. Jurisdiction and authority under this bill are vested in the Secretary of Commerce, who would exercise, in effect, absolute control over designation of areas to be aided and the disbursement of funds, although regional planning commission, to be established under this bill, would advise and assist the Secretary in the initiation and coordination of programs. S. 812 and H.R. 7075 provide, in essence, for deferral of immediate economic assistance in favor of first conducting economic studies to

determine the needs of a region. At the same time, there would be a coordination of existing Federal assistance programs within the region. These bills would authorize the establishment of a regional development commission to conduct these studies and formulate long-range plans to assist regional development. Cooperation with Federal, State, and local agencies would be sought.

In considering these bills, I believe it essential to provide that the regional development commission established for New England should not only make reports of its program available to the Secretary of Commerce; it should also submit such reports to the respective Governors of New England and to the appropriate committees of the Congress. In this way, the commission can be more effective than simply to act as an advisory body to the Secretary of Commerce. Furthermore, this procedure will insure that the findings, conclusions, and recommendations of the commission will be available to those National and State authorities empowered to recommend legislation in the Congress or respective States. If recommendations of the commission are submitted solely to the Secretary of Commerce, proper consideration cannot be fully given.

I hope that any legislation establishing a regional development commission will result ultimately in the achievement of a realistic and beneficial program of economic assistance to New England.

Senator SALTONSTALL. Thank you. I might say I agree completely with the statement of Mr. Policastro, that New England should cooperate together to a greater degree than ever before.

You were Governor of Maine, and I was Governor of Massachusetts for 6 years, and I knew how difficult it was, and I think it still is difficult, to get together on the varying interests which concern our six New England States. This must be done so that we can go forward in a program that will help the whole New England region.

When you consider that our territorial area is so much smaller than many other areas of our country, it becomes essential for us to work together as best we can. So I appreciate the opportunity to be here before you today.

I support legislation to establish a regional development commission to study economic needs and develop a program of financial assistance for New England. Such a regional development commission should be composed of a representative from each of the New England States and the Federal Government.

Its function would be to study the economy of New England and formulate a program for assisting the economic development of the region.

While the economic interests and many of the problems of each of the New England States are by no means uniform, the similarity of these interests and problems requires a collective approach as the best way to develop a constructive program for economic improvement of the region.

I feel that such a regional development program will result in the desired expansion of the physical, social, and economic resources of New England.

An intelligent, long-range development program for New England can be best assured through a collective planning and development effort. This should be done through a regional commission which will be authorized to study and analyze those problems common to all New England.

These studies would include important subjects such as manufacturing and business expansion, employment, population needs, transportation requirements, and utilization of natural resources.

Better coordination of the approximately—and this is very important, Mr. Chairman—200 Government assistance programs admin-

istered by 19 Federal agencies, would be possible through a regional commission, which could be of considerable assistance to New England development.

I go on to give some economic statistics regarding New England. While we have gone ahead, we have not gone ahead as much as the rest of the country.

What we have to do now is to work together to try to build up and go forward with the rest of the country. We must not be left behind.

Mr. Chairman, as I say in my statement, there are a number of statistics pointing out these facts. I would like to read the conclusion of my statement, which I think very important from the point of view of us in New England.

In considering the bills before you, I believe it essential to provide that the regional development commission established for New England should not only make reports of its program available to the Secretary of Commerce; it should also submit such reports to the respective Governors of New England and to the appropriate committees of the Congress.

In this way, the commission can be more effective than simply to act as an advisory body to the Secretary of Commerce.

And I say this emphatically, Mr. Chairman, because, as you and I know, there was a recent report on transportation made to the Secretary of Commerce which, if I remember correctly, was not made available to any Members of Congress.

We did not know what was in that report. Therefore, we could not have been of assistance in considering the transportation problems of our area. So I think it very important that this commission be simply not an advisory body to the Secretary of Commerce; its reports should be available to the Governors and to the appropriate committees.

Furthermore, this procedure will insure that the findings, conclusions, and recommendations of the commission will be available to those national and State authorities empowered to recommend legislation in the Congress or respective States.

In other words, Mr. Chairman, it ought to be not only the Secretary of Commerce who can make recommendations. It ought to be you, and it ought to be me, and it ought to be even Mr. Montoya, from New Mexico, if he would be willing to exercise his influence in helping New England, which I am sure he will.

This responsibility ought not be limited to the Secretary of Commerce. The Governors should be involved; you and I and all the Senators and Representatives from New England ought to have an opportunity, after reading this report and its recommendations, to decide ways in which the Federal Government could be helpful.

If the recommendations of the commission are submitted solely to the Secretary of Commerce, proper consideration cannot be fully given.

I hope that any legislation establishing a regional development commission will result ultimately in the achievement of a realistic and beneficial program of economic assistance to New England.

Mr. Chairman, Senators Montoya and Randolph, I appreciate this opportunity to appear before you. I know your time is limited, so I hope you will, knowing the limits of a Senator, still read my full statement, which gives a number of statistics.

I appreciate the opportunity of appearing before you.

Senator MUSKIE. We certainly will read your statement, Senator Saltonstall.

May I express my personal appreciation for your interest in coming in this morning. I know you are busy, and know this is a thoughtful and useful statement for the record.

I know of your keen interest in the regional approach to New England problems through the Senators conference and through the Governors conference before that. So we do welcome your leadership and your support this morning.

Senator SALTONSTALL. Thank you very much, Mr. Chairman.

Senator MUSKIE. Our next witness is Mr. Edwin W. Webber, director of Interstate Relations and Natural Resources, and with him is Mr. Gardner Caverly, vice president, New England Council, and Mr. Galen Cole, president, Maine State Chamber of Commerce, State chairman for Maine, and member of the executive committee of the New England Council.

STATEMENT OF EDWIN W. WEBBER, DIRECTOR OF INTERSTATE RELATIONS AND NATURAL RESOURCES; ACCOMPANIED BY GARDNER CAVERLY, VICE PRESIDENT, NEW ENGLAND COUNCIL; AND GALEN L. COLE, PRESIDENT, MAINE STATE CHAMBER OF COMMERCE, STATE CHAIRMAN FOR MAINE, AND MEMBER OF THE EXECUTIVE COMMITTEE OF THE NEW ENGLAND COUNCIL

Mr. WEBBER. Mr. Chairman, I am happy to appear before this committee on behalf of the New England Council, a private nonprofit organization with offices in Boston, Mass. The council is composed of 2,200 members drawn from business, labor, education, and government within New England, and is devoted to the development of a sound and dynamic region through full utilization of all its human, natural, and material resources.

It is an organization that seeks to represent all of the economic interests of the region. The council is vitally interested in S. 1648, the proposed Public Works and Economic Development Act of 1965, for a number of reasons, not the least of which is the emphasis the act gives to regionalism as a device by which joint Federal-State efforts may be undertaken toward effective treatment and solution of economic problems.

Regionalism has always been a meaningful concept to New England. It has been made much more so in recent years, due to the region's realization that total development of the region's potential is achievable only through creation of a balanced and viable economic system.

More specifically, this achievement is possible only through regional cooperation.

New England is a small region, composed of six small States. These States share a close knit identity, and a similarity of outlook and economic interest. There are, of course, differences among the various States, some of which are economic, such as levels of income and economic resources. But in general it may be said that their size and compactness qualify them eminently for regional planning and for regionally based programs of economic development.

These six States recognize this feature as an integral part of their collective future, and have been actively seeking regional solutions to a number of common problems, including regional economic development and planning.

While our States have enjoyed some success in moving toward achievement of these regional goals, much remains to be done. We have many needs, and I would like to enumerate a few of our more basic requirements of today.

First, we need an economic system by which the benefits of economic growth created within those areas now enjoying high levels of economic activity can be spread to include those areas in New England that have lagged behind, often as a result of structural changes in the economy.

The gradual reorganization of the region's economy from manufacturing to nonmanufacturing activities has resulted in shifts in the location of our economic growth centers. This process of change, in turn, has reinforced a trend of population movement from outlying towns and villages to our expanding metropolitan areas.

The result has been that the areas most distant from these metropolitan centers have experienced chronically high rates of unemployment, as well as deterioration of their public facilities.

The stresses and strains of making up for lost tax bases have created severe burdens on the remaining economic elements of the community, now required to support facilities such as schools, water and street systems, recreation facilities, and downtown rehabilitation programs.

The problems of the expanding metropolitan area and the decline of the small community suggests the need for new solutions. The idea of organizing for development in terms of growth centers, multi-county development districts, as well as the traditional distressed redevelopment areas, seems to hold creative answers to hard problems.

It must become possible to develop, through more adequate transportation systems and better technical services, a more meaningful and complementary economic relationship between economically weaker communities and the growth centers. Such a development would go far in applying effective treatment to one of our region's basic needs.

Second, we need mechanisms by which all levels of government can work closely together in devising the coordinated system necessary for the effective, deliberate, and orderly development of the region.

Governmental efforts must be coordinated as well with private developmental efforts. To this end, S. 1648 would provide authority to create a series of joint Federal-State regional development commissions. This undertaking is unique in that decisionmaking would be shared by the participating States.

In New England much exists upon which to build an even stronger regional economic program. Numerous Federal, State, local, and private development efforts are underway or are being proposed.

The need for more effective coordination is clear. Before the present Congress there are other legislative proposals which have regional implications.

For example, there is the proposed Water Resource Planning Act, S. 21, H.R. 1111, which could lead to establishment of a New England Regional River Basin Commission. This agency would be charged with the responsibility for preparing comprehensive plans for the

development of the region's river basins, and for related land resources.

By comparing this program with the aims of the regional commission envisioned by S. 1648, it is possible to see two activities, seeking the same basic ends, but quite possibly utilizing conflicting and competing techniques. You cannot talk about regional economic development on the one hand, and regional water resource planning and development on the other, without running the risk of repeating yourself.

There has been a growing recognition within New England of the need to avoid this type of confusion, and our New England States on their own initiative have moved on this problem by seeking creation of a New England Regional Planning Commission.

The purposes of this interstate body are to provide a mechanism by which the various Statewide planning and development efforts may be coordinated, and by which a comprehensive regional plan may be developed.

This proposed interstate group is but the most recent and dramatic example of regional cooperation in New England in a number of important areas. It is our belief that already existing and proposed interstate cooperative efforts can be an extremely valuable asset in mounting the type of effective regional development program proposed by S. 1648.

Against this background of general need, namely, creation of a balanced viable economic system and coordination of governmental efforts, it is possible to single out some of New England's specific requirements. For the sake of simplicity, they may be categorized as functional and geographical.

A. FUNCTIONAL

1. Passenger transportation, both intercity and commuter service.
2. Urban development, particularly along the circumference of our metropolitan areas, and redevelopment of the downtown sections in our older industrial towns.
3. Comprehensive multipurpose river basin development.
4. Water and air pollution control planning.
5. A regional program to alleviate poverty.
6. A regional program for retraining and placement of workers.
7. A regional program for technological development with particular emphasis on rendering technical assistance to industries and local governments in the outlying areas.
8. A regional program for health services.
9. A coordinated regional program for outdoor recreation planning and development.
10. Optimum regional development of all power resources.
11. Development of adequate port and air facilities.

B. GEOGRAPHIC

We have urgent need for action programs in certain subregional areas in New England which are geographic in their context, including the following:

1. Redevelopment of the Fall River-New Bedford-Providence area which comprises major portions of Rhode Island and southeastern Massachusetts.

2. Development of northern Maine.
3. Development of northern Vermont.
4. Development of the Berkshire area, including Pittsfield and North Adams, Mass.

5. Development of the fringe areas of Boston's metropolitan area which reaches northward toward Maine and New Hampshire.

It should be stressed that this list is selective rather than exhaustive and is primarily intended to show the dimension and form of developmental needs for our region. A more complete picture is needed, and can only be obtained by systematic study of the problem.

However, if even this small list of problems is examined in terms of regional growth trends, as projected to 1976, a picture of even greater urgency for action emerges.

According to recent studies completed by the National Planning Association, the population of New England will be approximately 14 million by 1976, an increase of approximately 3 million over the present.

As a consequence, New England will have an increase in its labor force of approximately 1¼ million people by 1976. Approximately 700 to 800 thousand new and better paying jobs are going to be required in New England if the increased population is to be accommodated.

Furthermore, urbanization will continue to spread, and 78 percent of the population increase will occur within these urban areas. Today's major centers of population will continue to radiate outward, forming an integral part of what is referred to as the "megapolis" of the Northeastern United States.

More urbanization means more need for recreational opportunities, but it is equally obvious that open space for such needs will be in less supply. This increased population will require newer and expanded methods of air and water pollution control, waste disposal, improved passenger transportation, and numerous other public services.

It is no less significant that there will be an increase of approximately a quarter of a million people 65 years of age and older that will have to be accommodated, and that additional health facilities will have to be constructed.

Even more dramatic in its impact is the projected increase in number of our young people. It is predicted that we will have approximately 1 million more children 14 years of age or younger coming along within the next 10 years. We will need teachers and schools in sufficient number and quality for them.

These problems are not limited to any single region. Much of our frustration in not finding quick and easy solutions to our economic difficulties has been our failure to recognize completely the regional dimensions of the task.

We believe that the willingness to experiment with new approaches to economic distress on a regional basis represents a promising step toward balanced economic growth.

We would like to thank you for this opportunity to appear before the committee to comment on certain aspects of this significant legislation.

Senator MUSKIE. Thank you very much, Mr. Webber.

I must at this point apologize to the chairman of the full committee for trespassing on the Midwest region.

I know that Mr. Cole, who is president of the Maine State Chamber of Commerce, State chairman for Maine, and member of the Executive Committee of the New England Council has a brief statement commenting upon a possibility for a developmental highway in Maine.

Since that is very much a part of the concept of this bill, we would like to have the record of these hearings broadened to include Mr. Cole's brief statement.

STATEMENT OF GALEN L. COLE, PRESIDENT, MAINE STATE CHAMBER OF COMMERCE

Mr. COLE. Mr. Chairman, I do have in printed form a statement which I would be willing to present to you in the interest of time, if you would like.

I have a map which covers an area of approximately a third of Maine, which is in the Longfellow Range of the Appalachian Mountains, which we feel could very successfully be developed by a scenic highway extending from the general Portland area in southern Maine, coming back into the Bangor area, and extending also into Canada in the east.

If this would be more satisfactory, or in the interest of time, again I would be happy to present this.

Senator MUSKIE. Fine. Your statement will appear in full in the record at this point. However, the map will be examined by the staff and members of the committee and placed in the files.

(The statement referred to follows:)

STATEMENT OF GALEN L. COLE, PRESIDENT, MAINE STATE CHAMBER OF COMMERCE, AND STATE CHAIRMAN FOR MAINE, AND MEMBERS OF THE EXECUTIVE COMMITTEE— NEW ENGLAND COUNCIL

At least one-third of Maine lies in the general area which has the Longfellow Mountains of the Appalachian Mountain Range running through it. This large section of Maine, because of its terrain, is undeveloped and has no industrial future. Its inhabitants are poor. In recent years several industrious individuals and small groups have developed minor ski areas along these mountains but the successes have not been great because of the area, its inaccessibility, and completely inadequate roads. This area, developed for snow skiing and tourism, has unlimited possibilities. Mountains, such as Sugarloaf, soar to more than 4,000 feet. Presently this mountain has only five ski tows but its trails extend more than 3 miles in length. Compare this with Mount Schuss in Michigan which is only 500 feet high and has as many as 50,000 visitors on a weekend. Maine has the proper skiing climate and if its mountain chain was accessible with a first-class highway it would be developed and would, without a doubt, surpass all other areas in the East.

Presently there are some eight commercial ski areas along the mountain chain. Now with Interstate 95 nearing completion, a loop road, starting in Portland or Lewiston and running along this mountain range, could return to Interstate 95 at Bangor. This highway could also extend from Bangor to the Canadian Maritime Provinces and would open this area from southern Maine north and eastward to ski enthusiasts from all over the East and from eastern Canada. By way of information, one can travel from New York City to Portland, Maine, in 5½ hours, but the last 75 miles may add as much as 50 percent in driving time to the trip and also add many gray hairs.

According to a skier market study conducted by the State of New Hampshire in 1964, there are approximately 750,000 skiers in the Northeast and they are increasing at a rate of 15 percent annually.

When this area has a decent highway, year-round vacationists will take advantage of it. Presently there is some of the finest spring brook fishing in the East found in this area. In the summer the ski chairlifts to the top of the moun-

tain would offer tourists a view unsurpassed anywhere. The same would be true in the fall when the leaves on the trees are turning. This virgin area also offers the camper and outdoorsman an unequaled opportunity to enjoy nature.

The attached map includes the area in question. Certainly a complete study would have to be done to determine the exact route for a highway such as is indicated. The present highway system as shown should be improved or a new highway constructed, as at its best it is a road cut out of the wilderness some 40 to 50 or even 60 years ago.

This area is very similar to so-called Appalachia as is much of rural Maine. It is characterized by sparse population, people with few skills other than agriculture, mining, lumbering, etc., remoteness from urban centers, markets, and, finally, they are largely mountains or wooded areas with high scenic or recreational value. Such land has little to offer industry either in terms of human or physical resources. The one thing the area does have is high potential for recreational development.

If a new highway were built it would utilize the area's major asset—scenery. It would provide a substantial capital investment in land development and facilities, thereby expanding the local tax base. It would employ a high percentage of unskilled or semiskilled workers of both sexes. It would bring large numbers of people with money to spend into the area, people who would not only patronize the resort area, but will make purchases of many kinds, further enhancing the economy.

An antipoverty program that could help people living out in the rural areas where most Federal programs do not reach would certainly help this large section of this economically depressed State.

Senator MUSKIE. Governor Hoff made reference to the need for developmental highways running horizontally along New England. There is a tendency outside to think of it as a compact area where highway needs may not be important, but one-third of Maine has no highways, and the movement, I think, is presently inhibited by the present highway system.

So I think this record should reflect the need, or the possibilities needed by development of the highways, so I am delighted, Mr. Cole, to have your testimony on this record.

As a matter of fact, what you are thinking of, as I recall our conversation yesterday, is tying in the developing ski areas of Main—and this could very well include the established and developing ski areas of Vermont and New Hampshire, because this weekend ski population does move from State to State for variation, diversity of conditions, as well as to meet the newest snowfall.

Mr. COLE. Right.

Senator MUSKIE. I wish we had more time, but we haven't, and I don't want to trespass on the chairman's time. I know he has some witnesses from his area, and the Midwest area.

I think the New England story has been very well stated, and I am delighted to have this evidence of solid New England support for this feature of S. 1648.

I have statements from three other New England Senators which I will place in the record at this point. They are from Senator Pastore, of Rhode Island, Senator McIntyre, of New Hampshire, and Senator Ribicoff, of Connecticut.

(The statements follow:)

STATEMENT OF HON. JOHN O. PASTORE, A U.S. SENATOR FROM THE STATE OF RHODE ISLAND

Mr. Chairman, I welcome this opportunity to endorse publicly S. 1648, the Public Works and Economic Development Act of 1965.

This act will bring assistance to New England as the Appalachia legislation, enacted in the last session of Congress, brought assistance to that depressed area of our country.

Critics argued that Appalachia was regional legislation and that it would bring no benefit to their particular States.

I urged then, as I argue now—we are one. This Nation is indivisible. A cancerous economic situation in Appalachia affects Rhode Island. A sick economy in New England saps the strength of the entire United States.

The economy of our Nation is no stronger than the economic health of our individual States and geographic regions.

This is the rationale of the Public Works and Economic Development Act of 1965. It extends the approach of Appalachia—the concept of regional programming—to the entire Nation. S. 1648 provides for regional commissions to plan and to implement long-range economic assistance to the various regions of the United States.

In addition to this provision for regional development commissions, this legislation would extend and continue the benefits of area redevelopment and accelerated public works programs.

S. 1648, as I view it, looks forward to a coordinated attack on unemployment—an offensive against poverty which will not be stopped at county or State lines.

In New England, for instance, the proposed regional commission could devise effective strategy to fight depressed conditions which are common to the Fall River, Mass., and Providence, R.I., area. Unemployment and depressed business conditions know no State boundaries. These conditions are regional. (This bill provides for a regional attack on these conditions.)

Recently the New England Governors proposed a six-State regional planning compact to deal with common economic problems. I believe that the Public Works and Economic Development Act of 1965, which would authorize a New England regional commission—with Federal participation—would be a perfect complement to the Governors' proposal.

Those of us who supported President Johnson's program of aid to Appalachia, are vindicated by S. 1648. This bill gives promise of a new era of economic progress for Rhode Island, for New England, and the entire Nation.

I endorse S. 1648 and urge its approval by this committee.

STATEMENT OF HON. TOM MCINTYRE, A U.S. SENATOR FROM THE STATE OF
NEW HAMPSHIRE

Mr. Chairman, it is a pleasure to be able to present this statement to you. I appreciate the opportunity which you have given me to express my views on those aspects of regional development in New England which may be considered in connection with S. 1648.

First, I would like to express my own appreciation to you for the outstanding work which you have done on behalf of our region of the Nation. All of us here in the Senate from New England have been honored to have the opportunity to work with you for the advancement of the interests of New England.

In 1955, Gov. Lane Dwinell of New Hampshire, commenting on the results of the New England-New York Interagency Committee, stated:

"Without minimizing the value of the studies contained in this report, it is conspicuously apparent that one of the specially useful and valuable effects of the NENYIAC study is the establishment, by the executive council, of a pattern of cooperation between Federal agencies and State governments on a basis of coequality. * * * The pioneering experience of Federal and State participation, on a basis of coequality, should be preserved."

The bill before your committee represents, in my opinion, a continuation of the sort of cooperation praised by Governor Dwinell.

It would seem that one of the useful purposes of statements before your committee today might be to suggest some of the possible areas in which regional cooperation might be most useful to the New England States.

As I see it, some of the main areas for possible worthwhile regional cooperation and planning are the areas of transportation, recreation, natural resources, and education.

I would place transportation high on the list of regional problems crying out for cooperative, regional approaches. A recitation of the names of the major transportation corporations of New England, the Boston and Maine, the New Haven Railroad, Northeast Airlines, brings to mind immediately many of the major crises facing our region. On an intrastate basis, the Massachusetts Bay Transportation Authority seems to be proving the value of regional planning and

action in improving transportation systems. Perhaps a six-State approach to the problems of transportation of goods and persons could be of equal value.

At the same time, it seems that northern New England specifically, and the six States to a lesser degree, could profit immensely by making maximum use of their advantageous position of having short ocean lines to Europe and direct land access to the population centers of the Nation. Maximum utilization of our favorable geographic position, it seem to me, could be achieved only through regional cooperation.

In the field of recreation, the expanding population of the southern New England States, together with the increasing efforts in the North to expand recreational areas, might well benefit from a regional treatment. Gov. John King of New Hampshire is making great efforts to expand substantially the amount of park land available for recreational use in my State. All the New England States would stand to reap tangible benefits for their citizens through regional treatment of recreational resources.

Both air and water are resources of decided economic importance to New England, but neither of them can properly be treated as if they were the exclusive possession of a single State. The New England Interstate Water Pollution Control Commission has demonstrated the value of regional approaches to water pollution, and perhaps similar work may be done in the future on the problems of air pollution. By the same token, it might be advisable to consider the uses of a regional organization to provide advice and assistance in the areas of the conservation and use of other natural resources.

One area which may have been overlooked as a proper subject for an experimental regional approach is education. The recent announcement here in Washington for a grant by the W. K. Kellogg Foundation for a New England Regional Center for Continuing Education at Durham, N.H., may suggest other significant possibilities for regional cooperation in this area. Arrangements for the sharing of regional depository libraries, of films, records, and books, of educational specialists, all seem eminently suited to the regional approach. Perhaps a regional framework might be devised for summer institutes or schools for New England children.

In summary, the very mention of a regional framework for New England action opens up a boundless vista of potential avenues of action. I feel that the provisions of S. 1648 setting up regional action planning commissions are to be commended in the highest possible terms, and that they offer New England a new opportunity to move forward.

STATEMENT OF HON. ABRAHAM RIBICOFF, A U.S. SENATOR FROM THE STATE OF CONNECTICUT

Mr Chairman, I appreciate this opportunity to present this statement in favor of the Public Works and Economic Development Act of 1965, which I have cosponsored with a number of my distinguished colleagues.

The maintenance of our national economy at a high level is vital to the best interests of the United States. However, many of our regions and communities outside Appalachia continue to suffer substantial underemployment. New England is one of those regions where many individuals and their families endure persistent hardship from unemployment. Even in Connecticut which has in general prospered during the last two decades, Waterbury is one of eight major New England labor markets with at least 6 percent of the labor force unemployed.

Manufacturing has been a major source of employment in New England's past. However, the face of the country, and New England is changing. The steady decline in the textile industry over the last 15 years, with an attendant loss of jobs, is well known. Less well known is the loss of jobs in the manufacture of jewelry, clothing, and shoes, the lumber industry, metals and food processing. Just last year significant job losses were suffered in the fields of electronics, ordinance, and transportation equipment. Cutbacks in defense spending, automation, and the textile decline raise serious new problems for New England's future.

These problems are regional problems. Water pollution, which undermines the tourist and recreation industries which are of such growing importance, as well as the fishing industry, is not a problem of any one State alone. It must be attacked on a regional basis if it is to be successfully solved.

Transportation is another example of the need for regional action. New York, Connecticut, Massachusetts, and Rhode Island are working together with the

Federal Government to solve the desperate commuter problem on the New Haven Railroad.

The Federal Government, in cooperation with the States, should take effective steps in planning and financing economic development for communities and areas having persistent problems of unemployment to establish stable, prosperous, and diversified local economies. Sound long-range regional planning, combined with imaginative foresight, is needed to help the individuals in these regions, individuals with a proud heritage, to help themselves.

Too many of the new jobs in many communities today are the result of merely transferring jobs from one region to another. The provisions of this act which you are considering today are conceived to create the new employment opportunities urgently needed to attack these problems.

I know the subcommittees will give this entire matter the serious consideration it deserves, and I appreciate the opportunity to make my views known.

Senator MUSKIE. I also have a statement from Mr. Benjamin J. Dorsky, president, Maine State Federated Labor Council, AFL-CIO, and secretary-treasurer of the New England AFL-CIO Council, which he presented before its meeting of the Governors of the six New England States at Boston, Mass., on January 25, 1965.

(The statement is as follows:)

STATEMENT OF BENJAMIN J. DORSKY, PRESIDENT, MAINE STATE FEDERATED LABOR COUNCIL, AFL-CIO AND SECRETARY-TREASURER OF THE NEW ENGLAND AFL-CIO COUNCIL, BEFORE THE MEETING OF THE GOVERNORS OF THE SIX NEW ENGLAND STATES, BOSTON, MASS., JANUARY 25, 1965

Governor Hoff and the other honorable Governors of the New England States: My name is Ben Dorsky. I am president of the Maine State Federated Labor Council, AFL-CIO. I am also secretary-treasurer of the New England AFL-CIO Council.

On behalf of organized labor in New England, I wish to convey our appreciation of this opportunity to appear before you and set forth what we believe should be the basic policy, administrative and program foundations for developing New England's natural and human resources.

The time is far overdue for our six States to consider themselves as a region and work together as such in attempting to find solutions for the problems which cannot be confined within State or local boundaries, any more than the courses of great rivers, the contours of mountain chains, the ocean that breaks against our shores, the moving air, or our mobile, energetic and restless people.

Revolutionary change is all about us. Our way of life has been altered more profoundly in the past three decades than during the whole course of the world's previous recorded history. This change shows no signs of abating. It is proliferating and constantly taking new forms.

The major components of this revolutionary change are population growth, and new scientific and industrial techniques.

Large problems, as well as large opportunities, have arisen as a result of more and more people moving into urban areas and great metropolitan centers. The growth of scientific technology and industry has further complicated, as well as improved, our material condition. Not only are the more obvious aspects of our economy and our political institutions undergoing a rapid revolution, but the quality of living itself is caught up in pervasive change.

The six New England States are being buffeted by these new winds. The most pressing dilemmas and challenges created by the revolution of the post-World War II era are common to the region as a whole.

Organized labor in New England has long held the firm view that the efforts to move and adapt to new situations of the kind we face cannot be made with the old local solutions, nor by employing unplanned, piecemeal and expedient remedies. Localism as an end in itself is self-defeating.

Passive optimism that the machinery of the market will wind itself for New England can be ruinous to our expectations. There is no longer any room in the councils of our region for the special groups who have a vested interest in preserving the status quo.

We regard the attitude of the Governors of the six States of this, region as the hopeful beginnings of a revitalized New England. You are meeting together and discussing common problems. You are taking the lead in the effort that must be made to identify New England as a functional region.

The need for New England to organize itself as a functional region has never been greater, nor the enlarging benefits to its citizens if it does so.

There has been a long historical decline in the economic importance of our six States in relationship to the rest of the Nation. We have pressing, unsolved problems in providing more jobs, of expanding existing and attracting new industries. We have many areas of hard-core unemployment. We are a region of excessively high fuel and power costs. We are assailed by a battalion of urban problems—water supply and quality, pollution of air, proper land use, recreation. In rural areas we have economic anemia, a decimation of the farm population, lacks in timber management, watershed protection, and soil conservation.

Only the most effective regional planning, organization, and adequate programs, bringing into full cooperation the resources of Federal, State, and local governments, the universities and colleges, and the private sector of the economy, is sufficient to the job that lies ahead.

New England is admirably constituted by nature to be susceptible to comprehensive regional planning keyed to national goals of economic stability.

Its total area is only 66,608 square miles, only 2.2 percent of the total area of the continental United States, but with 10.8 million estimated population in 1963, or 5.7 percent of total U.S. population.

Its history and traditions are common. Its climatic conditions are similar. It faces one ocean—the Atlantic. Its western boundaries lie along one mountain range, the Appalachian. Unlike the Tennessee Valley and the Columbia River Basin, New England is not drained by a single major river system. This does not in any substantial way however, prevent a regional comprehensive resource based plan and program to be drawn up and executed.

New England is exceeded only by the Middle Atlantic region in population per square mile of land area. In 1870, there were about 55 persons per square mile—in 1963, an estimated 165.

In 1870, about 45 percent of New England's population was urban; in 1963, about 76 percent was thus classified, the highest proportion of any region. Yet, Vermont was exceeded only by Mississippi and North Dakota in percentage of rural population to the State total.

In 1870, New England held nearly 9 percent of total U.S. population. By 1963, only an estimated 6 percent of the total U.S. population lived in New England.

Between 1870 and 1880, New England's population rose 15 percent. Between 1950 and 1960, her population showed only a 12.9-percent increase, as compared to 18.5 percent for the United States. Over the period 1960 to 1962, there was a net outmigration of 118,000 persons from New England, at a rate exceeded only in the west-north central and east-south central regions. Only Connecticut showed more persons moving into that State than out of it, occasioned probably by its commuter proximity to New York City.

Decline in farm population has been accompanied by an equivalent decline in farm employment and number of acres of land in farms at a more rapid pace than the rest of the country. Farm employment has dropped nearly 50 percent between 1940 and 1963, as compared to 40 percent for the United States. Amount of land in farms lessened by 30 percent between 1940 and 1960 in New England, as against an increase of 5.5 percent nationally. Number of farms in this region in 1960 were 50 percent under those in 1940, as against the national decrease of 39 percent.

In 1870, more than one of every five workers in manufacturing were in New England. In 1960, this proportion has decreased to 1 in 12.

With regard to per capita income, New England stood 39.1 percent above the national average in 1929, and 12.6 percent over the national average in 1963. In 1929, Maine, New Hampshire, and Vermont had per capita incomes below the national average. The same was true in 1963. In that year, only Idaho, New Mexico, South Dakota, and 11 Southern and Border States had lower per capita incomes than the State of Maine, while only Nevada and the District of Columbia stood higher than the State of Connecticut at the other end of the scale.

The average weekly wage in manufacturing for the United States was slightly over \$99 in 1963. Connecticut, with a figure of about \$105 weekly, was the only New England State to exceed the national average, and 16 States and the District of Columbia stood higher than she did.

Workers in New Hampshire and Maine received nearly \$22 and \$20 per week less, respectively, than the U.S. weekly average wage; Vermont and Rhode

Island, \$16 under the national rate, while Massachusetts was \$8 below. It might be added for purposes of comparison, that only in North Carolina, South Carolina, Georgia, Mississippi, Arkansas, and Hawaii are there lower wages paid for a week's work in manufacturing industries than New Hampshire workers receive.

Out of the Nation's 150 major labor areas, the U.S. Department of Labor in November 1964 reported 26 wherein there was substantial unemployment (6 percent or more of the total work force). Eight of these were in New England—one in Connecticut, six in Massachusetts, and one in Rhode Island.

In addition to the major labor centers, there is substantial unemployment in 25 smaller areas in the region, including 3 in Connecticut, 7 in Maine, 9 in the Massachusetts-New Hampshire-Rhode Island triangle, and 6 in Vermont.

Let us look at some other factors which have a bearing both on the economy of the region and the quality of living of its people.

River systems, such as the Connecticut and St. John's, and tidal estuaries are heavily polluted by human and industrial wastes. Very little has been done in New England, either by the States or the localities, to establish effective programs to regulate air pollution.

By reason of the failure to develop water resources of the region by comprehensive major, multiple-purpose storage facilities, New England is a chronic victim of floods such as the devastating inundations of 1927 and 1955, and of droughts such as the almost unparalleled dry spell of last year. Yet New England has a historical average of 41 inches of precipitation a year, and it still contains large, untapped underground water reservoirs as well.

Much needs to be done to restore and preserve cover on New England's watersheds, to conserve use and manage land in and around the cities and where new developments in public and private facilities and utilities are either misusing it and losing its topsoil or using it for the wrong purposes. New England's forestry problems devolve around predominantly private ownership and many small plots as well as the need for more research and intensified, sustained yield practices by owners of commercial forests, large and small.

New England has always offered a variable dish of recreational opportunities. These require a new and comprehensive look. The need for out-of-door recreational opportunities for urban dwellers, particularly middle- and low-income groups, is acute in New England, just as it is wherever metropolitan complexes have grown. To increase the value of the recreation industry to New England's economy, new facilities must be planned, land acquired, programs financed, and resources used efficiently.

Our region has always lived close to the sea. Its fisheries and its ports and trade have been one of the solid underpinnings of New England's economic development and its unique flavor.

Although the lessons and techniques of comprehensive development and management of land resources are at hand to be applied, the same cannot be said with regard to the fisheries and other immense resources of the ocean. Fish and kill is still the rule. It is a danger to the stability and growth of this New England resource. There is a lack of international agreements to cooperate in conservation of fisheries and programs to determine how best to conserve and expand the use of this renewable resource, as well as the renewable mineral and chemical resources of the ocean, its unbelievable potential for development of future supplies of electric power and the necessary expansion of shoreline recreational areas.

New England is the highest cost energy area in the Nation. It must import its coal, fuel oil, and natural gas to be turned into electric energy or to be used in space heating and transportation.

Yet, our region has not developed its own proper potential carried in its river systems, some 2.6 million kilowatts of undeveloped hydropower capacity. As a whole, New England lacks large, efficient power stations, adequate interconnections, intraregional and interregional. The region is served by a multiplicity of small and scattered power systems, and without a single Federal power project or Federal wholesale power marketing program, has failed to enjoy the beneficial impact of low-cost wholesale power on the general rate structure of the region.

Consumers pay through the nose for this situation. Homeowners in New England were paying as much as 34 percent above the national average for their electric power in 1962; commercial users paid as much as 45 percent over the national average in 1962; and industrial consumers were paying as much as 62 percent in excess of the national average that same year.

In 1962, manufacturing industries in the six New England States paid \$180 million for 12 billion kilowatt-hours of electric power, or 1.496 cents a kilowatt-hour higher by 66 percent than the unit cost of electric power for manufacturing in the United States as a whole.

Had the price of this power been at the U.S. level, New England industry would have saved \$71.4 million, or 40 percent in their 1962 power bills.

Since there are no regional resources of coal, natural gas, or oil, all fossil fuels used in New England must be imported. The delivered price of coal from the West Virginia field is about 32 cents per million B.t.u., among the highest in the Nation. Recently the principal coal mining districts have announced increases of about 5 cents a ton f.o.b. the mine. Whether this bill will be passed on as price hikes to New England utilities remains to be seen.

About 8 percent of total fossil fuel power generation is provided by fuel oil, most of it imported and at prices approximating that of coal.

High fuel costs are not the only factor which hikes the cost of power in New England. They accounted for only 15 cents out of each revenue dollar received by the New England utilities in 1961. There has been a failure to develop hydropower, to provide modern, efficient, large-unit generating plants using coal or oil, and to integrate their small and scattered utilities. Another reason for high power rates is organization, high administrative and production expenses, and the inordinate number of utilities serving a region of New England's area and population density.

Finally, one of the factors which has helped to perpetuate this utility lethargy, is the absence of an effective Federal low-cost power yardstick.

Chief sufferers of the failure of New England electric utilities to perform a modern utility function at reasonable costs, are the pocketbooks of consumers and the economic progress of the region itself.

Power bills vary from one industry to another as to their proportion to total operating costs, but experience has shown in other regions that low-cost power attracts industry. Conversely, high-cost power together with other factors, can result in a choice by potential new industries to locate elsewhere, where non-power costs are the next largest item to labor costs in their operations. markets may be equivalent, but power rate substantially lower. One need only cite the movement of the large segments of the textile industry out of New England to the South as a case in point. In some textile plants, for example, power costs are the next largest item to labor costs in their operations.

For some 30 years, the Federal Government has taken an increasing role in establishing and financing programs dealing with the Nation's economy, although, the first national efforts in this direction extend back to the Articles of Confederation.

New England should be uniquely fitted to participate much more fully in significant aspects of proliferation of Federal Government research and development which during the past decade has grown from \$3 billion a year to nearly \$15 billion. While most of this money has gone to defense programs and the space effort, the less glamorous, but equally, if not more important, research in physical, life sciences and social sciences, have been growing too, but at a lesser rate.

Like other Federal programs, Federal Government research and development has largely bypassed New England, except in the Harvard-MIT complex, even though this region has an academic potential which is unequalled in any other equivalent area. But first our colleges and universities must begin to create the kind of establishments which will attract, train, and hold, good scientists and engineers in order to obtain necessary Federal funds for centers of scientific research and research into industrial technology.

This latter is particularly needed in New England. New industries have located plants and laboratories in the general Harvard-MIT area and in California. Other industry can be attracted elsewhere in New England by establishment and growth of such centers and individual grants for promising scientists trained in this region. This kind of activity will have important bearing on finding solutions to problems of the region, its resources, its people, and its economic and social institutions.

Such expansion of scientific and technological work in New England would help to correct the great imbalance in expenditure of money and manpower between the Federal resources allocated to research and in the military and space programs, and in the application of science and technology to build a better and more peaceful world for people. It will help to advance the frontiers of

knowledge, to establish the just subordination of the machine to mankind in meeting individual and community needs, and to better enable him to achieve some kind of peaceful coexistence with his environment.

Among the other challenges the New England region is facing today are those compounded of the decay of the inner core of the large cities, the largely uncontrolled growth of the suburbs, the rise of the great Atlantic seaboard metropolis that begins in the Boston area, and already has reached as far south as Richmond, Va., and crosses 11 States. These have created enormously expanded housing, zoning, mass transportation, recreation, water supply, air and water pollution, education, power and energy demands, together with those involving a whole range of public services.

New England has been and continues to be a paradox. In 1626, the Plymouth Colony passed an ordinance forbidding timber cutting on Colony lands without permission. Yet the great orgy of unrestrained timber cutting began in New England, swept across New York State, Pennsylvania, and finally into the Far West during the past century.

Before the American Revolution, Jared Eliot of Connecticut warned about bad farming practices and their effect on soil erosion. Yet it was the farmers of New England, who at the time Eliot was pointing to these dangers, had exhausted much of Connecticut's grazing land. By 1800 most of the coastal farming land in Massachusetts was abandoned for the same reason.

In 1792, a corporation called the Proprietors of Locks and Canals on the Merrimack River was formed to make that stream navigable from tidewater to the New Hampshire State line. In 1821, these proprietors started development of the waterpower head at Pawtucket Falls at Lowell. It was the early development of New England's fast flowing rivers that gave the region its head start as the industrial center of America.

Yet this same region today allows 2.6 million kilowatts of undeveloped waterpower to go unharnessed, and has allowed many of its utilities to continue using inefficient and outmoded generating plants, inadequate transmission facilities, and ancient methods of doing business.

It was Henry David Thoreau who first set forth the creed of the preservationist, and began the stream of thought that has resulted in weighing of effects of resources development on the total environment, of the needs to preserve wilderness areas, and forest reserves, of the deepening and uplifting effects of solitary unspoiled places on the human spirit and reverence for the land and living creatures.

It was a Vermonter, George Perkins, Marsh, who developed the concept of wise management of the total array of natural resources and Government support for science. Marsh gave tremendous impetus to enlargement of the science of ecology, the balance of nature, and interrelationships among living things and adaptation to their environment.

It was our sixth President, John Quincy Adams, who was the first public figure of national stature to warn against what has come to be called resources giveaways. Adams in the 1820's proposed a large Federal program of internal improvements—canals, and roads—and to promote science and education.

Adams believed land was the source of national wealth; the resources of the land should not be handed out to speculators and despoilers of the public domain, but used to benefit the people at large. In Adams' view, Government should be more than a timid referee; it should also act as a positive agency to carry forward meaningful plans to advance the general interest. But the spirit of the times was against him. A voice like his was not raised again until the beginning of the conservation era and the advent of the two Roosevelts.

Yet it is in New England that traditionalism, inertia, and narrow arguments by special interests rejected Adams' vision of the role of Government as steward and prime mover to advance and secure the use of the earth for the good of man. This region accepts single purpose development of its water resources and rejects multipurpose development. It chooses to suffer one economic setback after another by raising the ancient and tattered banner of States rights without accepting responsibilities inherent in such an assumption.

The job ahead is too large for reliance on any one entity. It is too large to be left to private enterprise, or the towns, the counties and townships, the cities, large and small. It is too varied, with too many local aspects and needs, to throw our entire reliance on the Federal Government.

You, the New England Governors, have realized this. You are talking in terms of a regional approach with Federal, State, and local cooperation and resources, as well as that of private industry and our colleges and universities.

Many of our New England leaders in the Senate and the House of Representatives in Washington are proposing or have achieved Federal programs to meet dilemmas that cross State lines and require Federal leadership. We have seen this leadership particularly in the field of water and air pollution, in mass transit and in needed development of the region's hydropower potential on a comprehensive multipurpose basis.

Once again new ideas are beginning to ferment in New England. More and more of its leaders are concluding that to stand still is gradually to become a backwater.

I have already discussed principal manifestations of our region's slackening economic metabolism.

The crucial question now is whether or not New England can organize itself as a region and embark on a program of reorganization. It is the hope and belief of the working men and women of New England that this can and must be done.

Why? Because the nature and scope of what must be accomplished will require the resources of the Federal Government, of the States and localities, and understanding and participation of all New Englanders. One of the indispensable assets of a free society is its ability to recognize and correct its mistakes, both of omission—and commission. It is at the dawning of this realization that New England stands today. The time for decision is now, but this decision must be the right one. We doubt that our region will be allowed the luxury of making the same mistakes twice.

The region must be organized around the key resource, water, and associated land resources. Planning for this region, as it must be for the Nation, must embody intelligent flexibility, and cooperative and shared responsibility. It must strengthen enterprise and a sense of responsibility for the common welfare among all of our citizens. In addition to correcting economic ailments and restoring regional opportunity, the right kind of regional planning and organization can sustain regional identity, withstand the forces of centralization, and preserve the best of a region's unique flavor and values.

Regional development in New England must begin by proper assignment of the roles to be played by the United States, the States and their localities, and by other elements and entities within the region.

We propose therefore, that we work for acceptance by the Congress and the President for the creation of a Federal New England Regional Resources Development Corporation. This would give one agency prime responsibility for development of the major resources of the region. Its management would be at a central point in New England and would be responsible directly to the President and to the Congress.

There are two major benefits that can be expected from the operations of such a corporation. First, it would be empowered to invest large amounts of money in developing New England's water and associated resources for flood control navigation, recreation, fish and wildlife, hydroelectric power, soil conservation, pollution abatement, water supply, and all other beneficial uses. This kind of comprehensive approach is not new. It took form in the early days of Gifford Pinchot and Teddy Roosevelt as they led America into the conservation era nearly six decades ago.

Federal capital investments in comprehensive water resources development have bypassed New England because New England has rejected them. But they have transformed the economics of the Tennessee Valley, the Columbia and Missouri Basins, the Colorado River Basin, the Central Valley of California.

Large water resources development programs financed by the Federal Government return the reimbursable features of such investments with interest to the Federal Treasury. They also provide economic stimulus that is not only local and regional, but benefits the Nation.

The U.S. Bureau of Reclamation, for example, reports that in 1962 the production of crops on lands receiving full, supplementary, or temporary water supply for irrigation from the Bureau, was valued at \$1.2 billion, and cumulative value of all crops produced on Federal Reclamation projects since 1906 amounted to \$18.9 billion.

From irrigation alone, this latter amount represents a return on the entire Federal investment on all Federal Reclamation projects, including construction in progress, of nearly \$5 for every \$1 of such investment.

In the Columbia River Basin, more than \$1 billion in Federal funds invested in the dams, regional transmission network, and other facilities of the Columbia River power system, resulted in the rise of a new aluminum industry which accounts for 26 percent of the Nation's production. This has created 80,000

jobs directly in the production lines, or in fabrication and other associated activities. Between 1940 and 1950, the population of the Pacific Northwest increased 44 percent as compared to the national increase of 13 percent. Many industries, in addition to aluminum, located in the region, attracted by low-cost wholesale power in large amounts. The continued growth of this region has sharply declined, a great part accountable to the failure to provide new supplies of firm power sufficient to meet the region's ordinary growth requirements with additional generation for new industry.

The Federal power yardstick in this region has resulted in the lowest consumer prices of electricity for all classes of customers served by privately, publicly, and cooperatively owned utilities in the Nation, along with the region served by the Tennessee Valley Authority, and the highest per capita consumption of electricity. In 1964, consumers of local public and cooperative power systems in the Columbia Basin saved \$70 million in power rates because of promotional rate policies and rate reductions since 1951.

In the Tennessee Valley rate reductions in 1964 totaled \$2 million in first year savings, and 91 of 155 distributors of TVA power had reduced rates below the level of the original TV rates. In 1962 all domestic customers paid \$129 million less under the TVA rate structure than if their bills had been computed on the Nation's average domestic electric rates for that year. Between 1945 and 1962 about \$2.3 billion was spent by the people of the valley for electric appliances made largely in other areas of the country.

At the same time private electric utilities in or near regions with Federal comprehensive water and power development investments have also benefited in greater revenues from sales of electricity caused by lowering rates under the wholesale power yardstick of the Federal Government.

In the Tennessee Valley, the rate per 1,000 customers purchasing electric air conditioners and freezers is almost twice the national average, and 30 percent of the homes in the valley are now electrically heated.

The Tennessee Valley Authority has worked closely with the Forest Service, States, counties, and private timber operators in a vast program of reforestation, improved management, and protection against fires, insects, and disease. Beginning in 1933 with a forest resource almost ruined by exploitive cutting, these cooperative programs have resulted in some 14 million acres of forest now covering the land.

Accompanying TVA's water control and navigation system has been the advent of \$800 million worth of investment in brand new industry along the river. TVA has worked with State agencies, colleges and universities, and the people to demonstrate techniques of adapting industrial development to the natural and human resources of a region.

The seed corn of Federal capital investment in natural resources based programs will grow and grow. It multiplies investment in the private sector of the economy, bringing about an increase in productivity, employment, mass purchasing power and increased local, State and Federal tax revenues.

If New England is to benefit from such development, it must keep in mind that a mere outpouring of Federal funds will not of itself accomplish the goals of a revitalized region. Indispensable to success is broad and farseeing planning, and fruitful, cooperative partnership, based on a sharing of responsibilities with the governmental, academic, and business elements of New England and with the people themselves.

The Federal New England Regional Development Corporation must be based upon past efforts elsewhere and organized to benefit from the best of historical experience.

Congress must set forth specific goals for the corporation to achieve maximum use of flood control, navigation, land, water supply, reforestation, recreation, fish and wildlife, resources of the ocean, and air pollution to build the economic and social well-being of the people of the region.

Second, as a Government Corporation, it should be freed from the red tape buck passing and fragmentation of bureaucracy. Authority must be coupled with responsibility so the Corporation will be held accountable for results. In other words, management will be left free to determine the way to accomplish the major goals set forth by the Congress, but always under the ultimate review of both the Congress and the President.

The Corporation as a starting point should immediately prepare and execute comprehensive plans for multiple-purpose development of the region's river basins in terms of the growing need for clean water, flood abatement, recreation and all other uses, including hydroelectric power.

The major system of dams and reservoirs should be designed and executed to establish maximum feasible control of river flow. It should be supplemented by flood plain zoning and reservoir public recreational plans in cooperation with local governments, by local protection works, conservation dams on upper tributaries, and all necessary work to assist the region to conserve the soil, forest and cover on the vital watersheds, and abate pollution of rivers in streams, lakes and estuaries.

Among the proper fields of action by the Corporation would be expanded work in oceanography, including fisheries research and conservation.

The Corporation would have the authority to market power from its projects at the lowest possible wholesale rates consistent with the return with interest of the reimbursable power investment, the river projects and the major regional transmission system.

The Federal Power Commission's recently published National Power Survey estimates that the Northeast region, which includes the six New England States, can reduce power costs by 1980 to about 30 percent below 1962 by means of increased interconnections and coordination, load diversity, construction of larger fossil and nuclear fuel units, and extra high voltage and intersystem communications investments.

This means that New England must be assured ample supplies of wholesale power to meet a tripling of its peak load by 1980, as estimated by the FPC's National Power Survey. This power must be available at wholesale, to all systems, regardless of size or ownership, and it must be low cost.

But there is no assurance, based on past experience in New England or elsewhere, that gives labor any confidence these savings will be voluntarily passed on to electric consumers in the form of lower rates by the utilities.

That is why the Federal yardstick provided by the wholesale power supply system of the New England Regional Development Corporation will be an important stimulus for the privately owned electrical systems of New England to consider belatedly the consumer interest. President Franklin D. Roosevelt described the yardstick as a "birch rod in the closet . . . to prevent extortion against the public."

I have already called to your attention that a relatively small amount of low-cost wholesale power received by the State of Vermont from the State-owned St. Lawrence project has reduced rates there some 14 percent in 3 years.

The promise of modern power technology and energy revolution can usher in a new age of abundance to this region, our Nation and to the world.

But this enormous potential for a more abundant life cannot be adequately realized unless it is assured that the people and not merely large corporations will be the recipients, and there is exercised necessary social controls over energy policies and programs.

Here is also a fruitful field into which both Federal and State regulation should enter the scene forcefully. Major transmission lines should be ruled common carriers, just as airlines, buses, trains, and trucks are determined as such by law.

The Federal Power Commission should be empowered by the Congress to require that regulated utilities in all regions be required to pool and interconnect in such fashion as to attain optimum use of the power resources involved. The same requirements should be exacted by means of necessary legislation by the six New England States for intrastate coordination of power systems.

Consideration should be given the advisability of divorcing major generation, and transmission from distribution, functions of New England's privately owned utilities and those across the Nation as well. The desirable goal of reducing differences in power costs between regions until there can be a national wholesale power rate applicable from coast to coast would be facilitated by this step. It would make it much more possible that all utilities will be assured of ample power supply without discrimination. It would break up, the vertically integrated power monopoly which now owns and operates 75 percent of the aggregate U.S. power industry and is really responsible to no one in its basic policy decision.

In addition to hydropower developed as part of comprehensive river basin water control programs, there should be early consideration of a large nuclear plant to serve growing loads of Maine and New Hampshire and Massachusetts for industrial and other users.

As a first step toward realization of a Federal regional development corporation for New England, Federal power generated at multiple-purpose plants on

New England river systems would be marketed at low regionwide wholesale rates by an interim Northeast Power Administration. It would explore alternative sources for future power, such as that from Canadian development, mine-mouth power from Appalachia and other possibilities. The Corporation would draw up plans to provide technical assistance and guidance, with partial financing by means of loans or grants-in-aid in cooperation with local citizens' groups and colleges and universities, to develop and conserve the water and associated land resources of tributary watersheds. The Corporation would also work with States and localities on problems of water supply, including pollution abatement, ground water resources, and gathering basic data.

Another function of the Corporation would be to assist in the necessary international negotiations between the United States and Canada with respect to boundary waters, importations and exchange of power, problems of the fisheries and ocean resources, and international trade and commerce as they might affect New England.

There is a big job here for the Federal Government—to develop the potentialities of public streams, to join the States and other institutions to make available to the people of the region physical tools and technical knowledge needed to stimulate and sustain economic progress.

There is an equally big job for the States and localities. Their uncommitted resources will be stretched to the utmost to provide State and local parks and recreational areas, highways and other mass transportation facilities, community facilities, land-use planning and action programs. Some of these activities will be carried out by the State alone, some with cooperation of the counties and localities, some with the assistance of private business and citizens groups.

There is a broad range of Federal assistance available for State and local governments in the Economic Opportunities, Land and Water Conservation Fund, Small Watersheds Act, title VII of the 1961 Housing Act, "Sec. 701" grants administered by the Urban Renewal Administration, sale of surplus Federal lands, Corps of Army Engineers assistance for beach and shoreline parks and conservation areas and flood plain zoning studies.

Federal grants-in-aid are also available from the U.S. Public Health Service for construction of single- or multi-municipality sewage disposal plants. Legislation was heard last week in the Senate to raise the maximum ceiling on such grants.

Federal funds are available as grants-in-aid to the States to establish regulatory programs over air pollution. Other Federal programs provide financial help or technical assistance in forest management, fisheries, housing, small business, and scientific and technical research and development.

Thus, it can be readily seen that States, localities, private business, education groups and citizens can and must increase their efforts to supplement Federal assistance which is already available in many forms to benefit the economy of the New England region. It is interesting to note that Governor Rockefeller from the neighboring State of New York has already asked his legislature for a billion dollars to combat water pollution there. He is counting on further liberalization of the Federal Water Pollution Control Act to carry a large part of the financial load of his proposed program.

First steps toward realization of the New England region's economic potential—to make the resources of New England work for people—should be to lay the groundwork for adoption of the New England Regional Development Corporation. Such a proposal, which I have merely outlined, requires a great deal further debate and analysis before it can be set forth in the form of proposed legislation.

In the meanwhile, New England must begin to gird itself for a mighty regional effort.

As a beginning, we make these proposals:

1. The Dickey project on the St. Johns should be immediately authorized as a Federal project to generate nearly 500,000 firm kilowatts of power for the region. Power is to be carried to Bangor, Maine, and thence on a high voltage Federal transmission line to Boston.

2. The next step, when international negotiations and further studies have been completed, should be Federal authorization and construction of the great Passamaquoddy tidal resource, which would provide a million kilowatts of peaking capacity immensely valuable to New England's load pattern.

3. The Corps of Army Engineers' river basin studies on the Kennebec, Merri-mack, Connecticut, Penobscot, and other rivers, should be updated and reviewed in order to consider the feasibility of hydropower as part of full, multiple-purpose

comprehensive development and control of the water resources involved. This would remove the dead hand of the New York-New England Interagency Committee's 1953 report setting up a single purpose flood control program for the river basins of the New England region.

4. There should be a coordinated Federal, State and local effort on all interstate river systems to abate water pollution.

5. Local water and air pollution regulation and enforcement should be immediately expanded and implemented.

6. State and local governments should swiftly move to acquire lands necessary for outdoor recreation facilities, such acquisition carefully planned in light of proper land use and special needs of city dwellers.

7. Although the Federal area redevelopment program, which will expire at the end of this fiscal year, was of some assistance in meeting problems in local unemployment and underemployment, the areas aided have been limited in size and the programs poorly coordinated. The accelerated public works program was too limited in amount appropriated and also poorly coordinated.

We hope the New England Governors will support proposed Federal legislation when it is introduced—to invest large-scale technical assistance, grants-in-aid for public works improvement, loans to industry and intelligent manpower retraining, in a well-coordinated effort to reach regions, subregions and local labor markets. Such a program will have to measure up to the criterion of providing economic improvement. It must be used flexibly not only to help combat recession before it can start, but, conversely, to provide a permanent foundation of economic growth and stability.

8. In the opinion of organized labor in New England, our region must immediately set about better to identify our needs, our problems and our resources to meet and solve them. We propose that you, the Governors of New England, establish a regional factfinding organization, with a skilled technical staff, financed by the six States, to perform studies which would cover but not necessarily be restricted to the fields I have dealt with. Such special studies would scrutinize population, labor markets, manpower, mobility of labor, power and energy costs, water supply and quality, utility regulation, recreation, soil conservation, forestry, fisheries and oceanography, transportation, land use, metropolitan problems, taxes, public finance, and the like. We are gratified that the New England Governors have made a start by the establishment of a special committee on power.

This organization could be financed by various State governments in the region, and to find out more about our common regional problems. This would insure that better planning and better systems of priorities and allocations of money and manpower be developed to work toward their solution.

9. Various States in the region should be intensifying their work in modernizing laws dealing with rights to the use of both surface and underground water. One goal would be that of requiring private commercial timber operators to use sustained-yield forest management methods and allow access roads in larger holdings. This would enable the public to reach and use certain kinds of recreational areas. Small, scattered woodlot owners should be assisted by the States in developing steady income from sustained-yield management. The Federal Government should assist these small timbermen to form supply and marketing cooperatives, obtain small business loans, technical and marketing assistance, and research programs to develop strains of trees adapted to regional growing seasons and climatological conditions. Wherever possible, forest industries should be located near the resource to provide steady markets and stimulate local economies.

In August 1963 organized labor solidly endorsed the Federal Government's proposed St. Johns-Passamaquoddy power development. We stated in a press release that "New England cannot stand still economically. It must either move forward or retreat . . . Our citizens for many decades have contributed their share of the costs of great Federal water development projects in other regions. In so doing, we have failed to realize our own resources potential."

Senator Muskie expressed the situation by saying that it is New England's turn at bat.

The late President Kennedy made the wider issue quite plain when he wrote: "We are not 50 countries. We are one country of 50 States and one people. Those programs which make life better for some of our people will make life better for all of our people. A rising tide lifts all boats."

(Subsequently, Senator McNamara ordered the following statement of Senator Margaret Chase Smith placed at this point in the record:)

STATEMENT OF HON. MARGARET CHASE SMITH, A U.S. SENATOR FROM THE STATE OF MAINE

Mr. Chairman and members of the committee, as you will recall, when the Appalachia bill was before the Senate, may of us refrained from offering amendments to cover our areas of the country because we were given the impression that this would be done in subsequent legislation. We acted in good faith and I trust that those with whom we cooperated are ready now to return that good faith to us and keep their commitment.

Maine needs an Appalachia-type legislation for economic assistance. For decades now we have continually lost our once prosperous and proud textile industry to the cutthroat, cheap labor competition of foreign countries without any protection or assistance from the Federal Government, such as the protection given to the domestic oil industry and the coal industry in the Federal restrictions against residual oil imports. It is not a pretty picture when one sees so clearly how Maine has been discriminated against, to the advantage of other States and other areas of our country.

Maine is practically a captive market for the oil industry and at its mercy in the height of winter, when our people are gouged with exorbitant increases in fuel oil prices from an industry protected by the Federal Government against the competition of foreign imports.

Some of the victims are Maine textile workers who ask why the oil industry gets such protection but why the Maine textile workers get no protection for their jobs against the cheap labor foreign imports. What answer can there be other than that of the obvious political favoritism in favor of some sections of the country against Maine?

What has happened to the Maine textile industry is now happening to the Maine shoe industry. It is the same old story with no protection for Maine shoe workers against the cheap labor foreign imports as compared to the protection provided other States against foreign oil imports.

It is the same story with the Maine plywood industry, the Maine clothespin industry, the fishing industry. The list is long.

For decades now, the second largest payroll in the State of Maine was that of the Military Establishments in Maine—second only to the pulp and paper industry payroll. I have warned for several years of the possibility of drastic cutbacks in Military Establishments in Maine.

In December 1963 I warned that our largest Military Establishment, the Kittery Naval Shipyard, was on its way to being closed—and that the announcement of such closing would come after the November 1964 election. I was immediately politically attacked for making that warning. I was accused of deliberately calculating to panic the workers at the yard and charged of making a statement for which there was no basis of truth at all. This was the beginning of repeated political allegations that I didn't know what I was talking about.

Yet, in less than 2 weeks after the November 1964 election, the formal announcement was made that it had been decided to close the Kittery-Portsmouth Naval Shipyard. At the same time, it was announced that the Dow Air Force Base in Bangor, Maine, would be closed. These closings will result in serious economic dislocation to Maine since the military payroll in Maine has been second only to that of the pulp and paper industry.

There is an ironic twist in the recent announcement of one of the pulp and paper companies in Maine that it was transferring a major portion of its operations to one of the most favored of the States under the Appalachia bill—West Virginia. It is West Virginia, as a coal producing State, that has also received very favored treatment of the Federal Government at the expense of Maine people in the continued restrictions against imports of residual fuel oil.

One of the greatest hopes for economic development in the State of Maine has been the proposed Passamaquoddy tidal power project. The late President John F. Kennedy pronounced his full support of the project both in his campaign for the Presidency and after assuming that office. In the 1964 campaign in Portland President Johnson repeated that support. Yet, nearly some 5 years later all that has happened has been some hearings and the updating of some reports and surveys made prior to 1961.

This once inspiring support for Quoddy by the administration seems to be languishing, if not waning or receding. The absence of followthrough action on the part of this administration has given rise to speculation that the past support for Quoddy is about to be dropped. I truly hope that such speculation is without foundation. But I regret that the administration has been silent for so long now on this matter that its silence has given rise to this speculation.

If the administration and the Congress have a sincere desire to give Maine a fair share of assistance for economic development and to put Maine more on an equal footing with what the Federal Government has given to other States, it can be done very easily—by acting favorably and without further delay to authorize and finance the proposed Quoddy project.

I cannot understate Maine's critical need for a fairer share of economic development assistance than it has been receiving from the Federal Government. Make no mistake about it. The need is desperate.

One recent development in Maine illustrates and underscores the desperate nature of that need. For years now in spite of industrial resistance. Maine has been making admirable progress on cleaning its waters, rivers, and streams of pollution caused by industrial operations and other causes.

But within the past few weeks, our economic status has reached the point where it was considered necessary to reverse this antipollution trend and return to authorized pollution of one of our finest rivers in Maine in order to be able to attract a sugarbeet refinery to Maine, and to start a sugarbeet industry in Maine.

I don't know how I could be more convincing to you and all cognizant authorities as to Maine's critical need for economic development assistance than to cite this example of retrogression on antipollution in Maine with the economic situation forcing such a discouraging reversal.

We, of Maine, do not ask for special and favored treatment. But we have grown weary of being discriminated against. We ask an end to that discrimination and that we be given parity with those States so favored under the Appalachia bill. One need only scan the records to see how much more assistance and protection they have been given by the Federal Government as compared to the treatment that Maine has received.

Senator MUSKIE. The record will be open for some time, through Friday, for additional statements from New England which may be submitted. Thank you all very much.

The CHAIRMAN (Senator McNamara, presiding). The hearing will be in order, please.

It is a pleasure to welcome representatives of the Great Lakes area to this hearing.

Many of us have been working for some time for the establishment of a Federal-State regional commission to coordinate and implement economic development in the northern areas of Michigan, Wisconsin, and Minnesota.

Before we receive testimony, it might be interesting to recount some of the history of these efforts.

In October 1963, the six Senators representing these three States wrote to President John F. Kennedy to urge that he initiate Federal-State meetings leading to the establishment of a regional commission.

President Kennedy was immediately attracted by our request. In fact, it carried out ideas he, himself, had suggested a month previously at the Northern Great Lakes Land and People Conference in Duluth.

On November 13, 1963, President Kennedy replied to us that he was taking immediate steps to call a meeting of key Federal and State officials, preliminary to forming a regional commission.

Of course, the tragic events that took place in Dallas just a few days later brought a halt to this matter.

After President Johnson had an opportunity to get the reins of government firmly in hand, we renewed our interest in the establishment of a regional commission.

By that time, other areas of the Nation had similar ideas, and a basic new approach to economic development was believed necessary.

Our cooperation with the administration toward that end has resulted in the bill now before the Public Works Committee.

I would like at this point to place in the record a copy of our letter to President Kennedy, and his subsequent reply.

(Letters referred to follow:)

U.S. SENATE,
Washington, D.C., October 24, 1963.

The Honorable JOHN F. KENNEDY,
The White House.
Washington, D.C.

DEAR MR. PRESIDENT: Last month, in your address to the Northern Great Lakes Land and People Conference in Duluth, Minn., you called public attention to the very severe economic hardships which that area of our Nation has endured for so long. In your remarks, you made this very telling point: "This northern Great Lakes region has land, water, manpower, resources, transportation and recreation facilities. It also has distress."

As Senators representing the people of this region, we know only too well the extent of this distress. The substantial and persistent unemployment in the area has been a terrible personal burden for thousands of families as well as a tremendous waste of human resources and an unnecessary restraint to the achievement of a strong and growing national economy.

Under your administration, a number of programs have been enacted which have, to some extent, alleviated the distress of the Northern Great Lakes region. We refer, of course, to such programs as the area redevelopment administration, accelerated public works, retraining, rural areas development, and defense contract set-asides. Helpful as the programs have been, there nevertheless remains much that can be done through greater coordination of efforts by the local, State and national governments. In your Duluth address, you emphasized the national responsibility and expressed the hope that the "attention of all will be devoted to these areas until this problem is solved."

It is in this spirit that we believe the cooperative State-Federal efforts in behalf of the northern Great Lakes region could be materially strengthened and improved. As a first step, we would respectfully suggest that you call a meeting of members of your Cabinet and the heads of independent agencies administering economic development programs, together with the Governors of Minnesota, Wisconsin, and Michigan, and ourselves to discuss a comprehensive program of attack on the economic distress of the northern areas of these States. Such a program would include better coordination of existing efforts, pending legislative proposals and State development activities.

It would be our hope that this discussion could lead to the formation of a northern Great Lakes regional commission, similar perhaps to that already established for the Appalachian region. We have every reason to believe, furthermore, that the governments of our States would cooperate to the fullest extent in such an undertaking.

With the demonstrated interest of your high office, the experience of the Federal agencies and the cooperation of State and local bodies, we are confident that a regional commission could implement a comprehensive action program that would effectively strengthen and enhance the economic development of the northern Great Lakes area.

Your consideration of these suggestions would be most appreciated.

Sincerely,

(S) WILLIAM PROXMIRE.
(S) EUGENE J. MCCARTHY.
(S) HUBERT H. HUMPHREY.
(S) PHILIP A. HART.
(S) PAT McNAMARA.
(S) GAYLORD NELSON.

THE WHITE HOUSE,
Washington, D.C., November 13, 1963.

HON. PAT McNAMARA,
U.S. Senate,
Washington, D.C.

DEAR SENATOR: I have the letter from you and the other Senators representing the States of Minnesota, Michigan, and Wisconsin calling attention to the special economic problems of the northern Great Lakes region and suggesting that the Federal Government consider what regional approach would be appropriate to provide assistance to the area. As you will recall, I referred to this possibility in my recent address at Duluth and am, of course, anxious to explore a means for focusing attention upon special problems of the area.

Accordingly, I have directed that immediate steps be taken to arrange for a meeting among representatives of appropriate departments and agencies with a view to scheduling a conference with key officials from the area.

Your interest in the economy of this section of the country is understandable, and your initiative in suggesting the meeting is appreciated.

Sincerely,

(S) J. F. KENNEDY.

The CHAIRMAN. We are very happy to welcome you, Senator Hart and Senator Nelson.

**STATEMENTS OF HON. PHILIP A. HART, A U.S. SENATOR FROM
THE STATE OF MICHIGAN, AND HON. GAYLORD NELSON, A U.S.
SENATOR FROM THE STATE OF WISCONSIN**

Senator HART. Mr. Chairman, thank you very much for a warm welcome, which I know is a sincere one.

Thank you for the leadership which you, over the years have provided in seeking to evolve institutions such as we are now considering to serve more effectively the country.

We are delighted the chairman is so conversant with the problems of the Great Lakes basin.

Senator Nelson, Senator McCarthy, Senator Mondale, and I feel strongly the desirability of enactment of S. 1648.

As is almost always true in a document more than a page long, we could suggest some amendments we think would strengthen it even more.

On behalf of all of us, Mr. Chairman, we have asked Senator Nelson to reflect our views to you in a statement.

The CHAIRMAN. Thank you, Senator Hart.
Senator Nelson?

Senator NELSON. Mr. Chairman, I appreciate the opportunity to be here today in behalf of S. 1648. I am presenting this statement in behalf of Senators Hart, McCarthy, Mondale, and myself.

I want to congratulate the chairman. At the time we had a colloquy on this matter on the floor of the Senate, when Senator Hart had an amendment to the Appalachia bill applying to the Upper Great Lakes region, and I had a general amendment that would apply to all regions that might qualify for the kind of planning and development that was proposed for the Appalachian region, the chairman advised us on the floor of the Senate that he would propose a bill and take up this matter meeting this problem in an expeditious manner. And the chairman has done so with commendable alacrity, and we appreciate it.

As a consequence, with the passage of the Appalachian program, I think we have paved the way for other programs to meet specified problems of areas around the country that are not developing with

sufficient rapidity economically, though their problems are not identical with those in the Appalachian region.

I asked the chairman if I may read some excerpts from the statement here, and have the text as a whole included in the record, and then I will not need to impose on the full time here in the reading of the full text.

The CHAIRMAN. The statement will be included in the record completely at this point.

(Statement referred to follows:)

JOINT STATEMENT OF SENATORS HART, MCCARTHY, MONDALE, AND NELSON

Mr. Chairman, those of us who represent the Upper Great Lakes area come to you in support of S. 1648. We agree that national legislation is urgently needed to meet serious problems of regional economic deprivation.

The path has been broken by Congress and State and local officials in developing the Appalachian program. We must now turn our attention to the other identifiable areas which have been bypassed by the growing, vigorous national economy.

President Johnson, in his forthright State of the Union Message, gave full endorsement to these challenges when he said:

"I propose we carry out a new program to develop regions of our country now suffering from distress and depression * * *

"We can help ensure continued prosperity through: * * *

"A Regional Recovery Program to assist development of stricken areas left behind by our national progress * * *"

(State of the Union, January 4, 1965.)

Senator Hart offered to this committee and to the Senate, on behalf of himself, Senators McCarthy, Mondale, and Nelson, a proposed addition to the pending Appalachia bill, S. 3, which would have initiated in an 80-county, 3-State area in the northern Great Lakes States of Michigan, Minnesota, and Wisconsin, the beginning of a regional program to meet the economic distress and serious neglect of this part of our nation.

Similarly, Senator Nelson offered an amendment to begin action planning for this and other depressed regions throughout the nation. We are pleased to see this concept embodied in the present bill.

The Upper Great Lakes States region has a continuing unemployment rate that is some 20 percent higher than that of Appalachia. A few other indicative regional statistics follow:

Unemployment for the region averages 8.9 percent.

Between 1950 and 1960 U.S. population grew 18.5 percent, the population of the three States by 18.8 percent, but the region's population by only 1.2 percent.

Between 1950 and 1960 the region's labor force dropped by 1.1 percent while that of the Nation increased by 15.4 percent.

Wholesale sales for the same period increased nationally by 54.2 percent, the 80 counties by only 22.1 percent.

This area once had a prosperous economy but for many years it has experienced severe economic distress resulting from the decline of industries related to its two major resources: timber and high grade ore.

The skills of many citizens of the area now outmoded or no longer in demand. It no longer can offer sufficient employment opportunities for its youth, and its rate of unemployment during some periods has been higher than that in Appalachia.

In many respects the upper Great Lakes area is different in background and resources from Appalachia. Its need is not for a massive program such as that proposed under the Appalachian Development Act. It has traditions of work; it has established communities and schools. The need is for a specific regional authority to provide planning for development and coordination of local, State, and Federal efforts.

Nevertheless, the problems and opportunities confronting Appalachia bear a striking similarity with those of the Upper Great Lakes area:

We find that both have been bypassed by major transportation arteries and have been essentially isolated from the commerce and economic growth of other regions in these States;

Both Appalachia and the Upper Great Lakes have suffered substantial outmigration of population—especially by the young people—to the point that in our 80-county area there has only been 1.2-percent population increase while the Nation increased 18.5 percent.

The overall educational attainment in the upper Great Lakes counties is substantially below that of the Nation and adjoining parts of the three states;

Our economy was largely based on the exploitation of vast timber and high grade iron ore resources. Today, the high grade ore deposits are in most instances uneconomical. Some progress is being made to utilize the the lower grade ores, but much more resource and technical improvement is needed;

The timber resources are significant, but we find the need to stimulate new timber utilization programs and new wood-using industries;

Public and private recreation development may offer the single most important opportunity for this region, but here too the investment of the Federal Government in new projects and public works is a critical factor. There is a need to step up funding of small watershed programs, forest campsite construction, Corps of Engineers Harbors of Refuge, recreation and park areas, wildlife preserves, forest access highways, scenic parkways, and the many other Federal and Federal-State programs that are also so important to Appalachia.

Natural disasters affecting the fishing industry have left a deep mark. With expanded lamprey control programs and increased technical and financial assistance, the fishing industry could be reestablished.

A multimillion dollar supplemental appropriation to on-going Federal programs was authorized in the Appalachia Act of the type just outlined. This is an appropriate approach to regional distress, and should be supported. There is equal justification for such pin-pointed investment in the upper Great Lakes region where similar projects are "ready to go."

Neither Senator Hart nor Senator Nelson pressed their amendments, upon assurances from the committee chairman and from the majority leader that legislation extending the regional development program would shortly be recommended by the administration and would be considered by this committee. We are grateful that these assurances have been so quickly honored.

While we emphasize our support for the S. 1648, we have several suggestions that we believe would improve the bill and make it a more effective instrument to accomplish the objectives we all seek.

STATEMENT OF PURPOSE

In our view, the regional development planning concept should be affirmatively stated at the outset and should not be tacked on as a proviso. In addition, we would favor early statement in the purpose, of the fact that lagging economic growth rate would be one of the criteria for eligibility. Further, we recommend that the act be cited as the "Economic Development Act of 1965."

Suggested language for these changes is attached.

COMPOSITION OF THE COMMISSION

We believe that the responsibility of the Secretary of Commerce to encourage the formation of regional action planning commissions should be stepped up to direct him so to encourage. We have suggested language to accomplish this purpose.

With respect to the composition of the Commissions, we prefer the language of Senator McNamara's S. 812 and recommend that it be inserted in lieu of section 501(c). Under this change, each Commission would be composed of one Federal member (the Federal cochairman), appointed by the President with the advice and consent of the Senate, and one member from each participating State (who would elect a State cochairman).

Decisions of the Commission would be by affirmative vote of the Federal cochairman and a majority of the State members. The Commissioners should be required to report to the Congress within 1 year after their formation and annually thereafter.

Minor changes are suggested in section 501 (a), (b), and (c) to clarify the action expected of the Commissions, the executive branch and the President—and to eliminate subsection (e) which becomes redundant with the new insert.

Finally, we recommend that section 503(b) be amended to make clear that the administrative expenses of the commissions may be paid for the first 2 years of the existence of each Commission.

Likewise we would eliminate or rewrite section 403(g) so as to make funds available immediately to economic development districts when they are ready to assume their responsibility under the act. Already existing and functioning districts, some of which have been operating with ARA assistance (such as UPCAP in Michigan's Upper Peninsula), should not be required to wait a year to receive funds under this legislation.

TRAINING ASSISTANCE AND SPECIAL STUDIES

We offer for your consideration for inclusion in S. 1648, section 702 of Senator Hart's proposed amendment to the Appalachia bill. This would authorize the Commissions to award fellowships for graduate study in resource development, industrial development, community development, area economic planning, economic and physical planning, and other areas determined by the Authority, and makes available \$----- for this purpose.

We recommend that studies be undertaken of the effect of federally funded scientific and Federal research upon regional development.

ELIGIBILITY

With respect to the definition of an eligible "region" we are troubled by the series of interlocking criteria required under present 501(c)—a required number of economic development districts and then a required number of economic development areas. We would prefer to see 501(c) authorize the Secretary to prescribe—perhaps by regulation—reasonable criteria for identifying development regions. These would be, perhaps, areas linked by common problems of substantial, persistent unemployment or below-average economic growth; areas linked by one or more common resources; linked by historical development patterns, transportation networks, market relationships, etc.

Essentially, of course, poverty is not a tie. It is not a basis for development. What ties a region together is a mutuality of economic opportunities, whether these be minerals, timber, recreation, or any number of other resource potentials.

We look forward to strong regional commissions which, building on a common past of resource development, can evolve a forward-looking program responsive to the needs of the particular region. Clearly, if the States and the Federal Government act together in such an undertaking, all will benefit.

The CHAIRMAN. You may proceed in your own manner, Senator Nelson.

Senator NELSON. Senator Hart offered to this committee and to the Senate, on behalf of himself, Senators McCarthy, Mondale, and Nelson, a proposed addition to the pending Appalachia bill, S. 3, which would have initiated in an 80-county, 3-State area in the northern Great Lakes States of Michigan, Minnesota, and Wisconsin the beginning of a regional program to meet the economic distress and serious neglect of this part of our Nation.

Similarly, as I mentioned a moment ago, I offered an amendment to begin action planning for this and other depressed regions throughout the Nation. We are pleased to see this concept embodied in the present bill.

I would like to cite a few statistics about the area. The Upper Great Lakes region area has a continuing unemployment rate that is some 20-percent higher than that of Appalachia. A few other indicative statistics follow:

Unemployment for the region averages 8.9 percent.

Between 1950 and 1960, U.S. population grew 18.5 percent, the population of the three States by 18.8 percent, but the region's population by only 1.2 percent.

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Public and private recreation development may offer the single most important opportunity for this region, but here, too, the investment of the Federal Government in new projects and public works is a critical factor.

There is a need to step up funding of Small Watershed programs, forest campsite construction, Corps of Engineer Harbors of Refuge, recreation and park areas, wildlife preserves, forest access highways, scenic parkways, and the many other Federal and Federal-State programs that are also so important to Appalachia.

Natural disasters affecting the fishing industry have left a deep mark. With expanded lamprey control programs and increased technical and financial assistance, the fishing industry could be reestablished.

As the chairman knows, representing one of the great States of that area, this Upper Great Lakes region contains a major portion of the fresh-water assets of all of the United States.

It has a tremendous potential for the recreation industry. The Federal Government should make, I think, a substantial investment in the acquisition of park areas, lakeshore area, areas of recreation, to preserve them so that they may be utilized in the recreation potential of a growth industry in the United States today.

In this statement, we suggest to the committee consideration for some amendments, technical changes in the bill, which I shall not read, which are included in the statement, here.

I appreciate the opportunity to appear here, Mr. Chairman, on behalf of the rest of the Senators of this region.

I am hopeful that if this bill is passed—and I trust it will be—that early consideration will be given to the creation of an Upper Great Lakes Regional Commission to do an evaluation and commence a constructive program for assistance in the rehabilitation and growth of that great part of the United States.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Nelson, not only for your very fine statement this morning, and your recommended amendments to the bill, but also for the splendid leadership you have displayed on the floor, not only with reference to this program and this legislation, but as well the cooperation you have given us on the Appalachian program.

I think the fact that Senators from the Upper Great Lakes area did such a good job for the administration in getting that program through in the past, that we will have every reason to look forward to their cooperation in this instance.

Thanks again for your very fine statement.

The CHAIRMAN. Mr. Bowden, you may proceed in your own manner. We are very happy to have you here.

STATEMENT OF DR. E. V. BOWDEN, EXECUTIVE DIRECTOR, UPPER PENINSULA COMMITTEE FOR AREA PROGRESS

Dr. BOWDEN. Thank you, Mr. Chairman. It is a real pleasure to be here, and I appreciate the opportunity to be able to talk in behalf of the Upper Great Lakes Region.

I am a theoretical economist. For several years I was concerned entirely with teaching, studying, and writing in the field. A few years ago while I was chairman of the Department of Economics at what was then the Norfolk College of William and Mary, now Old Dominion College, I began getting more and more involved in the practical job of applying economic theory to the improvement of business management and economic growth. My work began to take me further and further into the area of the implementation of economic knowledge. In 1960 I wrote a book, published by the Alexander Hamilton Institute, for the purpose of explaining significant parts of economic theory in terms which would be understandable by and useful to the average American businessman.

About 3 years ago I undertook one of the first ARA projects, for the development of an overall economic development program for the Eastern Shore of Virginia. My involvement in that study convinced me that not only in the area of business management, but even more in the area of economic development, a major gap—perhaps the

major impediment to progress—is the gap between that which is known by the specialists, and that which is actually being carried out in practical programs in the field. Since that time I have devoted a major share of my energy and efforts to the job of trying to discover new ways of stimulating economic development through translating knowledge into action, and to trying to find better ways for doing this.

When I finished the overall economic development program for the Eastern Shore of Virginia and turned the report over to the people in ARA, I was a little concerned, because I said, "Here is an excellent program, but now who carries the ball? Who is going to do the things necessary to create the local organizations that I have recommended, and in order to provide these local organizations with the kind of assistance they need in order to get this program to happen?"

If we are really concerned with stimulating economic development we can't concentrate entirely on the way in which things should go. We have to, I think, pick up the ball and carry it in the right direction.

The particular reason that I hope very much that this new bill, S. 1648, can be passed is because this bill is designed to provide the people in the local areas with the means to actually do something, rather than just to provide them the research reports to tell them what ought to be done.

My interest in being in the Upper Peninsula of Michigan is that the Upper Peninsula has an organization, UPCAP, which is probably the most outstanding example in the nation of a locally created, locally controlled economic development self-help organization. UPCAP is a creation of the local governments—not of the State, not tied to any university, not a Federal activity. UPCAP was started with the assistance of the county extension agents of Michigan State University and through the work of the County Boards of Supervisors. Community and business leaders throughout the area have now joined together in this organization for areawide economic improvement.

Soon in their experience the UPCAP leaders realized that they couldn't successfully do the job that they had to do unless they had some professional staff. Without professional staff the already very busy committeemen don't see very much happening. They lose interest, and the whole effort falls apart.

On the 13th of January of this year, as I was driving from Marquette to Munising, I turned on my portable tape recorder and took down some thoughts on this very issue. I think some of these thoughts are apropos today. Let me read a few to you.

Just because an area is relatively undeveloped or relatively depressed, this is not a sign that the leadership in the area is incapable or stupid or lacking in foresight or any other such thing.

An area which is relatively depressed may have the leadership and brain power necessary to coordinate, direct, and determine policy for the redevelopment of the area, but these people will not have at their fingertips the kinds of professional expertise, secretarial help, travel money, and so forth which are necessary to do the job except—on a too little and too late basis.

Approaching the redevelopment of any area on a too little and too late basis is deadly destructive, because the people who work together to try to get things done see nothing happen at a pace which is satisfactory to them.

Therefore, they lose faith in the committee process, they lose faith in their ability to affect the rate of development in the area, and the whole effort tends to fall apart.

I don't need to tell you gentlemen that there are many derogatory comments made about committees. One of my former management professors would frequently say—

I go through all the States in the United States, and I don't see any statues in the parks raised in honor of committees.

Well, fortunately, committees with staff can combine several good heads and get something done. Committees without staff tend to become gripe sessions, complaint sessions, or perhaps sessions to make decisions about what ought to be done—but there is nobody to put in the full-time professional effort needed to get it done.

This bill (S. 1648) thinks in terms of the creation of development districts, and development regions, and thinks in terms of the provision of professional staff to these regional committees or commissions and through this approach makes it possible for economic development to be pursued professionally, under local policy direction.

Now, a few words about the Upper Peninsula specifically. I don't want to give you a picture of the problems which beset the economy of the Upper Peninsula of Michigan, or northern Wisconsin, or northern Minnesota. Senator Nelson did that just a few minutes ago, and Senator Hart has also recently done so.

I think the facts of the seriousness of the difficulties in our area are well known. The only significant question is what to do about it, and how. But there are are things other than difficulties in our area.

I have discovered in the short period of time (less than 1 year) I have been connected with this area that throughout this area we have a kind of home-grown industry that somehow has developed. It is an unsophisticated kind of development. I suppose one of the oldest existing examples of this is the Marble Arms Co. in Gladstone, a nationally known sporting goods manufacturer.

Marble Arms recently changed hands. It was picked up by a local group of people in order to keep it from going out of business. The kinds of funds, the kinds of support that are available under this proposed act will enable local committee groups to pick up and provide assistance to and prevent the loss of firms such as this.

We look around the Upper Peninsula, and we find in the various areas home industries committees working with small businesses, assisting them in their expansion activities.

But their problem is the lack of the professional staff necessary to provide the management assistance, and then the lack of the necessary capital.

If I were to put my finger on the two problems, the two impediments, the two difficulties in the expansion of the economy of the Upper Great Lakes area, I would put my finger on management and capital.

There are people in the area with ideas, with interest, with a desire to do something, but without the sophistication to enable them to move forward without some help. There are people in the area who are willing to work to provide this help, but they need professional staff, and they need to be organized on an areawide or regional basis in order to make it work.

I know that it can work, because in UPCAP it is working. If UPCAP were not having an impact we couldn't be sure of this ap-

proach. But it is working, and the impact is growing. We need more of the same.

Now, in terms of the desirability of a regional commission or a regional organization for the whole Upper Great Lakes: The economist is probably the first to point out that political boundary lines do not necessarily delineate economic units. Obviously the political boundary lines which subdivide the Upper Great Lakes area do not delineate economic units.

The economic unit is delineated by the area around the lower part of Lake Superior, the northern part of Lake Michigan, and on over into upper Minnesota.

The economic unit is a unit in terms of the forest resource, is a unit in terms of the kinds of mining and mineral activity, is a unit in terms of the climate, in terms of the soils, the agricultural opportunities.

But more than this—and I think this is even more significant than any of these other resources—it is a unit historically in terms of the traditions and the things that have happened to the people in the area. It is a unit ethnically.

The people in the area have somehow, because of similar backgrounds, perhaps somehow because of the severity of the winters, perhaps somehow because of reasons we can't put our fingers on, have become a unit.

And now they are talking about "the state of Conemico." This is a phrase that has been developed, by some people in Duluth to signify the unity of this area. The word "Conemico" comes from joining certain letters from the words: "Copper Country," "North Eastern Minnesota," and "Indianhead Country."

When people begin to talk in these terms, it means we have a popular recognition of the fact of an economic unity which is not recognized by the boundary lines of countries or States. We must—if we are to be effective in economic development—we must recognize the economic facts, and work with this region as a region.

As Senator Nelson mentioned a few minutes ago, the Lake Superior fisheries must be revitalized, and are being revitalized.

UPCAP has as one of its objectives the sponsoring of some activities under the Bureau of Fisheries in order to take steps in this direction. But UPCAP should not be carrying this ball alone.

It is not just UPCAP's Lake Superior. It is also Wisconsin's and Minnesota's Lake Superior, and these three States in the fisheries aspect stand high or low together, but they stand together.

The same is true with the development of new forestry technology and mining techniques and the development of more integrated transportation networks.

What I am saying is we cannot even intelligently look at and consider the broad future of the upper peninsula of Michigan without doing it in the context of the same areas in the other two States.

This bill recognizes this fact, and makes it possible for us for purposes of economic development to eliminate the restrictions which are naturally imposed by political boundary lines.

This is one of the real significant departures that I see in this bill, and it is one of the things that I see as one of the greatest desirable impacts that can come from it.

The other really significant departure which I see in this bill is the recognition of this same economic fact as it relates to smaller areas within each State. The concept of the "Development District" eliminates the restriction of boundary lines between local governmental units within the State. This concept recognizes the need for and fosters the creation of the UPCAP type of organization and operation.

There is one other specific thing in the bill that I think is desirable enough that it deserves special emphasis, and this is in the lending and in the loan guarantee provisions in title IV.

Here we must recognize the fact that in an area such as the Upper Great Lakes, even though we have people with ideas, and we have potential product expansions possible, the risk is somewhat greater than it would be in most areas in the Nation.

One of the major insurance companies was contacted by a representative of UPCAP, and some other people in the recent past about the possibility of picking up a piece of a financial package that ultimately would result in the creation of a new enterprise representing an investment of something like \$10 million. This insurance company said the area we are talking about is a relatively high risk area.

We have enough opportunities to place our money in areas which are not relatively high risk areas. Why should we place our money there?

And the answer is, obviously, "You should not."

When this kind of situation exists, we have to have something to assist the area to reach into the capital markets and get the kinds of finances that are essential for the replacement and for the expansion of the capital equipment, the machinery, the factories, without which we cannot increase the productivity of the area, without which we cannot produce the kinds of products which can overcome the transportation barrier and reach into the marketing centers of the country.

One other comment on financing. Working capital guarantees are written into the bill. This is a new departure. It is, I think, an essential one.

If there is any one problem that stifles the expansion of small growing businesses throughout this area, it is the working capital problem.

I was talking on the plane only day before yesterday to Jack Christianson, who is president of the Enstrom Corp., this little homegrown corporation which after several years' work received only a few weeks ago, FAA certification of its new helicopter. This is the first really new helicopter, I understand, that has been certified in the last 5 years or so. They now have the certification. They have something like, I think, 30 firm orders. These ships sell for about \$30,000 each, that is a big cash flow, and a big backlog.

They are ready to tool up. They are ready to add the additional employees. They are ready to produce to meet the demand for this new streamline ship.

Their problem? Working capital. His comment to me was—

Bert, is there anything that you can do? Is there anything UPCAP can do? Is there anything we can do to get the necessary capital to meet the orders?

Here on one hand you have the orders, the know-how, the Federal certification, but you can't get the necessary working capital to enable you to go into production.

There are three parts of this new bill that I have talked about, because these are the three parts that, as I see it, we need and need

badly. These are: (1) the arrangement for the regional organization with a professional staff to attack regional problems and to take proper advantage of regional opportunities; (2) the arrangement for multicounty development districts within the State to do the same thing on a smaller geographic but more intensive scale (the UPCAP type of organization); and (3) the provisions for meeting the pressing needs for financing feasible but relatively high risk business expansions.

Let me leave you with one last thought. I heard the gentlemen from New England this morning say something about the fact that the people there feel they have been studied to death. The people in the Upper Peninsula, in Upper Minnesota, and in Upper Wisconsin, feel the same way. And yet we certainly have not found out all the answers. All the answers are not ever going to be known—at least, not until after the development job has actually been done.

If we are going to get local involvement in the expansion of this area, or of any area in the Nation, the busy business and professional people who agree to donate their time to this effort are going to have to see some progress in a hurry. And the kind of progress that they measure is not progress in the production of beautiful reports.

The kinds of progress they measure are in the production of the kinds of things they can kick with their feet. "There is a factory building. I can understand that." or: "Here are new kinds of processing that result in the uses of our previously scrap woods. I can understand that."

What I am suggesting is that in any kind of an economic planning program, we have to plan the action phase to run simultaneously with the planning phase. We cannot wait until we are sure where we are going before we take the step. If we do, we never will take the step.

If we don't build the action phase into the planning phase, we are going to lose the local participation, the local effort, the local interest, the local drive, the local dynamism which we can have if we will build the action into the plan.

Studying is a continuous process. I am suggesting that action must also be, if we are going to get the kind of involvement in the redevelopment of this area that we ought to have—that we must have if we are going to really do anything very significant.

This is all of my general statement. If there are any questions, I will be more than happy to answer them.

The CHAIRMAN. Yes, thank you, Dr. Bowden.

We are glad to have this expression of enthusiasm from the grass-roots area of the problems we are trying to get at here today.

I want to congratulate you on the efforts that your organization has put forth up to now in trying to do the job yourselves. I am sure that your efforts will be of great service in the near future, when we go on with the program that we anticipate under this legislation.

I think your organization has been successful in bringing some benefits to the economy of the Upper Peninsula. Isn't that true? Haven't you got some new industry up there?

Dr. BOWDEN. We feel that we have had many worthwhile successes, but we feel that the greatest success that we have had is one you cannot measure in terms of new industry. We have managed somehow to get a growing enthusiasm, a growing involvement.

This is step one, I think, in the ultimate process of bringing the economy of this area back into the mainstream. And we hope there are ways in which we in this area can lead the Nation, and we are going to try.

The CHAIRMAN. We look upon the program as you do, as pretty much providing seed money for an area that has been somewhat bypassed by the affluent society that we have been hearing so much about these days.

You have had some cooperation, I believe, from the financial institutions of the State. They have taken what are normally considered considerable risks, but they just cannot do the job, and you have reached this conclusion, as we have by studies and observations.

Dr. BOWDEN. Yes. Certainly. There is no way that the State can meet the problems of the Upper Peninsula without giving them highly inequitable treatment relative to the whole State that they are supposed to be concerned with. Only the Federal Government can fulfill this.

The CHAIRMAN. It would appear that not only your State of Michigan, but other States have reached this same conclusion, that this is an area problem. It has to cross State lines, if it is going to be successful, and there are many common problems.

You mentioned Great Lakes fisheries and such industries. Of course, the Federal Government has been helping for years in fighting the lamprey eel, and we understand that you have made considerable progress on this. There is a comeback of fish that were so nearly extinct by the activities of lamprey.

Dr. BOWDEN. That is right. The lake trout population in Superior is estimated to be now about as large as it was before the lamprey hit.

The CHAIRMAN. That is good news for the entire State, as well as the whole area.

Any questions or comments?

Senator MUSKIE?

Senator MUSKIE. I would simply like to take this opportunity, Mr. Chairman, to express my appreciation for the New England Senators for the leadership which the chairman has provided in shaping and piloting this kind of legislation through the Congress.

The Appalachia bill would not now be law without his leadership and support. The Appalachia bill is important to all of us throughout the country, if we are to make use of these new techniques and tools which are provided by the bill.

I think it is very useful that the chairman should have set up these hearings region by region to make it possible to fill out the story of the need in various areas for this kind of economic treatment and stimulus.

I think it is quite clear, as the chairman said yesterday, that the bill will succeed on the kind of understanding that is being shown in the testimony here today by the New England witnesses and now by the Midwest witnesses.

It is reassuring to me to sit here and listen to these stories which in a sense are a duplication region by region, but also a reassurance, because of the support that they spread that we are on a constructive road towards economic growth in these regions.

So I compliment you, Dr. Bowden, on your contribution to this record.

Dr. BOWDEN. Thank you.

The CHAIRMAN. Senator Moss?

Senator Moss. Mr. Chairman, I really have no questions, only being able to hear part of the testimony of the witness, but it has been most interesting, and I concur with what my colleague from Maine said about the hearings that are being conducted.

I think we will get a well-rounded record in this way that will enable us to consider fully the bill before us.

The CHAIRMAN. Thank you very much.

Thank you, Dr. Bowden. Your testimony has been very helpful to us.

(Subsequently the following communication was received from Dr. Bowden:)

APRIL 30, 1965.

Senator PAT McNAMARA,
Chairman, Senate Public Works Committee,
New Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: I should like to supplement my testimony on S. 1648 before your committee on April 27 with the following recommendations dealing with the need for training of professional staff in the field of area and regional economic development.

The fact that the success of the development districts and development regions proposed in S. 1648 will depend heavily on the effectiveness of the heads of the professional staffs, and in recognition of the fact that there are currently few people qualified for this dual role of economic analysis, research, and implementation, this act should authorize the Secretary to design and carry out a program to train perhaps 20 outstanding people who have the education, intelligence, personality, experience, and interest qualifications to enable them to develop them into the Nation's leaders in regional economic development implementation.

Applicants for this program should have a background of graduate work beyond the master's level (preferably the Ph. D. degree), should exhibit high standards of personality and administrative leadership abilities, should have successful experience in some kind of social science research (preferably economic analysis), and should have a high degree of ability in oral and written communications. In addition, they should have some knowledge of accounting and a familiarity with the operations of business.

The training should be designed to consist of group orientation, workshops, and studies of existing programs, methods, and materials, interspersed with actual field assignments working with local and regional development organizations.

As economic development districts and regions begin to be formed under this act, the most advanced and most promising of the enrollees will be referred to these regional and district organizations for employment, with a portion of their salaries still paid under the training program, and with their activities and efforts under the continual analysis and criticism of the training director.

The candidate (enrollee) will complete his enrollment in the training program and will receive some sort of certification when his demonstrated proficiency has indicated his ability to design and administer a successful economic development and planning action program.

Properly designed and carried out, this proposed program can result in the development of a nucleus of highly trained, capable people to become the Nation's outstanding experts—the elite—in economic development planning and implementation.

The program should be designed to continue for at least 2 years, but preferably for the life of the act, and will probably cost about \$500,000 each year.

Sincerely,

E. V. BOWDEN,
Executive Director.

PROPOSED ADDITION TO S. 1648

TO PROVIDE FOR RECRUITING AND TRAINING AN ELITE GROUP OF ECONOMIC DEVELOPMENT ADMINISTRATORS

To meet the needs of the district and regional organizations for highly capable staff directors, and to begin to develop a national leadership for planning and implementing effective economic development programs, the Secretary is authorized to undertake a program of recruiting, orientation, training, and on-the-job assistance and evaluation to develop a small, highly select group of economic development administrators.

Enrollees in this training program should be already highly capable and experienced economists who, with this additional preparation, will be able to meet the needs of the local, district, and regional planning and development organizations, and who exhibit the potential for becoming national leaders in this field.

About \$500,000 should be provided annually for this purpose.

Proposed by E. V. Bowden, Ph. D., Executive Director, UPCAP.

The CHAIRMAN. Mr. Dettman is our next witness.

Mr. Dettman, we are very glad to have you here and your associates and I will ask you to proceed.

STATEMENT OF HAROLD L. DETTMAN, CHAIRMAN OF THE UPPER PENINSULA COMMITTEE ON AREA PROGRESS OF MICHIGAN; ACCOMPANIED BY HAROLD JORDAHL, JR., REGIONAL COORDINATOR, DEPARTMENT OF THE INTERIOR, MADISON, WIS.; VLADIMIR SHIPKA, ADMINISTRATOR, AREA REDEVELOPMENT AGENCY, STATE OF MINNESOTA; AND ROBERT S. NICKOLOFF, SPECIAL ASSISTANT ATTORNEY GENERAL FOR AREA REDEVELOPMENT, STATE OF MINNESOTA

Mr. DETTMAN. Thank you, Mr. Chairman.

Mr. chairman, we feel that UPCAP, the Upper Peninsula Committee on Area Progress, which was originally called the Upper Peninsula Committee on Area Problems—we feel that we have made some progress so now we have changed the name from problems to progress—is an example of ongoing regional organization working for economic and social development of an area, the Upper Peninsula of Michigan.

The Upper Peninsula of Michigan, according to some local citizens, has been treated as a ragged stepchild ever since the State accepted the area in a land trade that solved the Toledo land strip dispute in Michigan's early history. Many economists and sociologists say that the area's extractive-type industries have been responsible for the current state of affairs.

A vast quantity of iron ore has been removed to build the auto industry in Detroit, over 500 miles to the south. Much of the lumber has been removed to build homes in lower Michigan and Chicago. Now, second-growth timber covers 87 percent of the peninsula.

Now, with some revival of the mining industry due to beneficiation and pelletizing processes and a slowly recovering timber industry, the peninsula's citizens are recounting their resources with a hopeful eye on the 5-mile bridge that joined the "two Michigans" when completed in 1958, and we sincerely hope before the year is over we can have toll free that 5-mile bridge.

The area's greatest potential—possibly the tourist industry. The 15-county area that accounts for a third of geographic Michigan,

larger than Connecticut, Delaware, Massachusetts, and Rhode Island combined, is an unspoiled wilderness paradise.

Total population is 305,000 under 5 percent of the State's total. Each year the peninsula attracts a few more tourists who come for the scenery, relief from heat or hay fever, to hunt bear or deer or to ski in the deep blanket of snow during winter. Incidentally, I am a tourist operator and make my living by operating a motel.

The tourist industry runs around \$140 million annually. This development is slow, however, due to extreme competition, worldwide as well as nationally, in the recreation business.

The Upper Peninsula was the first large area in the United States where rural and urban adult education services were merged by a land grant university. Over 8 years ago Michigan State University merged her conventional cooperative extension service, agriculture, home economics, and 4-H, with continuing education—a branch of the university serving a broad array of adult education needs in such fields as community development, zoning, school studies, labor relations, and business management.

Agriculture was important in the area but to a much lesser degree than in the southern portion of the State. Today's bigger, more specialized farmers have become more dependent upon urban suppliers and buyers and many laboring people are moving on to small farms. It seemed logical, therefore, that one office could best fill adult education requests from both rural and urban groups, who are extremely interdependent.

The somewhat futuristic educational program has been quite successful. Much action has been taken on zoning and school reorganization problems. Small industries and businesses have received assistance. Many small co-ops have been guided into larger merged units that can compete efficiently with marketing organizations in nearby States. Several new resort facilities have been created.

Incidentally, I want to mention here that Michigan State University set up the designs for our motel initially when they were still concerned primarily with chicken coops and dairy industries and so forth.

In short, much has been accomplished due to this program—much more than shows up on the balance sheet. In an area such as the Upper Peninsula, many businesses, industries, and some farming units were destined to fold up due to lack of resources, management know-how, or incentive to compete in the world today.

Many of the new operations that began during the last 8 or 9 years simply replaced the ones that went out of business. Therefore, the area has had to swim hard just to stay in midstream.

With all this new activity underway, the county extension personnel as well as other advisers from Michigan State University and the lay advisory leaders recognized a definite need for more regional coordination—more consideration of how one community's action may influence the tourist business or the value of the timber crop in a community 100 miles down the road.

This was emphasized by Richard Duke of the Michigan State University Community Development Institute when he met with the Upper Peninsula leaders in 1961 to consider forming some regional organization. It seemed essential that some agency be charged with keeping a regional perspective towards the development of the Upper

Peninsula in order that a unified approach can be maintained in revitalizing old resources, or in the exploitation of new ones.

"It would seem essential," said Duke, "that some central body should be charged with goal formation—the articulation of the needs of the area; that some central source should collect information concerning the problems and potentials of the area; that some group be assigned the function of preparing a plan of action toward the achievement of the stated goals; and that some one source would coordinate the various action phases required."

We have several supporting documents here. We have noted on this presentation where they could be used.

After much counseling from Michigan State University community development specialist Abraham Snyder and Mr. Duke, a decision was made in December of 1961 to form UPCAP—the Upper Peninsula Committee on Area Progress.

UPCAP was legally constituted under Act 200, Michigan Public Acts of 1957. One of the strongest attributes of the group is the fact that UPCAP is tied to county boards of supervisors. Each delegate is appointed by the various county board of supervisors.

Incidentally, the chairman perhaps would recognize me as chairman of the Mackinac County Board of Supervisors. Some of his very good friends live in that community.

The local Michigan State University extension agents worked with Snyder to help motivate each county board to give favorable consideration to this aspect of the regional organization. Here again, the political aspects in our particular area were not always favorable to the appointee.

In many instances the member selected for UPCAP participation was the chairman of the county planning commission. The linkage between the legally constituted planning commissions on a county level and a legally constituted regional organization at the UPCAP level is the result of a well-planned approach headed by the Michigan State University consultants and involving many other State agency people.

There were also many meetings, and an extensive use of mass media to create a public understanding and awareness. Now we have an UPCAP organizational chart in the record, also.

About the time UPCAP was born some additional resources and financial aid became available through the new Area Redevelopment Act program. The chairman mentioned that we did get Area Redevelopment Act assistance and this is one place where it was obtained.

Area Redevelopment Act money was obtained, along with a token financial contribution from each individual county to help the organization operate during its first 2 years.

With these additional services and resources available through Michigan State University and other universities serving the area, and with additional resources coming from Federal agencies such as Area Redevelopment Act and the rural areas development program of the time, it seemed most logical to Upper Peninsula citizens to have on regional—grass-roots oriented—organization.

Incidentally, the county boards of the Upper Peninsula contribute approximately \$3,000 to UPCAP which is really a very small amount, but in many cases it is real hard work for the boards to dig up these small contributions.

So UPCAP was formed in 1961. It was the first peninsula organization oriented more towards planning for action rather than just promoting the region.

It was created largely due to the motivating influence of the State's land grant institution to encourage greater responsibility among UPCAP leaders and to encourage greater utilization of resources from other universities.

Now someone would ask, "What are some of the accomplishments of UPCAP?" We can't begin to list all of them. Some of them are generated by the enthusiasm in the area.

There are many specific instances that could be listed here, but one of the greatest accomplishments to date has been the creation of a new appreciation for, and awareness of the need to plan for orderly development. Planners, often guided by educators, are a patient lot and are often willing to sacrifice much speed to assure that a job is done right. Development, or action-oriented persons, on the other hand, want action now.

For many years Upper Peninsula citizens had been saying that they had been "studied and planned to death" but nothing had happened. UPCAP and university officials realized that the problem seemed to be one of an understanding for the necessary linkage between educational institutions, planners, and action-oriented groups. They conducted a major communications campaign to develop this understanding.

To recognize a need for this linkage, UPCAP officials reviewed some of the community projects that had been stimulated by university sources.

A wood-using plant materialized a few years ago at Newberry when the major investor saw results of a hemlock stand inventory that was conducted 2 years earlier by local planners and the MSU extension agent. Escanaba has a new high school that resulted from a citizens' bond issue vote.

But the bond vote came after a school study and a comprehensive school plan that was done by 75 community leaders and MSU consultants 4 years earlier.

Gogebic County's very successful drive of 2 years ago to raise over \$100,000 for self-help development efforts resulted from a community meeting that was called by the local planning commission.

UPCAP's main challenge then, was to create awareness through its meetings and mass media program for the proper linkage and, understanding and appreciation between both the planning and the action-oriented groups and individuals.

Somewhat indicative that this job has been well done is the fact that since UPCAP was organized in 1961 the Upper Peninsula has 2 new multimunicipality planning commissions, 16 county planning commissions, 11 new township commissions and a total of 7 new city planning commissions, none of which were in existence prior to UPCAP.

The regional organization also created a new reference library in Escanaba which was made possible through a Federal ARA grant of \$2,500.

UPCAP obtained the economic consultant services of the Robert R. Nathan firm which was made possible through a grant of \$125,000 from ARA.

The delegates initiated a program to assist commercial fishermen in the Upper Peninsula and another regional project to aid the tourist industry.

Here again there are the supporting documents relative to the fishing industry and to the tourist industry. The chairman would be interested in knowing that Mrs. Bertine Fisher is really interested in our Upper Peninsula historical park which we are developing as a result of this tourist-recreational study.

In both of the latter projects Michigan State University approximately matched the money that was made available through Federal sources. These projects are nearly completed and information obtained is already being utilized by the industries in revitalizing their resort or fishing businesses.

In the tourist and recreation project ARA submitted \$50,000 and Michigan State University submitted \$80,000. When a search for financial support from foundations failed to yield any immediate help for UPCAP—in other words, the executive board of UPCAP consulted several foundations hopeful of getting their support, but this wasn't for the Congress—the organization was able to obtain additional aid from Federal agencies to hire a full-time director, Dr. Bowden, an industrial development specialist in the fall of 1964.

So it is going on a year or more this July.

It is interesting to note that the Michigan department of economic expansion also saw fit to budget money to be used for securing a part-time planning consultant to aid UPCAP. This support from Governor Romney's economic expansion department was meaningful to UPCAP leaders.

During the last year the UPCAP staff has provided assistance to many small businesses, has helped to arrange for markets and we have bulletins, five, six, seven and eight, and resources to get several small industries started. The organization has played a part in several community projects such as park developments, sewage systems, the securing of natural gas services in the peninsula and several of the public works projects.

One thing we are particularly concerned about in our tourist and recreational development is sewage facilities. That is a real need.

A new 40-man Upper Peninsula advisory committee has been created to aid UPCAP in implementing resources made available through the new Economic Opportunity Act. Many specific projects have been processed and many, many others are currently being channeled through UPCAP to the new office of economic opportunity which Governor Romney created to provide continuity to the program. And Dr. Bowden has spent a lot of time during the last 2 or 3 months in implementing this act.

UPCAP was not created to replace educational services or resources available through existing State educational institutions but rather to supplement these resources in order to further economic and social development of the Upper Peninsula.

The UPCAP board of directors is currently giving much attention to the regional organizations operating program to assure the proper teamwork between UPCAP and the State's educational institutions and other knowledge centers associated with ongoing State or Federal agencies.

During the interpretation and implementation of the programs such as the Economic Opportunity Act, the pressures of time and protocol are creating situations which make it extremely challenging to assure most efficient coordination of ongoing programs and available resources.

In relation to UPCAP the public reaction I think is well put in the delegate report we have here during our December meeting.

The Manistique Pioneer-Tribune stated editorially:

Because our planning commissions—both city and county—have not made dramatic exciting news, their work and achievements are easily overlooked. It is easy to criticize them for inaction for the simple fact that since their creation last year they have been burdened with the thankless task of gathering information that will help them ultimately realize the fruits of their labors.

The prize report of last night's meeting was a survey on pole and timber resources of our county. It covered everything from saw timber and pulp down to seedlings, and everything from aspen to white pine.

It is men like those serving on our planning commissions who will, by their voluntary efforts, help our area to grow and progress and keep pace. They deserve our heartfelt thanks.

Editorials in the Marquette Mining Journal and in the Escanaba Daily Press stated in part:

Knowledge must be obtained before any responsible businessman is going to put investment funds into enterprise.

This is only getting our house in order, but the Upper Peninsula, pleading, don't bring me plans, when it's jobs that I need, still has been impressed enough with the start of planning to ask aid for its continuance.

Doubt, it is said, is the beginning of wisdom. UPCAP's doubt that U.P. knows enough about its resources to attract new industry is an example of both sense and courage. The people who may ridicule paperwork are not offering alternatives that make jobs.

At this time I would like to express appreciation for the board of directors of UPCAP for this opportunity to appear in support of S. 1648.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much Mr. Dettman. Your testimony and recommendations will be carefully considered and you have made a great contribution to us.

Dr. BOWDEN. Should we for the sake of the record make note of the fact that Mr. Dettman is also a member of the Executive Committee of the Northern Great Lakes Resources Development Committee, which covers the entire upper Great Lakes area and which was created as a result of the Land and People's Conference Plan of 1961.

The CHAIRMAN. Thank you, Dr. Bowden.

Mr. Jordahl?

STATEMENT OF HAROLD C. JORDAHL, JR., REGIONAL COORDINATOR, UPPER MISSISSIPPI, WESTERN GREAT LAKES AREA, U.S. DEPARTMENT OF THE INTERIOR

Mr. JORDAHL. Mr. Chairman and members of the committee: My name is Harold C. Jordahl, Jr. My present position is regional coordinator, Upper Mississippi-Western Great Lakes area, U.S. Department of the Interior.

Although I am here today with the consent of the Department I am not representing the Department but am appearing at the invi-

tation of the chairman and as an individual concerned with the welfare of the Upper Great Lakes region.

I was born in Minnesota. As a youth, I lived in Ohio. I was educated at the University of Michigan. And my professional career has been devoted to resource problems, first in Wisconsin and more recently in the Upper Great Lakes region.

I appreciate the opportunity to meet with you today to discuss the resource problems of this vast area.

THE PROBLEM

In general, the northern Great Lakes are characterized by a present imbalance of people to resources. As a result, the region suffers from economic depression; there are more employable people than there are jobs. Although out-migration generally exceeds natural population increases, the transition rate is so slow that numerous people of productive ages still live here.

And unless there is a basic change in the economic status of the region, it will be several decades before a reasonable balance will be achieved.

In the meantime, there are resource and human problems and poverty. Unemployment, for example, in some mining areas which have ceased to operate, is greatly in excess of national averages. Workers are being forced to make painful relocations of their families into strange urban environments where their skills are not in demand, or to continue to live within the region slowly exhausting unemployment compensation and life savings, and struggling along at subsistence levels.

The various economic forces tend to accelerate each other and the impact on local economies. As workers move out, as homes are abandoned, as business establishments are closed, the costs of maintaining essential governmental functions are borne by fewer and fewer people.

And as productive workers in the middle-age groups leave, the proportionate costs of educating the children and caring for the elderly increase.

The situation today is the net effect of a series of devastating blows to the natural resource base. First, was the exploitation of the timber resource. Subsequent forest fires then destroyed much of the remaining wood producing potential.

Thousands of people either directly or indirectly employed in the timber industry were thrown out of work and either turned to employment in mining, fisheries or agriculture, or migrated out.

Agriculture expanded and flourished for about a quarter of a century. Demands for food and fiber generated by two major wars accounted in part for a successful economy.

However, as production in more fertile regions increased, farmers in the northern Great Lakes were faced with economic competition which they were unable to meet, and today the area is still in a stage of transition to forests. Again, many people in the region were faced with unemployment, or a level of subsistence scarcely meeting minimum standards.

Mining, especially of iron ore, brought many communities great economic prosperity which lasted much longer than logging and agri-

culture. Massive demands of two great wars accelerated depletion of the rich hematite deposits in the Gogebic Range which were within economically efficient reach of deep shaft mines, and those of the great Mesabi Range.

Exhaustion of these ores along with a massive shift in imports dealt the region another crippling blow which has thrown thousands of people out of work.

The transition here and human readjustment are still in process. Although we are witnessing a great resurgence of taconite mining and processing in Minnesota and to a lesser extent in Michigan, major adjustments are still in process.

Coupled with the above and taking place within the last 15 years was the complete destruction of a healthy lake trout fishery by the parasitic sea lamprey.

The collapse of this fishery had a considerable effect on many small communities along the shores of Lake Superior which had, through many years, maintained a healthy, stable economy. And recently, the unfortunate deaths of a number of people from eating fish from the Great Lakes area which were contaminated with type E botulism toxin has dealt the fishery another severe blow.

Within a total population of 1.6 million people is a working force of more than one-half million. Within this, in turn, is an unemployed group representing about 10 percent of the working force, more than twice the national average.

Growth during the period 1950-60 was 5 percent, significantly less than the national average and, in fact, in most of the rural areas there was a population decline.

PROPOSALS

It is fitting and appropriate that we intensify our efforts to deal with the human and natural resource problems in the Upper Great Lakes. Problems which create islands of poverty amidst a healthy, viable economy must be joined. They can be overcome.

I would like to propose the following for consideration and study as a part of a development program for the area:

1. A general plan of development should be formulated which relates population and economic data to land use, transportation public facilities, and human and natural resource development opportunities.

We cannot use a shotgun approach and scatter our efforts across the entire region and accomplish our goals.

2. Public works programs will meet the immediate problem of unemployment. The manpower reservoir provides the opportunity for long-term investments in natural resources which will create future economic opportunity and will, moreover, assist the unemployed to more gradual and less distressing adjustments to a changed economic condition over which they have no control. The public land base—Federal, State, and county—provides the resource on which to work. Wisconsin has more than 5 million acres.

3. The region is bounded by the greatest fresh-water resource in the world; Lakes Superior, Michigan, and Huron. Rainfall is plentiful; glaciers created an abundance of inland lakes and streams.

Water provides an undeveloped potential for economic expansion which will increase as regional and national deficits grow. Major attention should be given to determine methods of protecting and capitalizing on this resource for industry, for outdoor recreation and for the tourist-vacation economy.

4. Adjustments in land use are required. The best agricultural soils should be conserved to supply local markets, and to meet demands of an increasing tourist industry.

Technicians can contribute to achieving privately financed economically efficient combinations of farming, forestry, and recreation.

Studies have been completed which are designed to encourage and show the economic feasibility of establishment of wood concentration, processing, and marketing complexes for the region. Other studies also indicate the potential for establishment of pulp and paper mills.

5. Federal and State agencies have made major contributions to our knowledge of the region's mineral resources. Complete geophysical surveys for the region should now be completed at an early date.

Such investments may open up new mining opportunities. Research work on separation of the abundant iron ores from the surrounding rock, and preparation of products for a high-grade furnace feed also need intensification. This is especially true for these ranges—the Gogebic in Wisconsin and Michigan for example—which contain abundant supplies of low-grade semitaconites and relatively rich nematites.

Moreover, I believe that industry and Government working together should strive to plan mining operations in a way that will avoid sudden mine closings which throw thousands of people out of work.

Likewise, our combined talents can be brought to bear on the restoration of surface mined areas to productive uses.

Also, we need to complete at an early date topographic maps, soil surveys, and geological maps.

6. Recent studies in the region indicate that power costs are greatly in excess of other regions. Means must be found to reduce these costs.

For example, ground wood, and chemical and semichemical pulp processes, paper manufacture, and taconite processing might be expanded if electric costs are reduced.

7. The area is situated on the northern edge of mid-America and has a splendid recreation potential. An air-conditioned environment and abundant water and forest resource can be a strong attraction to the 50 million people in mid-America.

Studies and plans are being considered for a system of new national areas in the Upper Great Lakes Region; the Apostle Islands in Wisconsin, Sleeping Bear Dunes, Pictured Rocks and Sylvania in Michigan, and the Voyageurs Waterway in Minnesota and the St. Croix River National Riverway in Wisconsin and Minnesota.

These areas, and others, tied in with the Superior-Quetico canoe country, Isle Royale National Park, Grand Portage National Monument, and the many splendid State and local facilities will provide a public recreation complex of tremendous appeal. The prospects are indeed exciting. And means must be found to capitalize more fully on private vacation businesses.

8. There are many Federal and State wildlife refuges in the region which not only serve as important breeding and resting grounds for

migratory waterfowl and resident game, but each year provide more and more public recreation. In addition, the area contains vast acreages of public forest land.

Additional investments are required on these areas to achieve maximum resource productions.

9. Efforts to date on the part of the State and Federal Governments have made significant contributions to the control of the sea lamprey and restoration of the whitefish and lake trout fisheries.

Federal and State hatcheries are now devoted to lake trout production for stocking in the Upper Great Lakes. Additional investments are required to accelerate the rehabilitation task.

An existing chub, smelt, herring, and alewife fishery could be exploited by use of efficient catching methods, and improvements of shore processing facilities and better marketing techniques.

Our existing knowledge is being used to assist this important segment of the Great Lakes economy. But these efforts should be greatly expanded.

10. A great underdeveloped human resource is present on the 13 Indian Reservations. Many of the Indians live under conditions which we would find intolerable. Lack of opportunity and out-migration of leadership potential are causative factors. Excellent programs have been initiated. They require acceleration.

11. Vocational education and manpower retraining are proving to be productive investments in the human resources in this region. More can be done. Programs under the Economic Opportunity Act likewise need to be capitalized upon.

12. The region has been characterized by resource exploitation. Our efforts now need to be directed toward secondary processing of manufacture which add value in place. This should be done where economic growth centers are indicated. Credit needs to be made available for these manufacturing enterprises.

13. Consideration should be given to establishment of a major educational and research institution in the region. Although there are a number of fine small colleges and universities, many of the college age population now migrate to other areas where major universities are located.

We need to hold these young future leaders in the area and we need the advice and counsel of authorities from the academic world.

14. Our transportation systems need unification. Now the travel routes are largely on a north-south basis, and they need improving. An interstate route from the Soo to Winnipeg which will compliment the seasonal Great Lakes water route, and which will tie together the viable economic centers in this region could pay dividends.

15. If economic stability is to be achieved, we must also devote our attention to the Province of Ontario. Their human and resource problems are no different than ours. The three States and the Province make a homogeneous resource area and mechanisms must be worked out to coordinate our efforts for economic growth.

Common ground has been found for dealing with fisheries problems through the Great Lakes Fisheries Commission. Also, the International Joint Commission deals with common boundary water problems. Other devices need to be worked out for meeting different types of common problems.

CONCLUSION

We have a great opportunity in the Upper Great Lakes. Our resources are many and varied. Our people are intelligent, well educated, and hard working.

To meet the problems at this time we need a well designed institutional device—a Federal-State Commission, for example—which will tie together the common interests of this area in an organized manner.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Jordahl. Your specific recommendations and suggestions are very helpful for the record, and you have made a great contribution here this morning, and we appreciate your attendance very much.

Mr. Shipka?

STATEMENT OF VLADIMIR SHIPKA, ADMINISTRATOR, AREA REDEVELOPMENT AGENCY, STATE OF MINNESOTA

Mr. SHIPKA. Mr. Chairman, I am the State Administrator of the Minnesota ARA. I would like to say in the overall that Senate bill 1648 is a most interesting and forward-looking proposal for the economic development of labor surpluses in areas throughout the United States.

Mr. Nickoloff, the special assistant attorney general assigned to Area Redevelopment Act in Minnesota, and will file a statement with the Senate Banking and Currency Committee making recommendations and suggestions on the basis of our experience in the execution of the Area Redevelopment Act in the State of Minnesota.

Today, I will confine my remarks on the regional planning section of Senate bill 1648.

In September of 1963, the late President Kennedy, in a speech at Duluth, Minn., before the Upper Great Lakes Lands and People Conference sponsored by the Department of Agriculture, noted the need for the establishment of an Upper Great Lakes Regional Council.

I believe the witnesses who have preceded me have laid an excellent foundation for the need of such a regional approach in that great area of the United States.

The Upper Great Lakes area can be a national growth area, because of its tremendous natural resources, if we can develop a long-range plan for that area. We must develop a highway network necessary to utilize the resources of that area.

The region has tremendous tourist potential and can be developed. We can conquer through regional planning the entire industrial potential of the region. By careful long-range planning, we can improve the fish and wildlife habitat of that area. We can continue to improve and develop the great mineral resources that once provided two-thirds of the iron ore supply in the world.

Therefore, we believe one of the most important sections of S. 1648 is the availability of technical assistance to the various States for the development of these regional planning programs.

We urge the committee to keep this section of the bill intact.

Thank you for the opportunity of appearing before you.

The CHAIRMAN. Thank you very much.

We are sure that your statement is very helpful to the committee, and I am sure it will be given every consideration.

Mr. Nickoloff?

STATEMENT OF ROBERT S. NICKOLOFF, SPECIAL ASSISTANT ATTORNEY GENERAL FOR AREA REDEVELOPMENT, STATE OF MINNESOTA

MR. NICKOLOFF. Mr. Chairman, in the interest of time, Mr. Shipka and I have joined together in our statement today.

We will file written statements applying to titles II and IV of the bill with the Senate Committee on Banking and Currency.

I might add, just from our experience in working with the Area Redevelopment Act for 4 years, we are more encouraged with Senate bill 1648 because we think that it does go to the root of some of the problems that we had in starting a new program.

We have had 4 years of experience under the new program, and we think that Senate bill 1648 will solve some of the problems that have arisen in this 4-year period.

We thank you for this appearance today.

THE CHAIRMAN. Thank you very much, Mr. Nickoloff, we shall look forward to reading your statement to the Banking and Currency Committee.

THE CHAIRMAN. Is there anything else you gentlemen want to add?

Thank you very much for your very substantial help this morning.

I would like to place in the record at this point a statement of Senator William Proxmire, of Wisconsin.

(The statement is as follows:)

STATEMENT OF HON. WILLIAM PROXMIRE, U.S. SENATOR FROM THE STATE OF WISCONSIN

The Public Works and Economic Development Act of 1965, of which I am a cosponsor, is designed to provide aid for regions which have been bypassed by the great national growth that has brought unprecedented prosperity to much of the Nation.

These are the areas within our prosperous Nations where unemployment remains much higher than the national average, where average income is well below the Nation as a whole, where health, education and welfare standards continue to lag woefully behind the rest of the country.

President Johnson pointed out this tragic disparity in a special message to the Senate asking for this legislation. The President observed that "opportunity should not be closed to any person because of the circumstances of the area in which he lives."

There are about 27 million of our fellow Americans now living in such areas. These depressed areas are scattered throughout the country.

It is important to lift these areas from their present condition of economic stagnation and return them to the mainstream of American economic growth. Unless we do this, the rest of the country will also suffer.

I am personally aware of the great problems that these distressed areas face in trying to rebuild their economies and restore their vitality because one such region—the Upper Great Lakes States—includes the northern tier of counties in Wisconsin, Michigan, and Minnesota.

The 80 counties that make up the depressed area in these three States were once rich in mineral and timber resources. In recent years, however, these resources have become depleted. In addition, farmers in the area have also suffered from the general decline of farm income.

Some statistics which point up the problems facing this area show:

Unemployment averages almost 9 percent, which is 20 percent higher than average unemployment in Appalachia.

Population in the area increased 1.2 percent between 1950 and 1960 while population in the three-State area jumped 18 percent.

Wholesale sales for the same period increased 54.2 percent nationally while such sales increased only 15.4 percent in the 80-county area.

There are many other statistics that could be cited, but they all would merely show what is already apparent—that this large area in the Upper Great Lakes has not shared in the dynamic growth of other parts of the country.

And there are other large areas in the country that face the same problem, including Appalachia. I voted against the Appalachia measure partly because it failed to grant aid to the several other depressed areas in the country that were as hard pressed and even harder pressed than Appalachia.

This bill recognizes that depressed areas exist in other parts of the Nation and would set up the machinery to deal with this most serious national problem. It would extend to the Upper Great Lakes States and depressed areas in other parts of the country assistance that the Congress has already made available to Appalachia.

The CHAIRMAN. Senator Smith of Maine is before the committee to present a statement relative to the problems of the New England area. Without objection the Senator's statement will appear at the conclusion of this morning's hearing on the New England area.

The hearing is recessed until 9 a.m. tomorrow.

(Whereupon, at 12 o'clock noon, the committee recessed, to reconvene at 9 a.m., Wednesday, April 28, 1965.)

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

WEDNESDAY, APRIL 28, 1965

**U.S. SENATE,
COMMITTEE ON PUBLIC WORKS,
*Washington, D.C.***

The committee met at 9 a.m., pursuant to recess, in room 1202, New Senate Office Building, Senator Lee Metcalf presiding.

Present: Senators Randolph, Metcalf, Montoya, Harris, Cooper, and Murphy.

Senator METCALF. The committee will be in order.

Our first witness this morning is our colleague, Hon. George McGovern, the junior Senator from South Dakota, who will address himself to the regional development bill which I am proud to have cosponsored with him.

We are glad to have you before the committee this morning, Senator. Go right ahead.

STATEMENT OF HON. GEORGE McGOVERN, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator McGOVERN. Thank you very much, Mr. Chairman, and members of the committee.

As a coauthor, I happy to appear today in support of S. 1648, the Public Works and Economic Development Act of 1965.

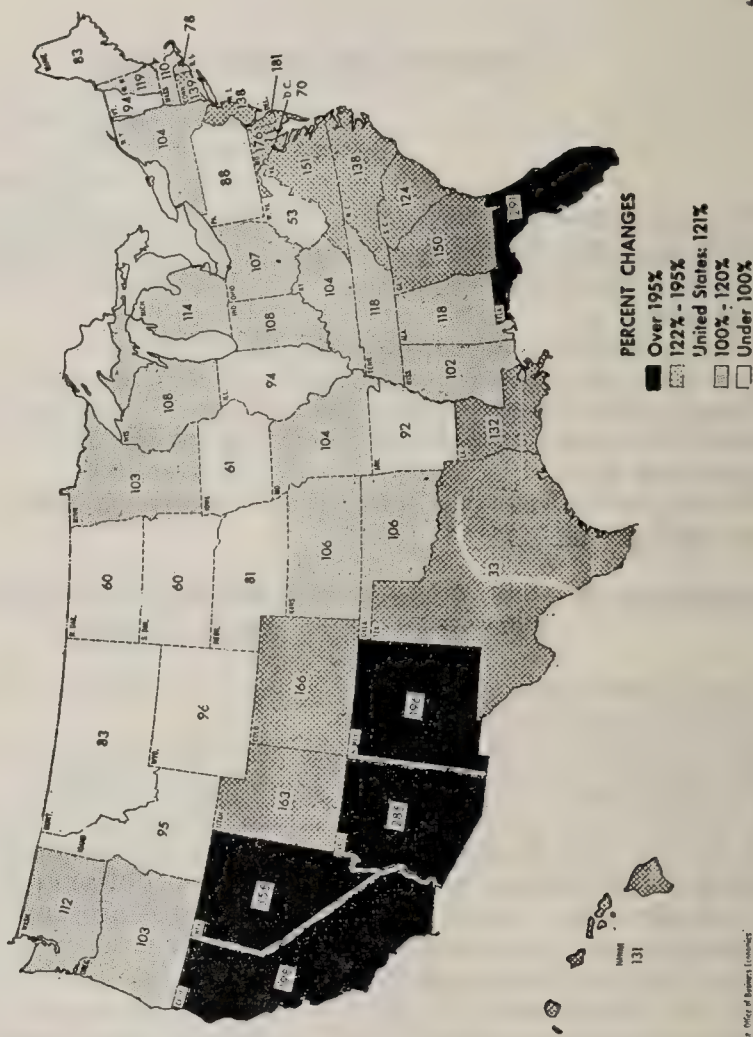
The effort to deal with economic problem areas in the Nation initiated in the Area Redevelopment Act was a very laudable one. The effort in this bill to deal with these economic problem areas on a broader than single-county basis, extending to multistate development commissions in some instances, will undoubtedly strengthen the program.

Early in the present session of Congress, we enacted special legislation for Appalachia, which I was happy to support, particularly in view of the assurance given at the time of its passage in the Senate that the act we now have before us would be proposed and would include provision for regional commissions in compliance with President Johnson's statement in the state of the Union message calling for:

A regional recovery program to assist development of stricken areas left behind by our national progress * * *.

Prior to the enactment of the Appalachia bill, Senators Lee Metcalf, of Montana, chairman of this committee, Gale McGee of Wyoming, and Quentin Burdick, of North Dakota, joined me in the introduction of a bill to establish an Upper Great Plains Commission, including our four States in the upper reaches of the Missouri River.

PERCENT CHANGE IN TOTAL PERSONAL INCOME, 1948-63



All are wholly or partly Plains States with common transportation, agricultural, educational, water, and Indian population problems. They have similar climatic conditions and underdeveloped resources, including scenic, historic, and recreational resources, a tremendous supply of fossil fuel and mineral potentialities.

All four of the States have had considerably less than average economic growth in the past two decades.

I would like to call the committee's attention to a map of the United States, which I would appreciate having included with my remarks, which appeared in the April 1964, issue of *Survey of Current Business*, published by the Office of Business Economics, Department of Commerce.

Senator METCALF. Without objection, the map will be incorporated in the record.

Senator McGOVERN. The map presents changes in total personal income by States during the 16-year period from 1948 through 1963. It reflects the fact that all four of the Upper Missouri-Upper Great Plains States—the two Dakotas, Montana, and Wyoming—were in the lowest group of States in total personal income gains, having less than 100 percent gain compared to the national average gain of 121 percent.

I call attention to the fact that on this map the area for which we are advocating a development commission reflects a considerably more serious general economic situation than even the Appalachia States.

It is true that increase in total personal income was lowest in West Virginia at 53 percent. Excepting only West Virginia, however, the Dakotas had the lowest total personal income gain at 60 percent, or less than half the national average. Montana's gain was only 83 percent, and Wyoming's 96 percent.

Other measures of economic health and growth reflect the same lag in the Upper Great Plains as do the personal income figures.

Employment in the United States gained 46.3 percent from 1940 to 1960. It gained only one-fifth of this in North Dakota, and less than half the national average in South Dakota—19 percent. It grew only 28 percent in Montana, and in Wyoming 42.4 percent, which looks pretty high to us in the Dakotas, but is still actually under the national average.

The other day, the legal aide to Mayor Robert Wagner of New York City inquired at my office, and I assume at others, representing primarily rural States, what we are doing in relation to urban problems. I replied to the Mayor's office that I was trying to hold down urban unemployment and relief costs by enabling farm families to remain on their farms and make a decent living on the land.

It is a fact, Mr. Chairman, that half of the urban unemployment today is a result of the decline in farm numbers and the inability of the adjacent communities to absorb the workers coming out of agriculture.

South Dakota has had a high outmigration to the cities in the 1940-60 period. A consequence of this outmigration is that our rate of unemployment on a statewide basis does not run the 50 percent above national average which is used as a measuring, or qualifying, standard for assistance under S. 1648. We do, of course, have counties and districts where unemployment exceeds the requirement to qualify for assistance.

The August 1964, Survey of Current Business shows that total employment—total jobs—in South Dakota decline 1,900 in the 1950–60 decade, but our unemployed increased only 1,800, from 7,200 to 9,000, or from 2.7 percent to 3.3 percent.

Our outmigration of persons seeking employment thus amounted to slightly more than total new entrants in the labor force.

The picture that emerges from these statistics is one of a lagging area, in which employment is actually declining, which is sending its unemployed to other areas to aggravate the employment problems by automation there.

The further conclusion is quite clear that economic development, and the stimulation of job opportunities in areas like the Upper Great Plains would lessen the problems in other area of the Nation to which our unemployed are migrating.

Because outmigration from South Dakota and her sister States conceals our real economic situation, when judged by unemployment alone, I recommend very strongly that title V be amended to provide that the Secretary of Commerce shall initiate the establishment of development commissions in areas of seriously lagging economic growth.

This could appropriately be done in the opening sentence of section 501(a), and by amendment of subsection (2) of section 502 to include lagging economic growth as a criteria under which assistance would be available.

The fact that unemployment figures are not infallible guides to areas where serious economic problems are to be found is illustrated by some other data on the Dakotas where the official figures indicate only 3.3 percent and 4 percent unemployment last year.

South Dakota's median family income was the ninth lowest in the Nation, according to the Department of Health, Education, and Welfare Report on Family Income of September 1964.

Most of the 10 lowest median family income States registered the largest percentage improvement in the Nation for such median incomes. South Dakota was an exception. In the 1949–59 period, the improvement in South Dakota was less than the national average—24.6 percent compared to a national average improvement of 50.5 percent over the 10-year period.

In Oliver County, N. Dak., there was a decline of 41 percent in median family income in the 10-year period.

Twenty-one percent of families in South Dakota have incomes under \$2,000 per year.

North Dakota suffered the largest decline in per capita income of any State in the Nation between 1962 and 1963—12 percent. South Dakota was second highest at 6 percent decline.

The national annual population growth rate in the Nation in the fifties was 1.7 percent. In the Upper Midwest area it was less than 1 percent, and for South Dakota it was slightly under one-half of 1 percent.

The outmigration, which was a net 94,279 from South Dakota in the 1950–60 period, was, of course, responsible for the slow population growth and conceals, if only unemployment figures are used as a criterion of economic status, the serious problems of my State and the Upper Great Plains.

Mr. Chairman, there are a number of amendments I would like to suggest in the bill. I will supply the committee with a marked copy of the bill with the amendments I have proposed clearly outlined.

I recommend first that the language beginning after the first sentence in section 4(a) of S. 812, Senator McNamara's original bill on this subject, be substituted for section 501(c) in S. 1648.

This will give the regional development commissions definite organizational pattern, lift them in status, and assure competent and continuous staffing. It does a much more thorough job of spelling out the construction of the regional commissions than is true the way it now stands under S. 1648.

Since many projects undertaken to aid regional economies may be done under existing programs, without further legislation or the necessity of directives from the President, I suggest that in section 501(a) (6) the phrase "legislative and other" at the beginning of the sentence be deleted, and the words "including legislation when necessary" be added following the comma on page 21, line 2. This will make the provision read:

(6) preparing recommendations with respect to both short-range and long-range programs and projects for Federal, State and local agencies, including legislation when necessary, and * * *

The reason for that, Mr. Chairman, is that the present wording seems to imply that the Commission would in most cases have to ask for legislative action, whereas the facts are that Federal agencies can do many of the things that need to be done under this program without any further legislative action. They have the executive authority to do it under existing authorizations.

In subsection 501(d), I urge the committee to modify the language to read:

(d) The Secretary shall present such plans and proposals of the commissions as may be authorized and recommended to him (but are not authorized by any other section of this act) to the Federal agencies primarily interested in such proposals and then to the President for such further action as he may deem desirable.

Here again the thrust of that change is to put greater responsibility on the Federal agencies to use existing authority before further action is requested by the President.

As I have said, Mr. Chairman, I shall supply your staff with a marked copy of the bill.

(The marked bill, with the suggested amendments, was filed with the committee.)

Senator McGOVERN. There is much more that can be said about the needs of the Upper Missouri-Upper Great Plains area, and there are other witnesses who will deal with them. I want to conclude with just one more observation.

The regional approach will, in my judgment, get far better results than the restricted, one-county effort which handicapped the old area redevelopment program.

In S. 662, we mentioned the possibility of interconnecting scenic, historical, and recreational areas of the Upper Great Plains to create a parkway, or tourway, which could benefit the whole region.

This is the legislation that I referred to earlier, introduced by the chairman, Senators Burdick, McGee, and myself.

South Dakota has the Badlands, the Black Hills, Mount Rushmore, the Great Lakes of the Missouri, Wind Cave, and Crystal Cave, prairie grasslands, a section of the Lewis and Clark Trail, rich Indian lore, scenic lakes and outdoor recreation which could be included in a great loop in the Upper Great Plains States which, joined with the Theodore Roosevelt Monument, Fort Peck, and other scenic and historic attractions in our sister States would be at least a once-in-a-lifetime must for Americans who wanted to know their country well—and would undoubtedly draw tens of thousands of them back into the area many times.

Tourism and recreation can make a substantial contribution to our region's economy.

This one regional project, impossible to approach on a county-by-county or even district-by-district basis, could benefit the whole area. It is but one example of the need for the broad regional approach.

Thank you very much, Mr. Chairman.

Senator METCALF. Thank you, Senator McGovern, for an outstandingly good statement of the need for regional development in our Upper Great Plains.

I have no questions.

Do you have a question, Senator Harris?

Senator HARRIS. No.

Senator METCALF. Thank you very much.

Senator METCALF. The next witness is Senator Burdick, from our neighboring State of North Dakota.

STATEMENT OF HON. QUENTIN N. BURDICK, A U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator BURDICK. Mr. Chairman, members of the committee, thank you for allowing me to present this statement in support of an Upper Great Plains Development Commission which could be established under title V of the Public Works and Economic Development Act.

The Upper Great Plains region, comprising the four States of Wyoming, Montana, South and North Dakota, face problems of low income and declining economic growth not unlike the Appalachia area to which Congress has responded by passing the Appalachian Development Act.

The Upper Great Plains States need economic development programs from both public and private sources if they are to provide an adequate standard of living for their people.

Average incomes are low in these States, among the lowest in the Nation. Unemployment continues to plague the area, and transportation is being curtailed by railroad and airline suspension.

Farm income is seriously depressed, and our farmers are told daily that many of them cannot expect to make a living on the farm in the future.

Not the least of these problems, and perhaps the most important is the fact that our young people—those in the most productive years of life, from 20 to 44 years of age—are leaving the area at a rate unequalled anywhere else in the country.

Others here today are able to give you specific details about Montana, Wyoming, and South Dakota. I would like to present some of the major economic and demographic characteristics of North Dakota.

North Dakota is the most agricultural of all 50 States. In 1960, nearly 33 percent of employed persons in North Dakota was engaged in agriculture. At the same time, according to a study entitled "Economic and Sociological Trends Affecting Town and Country Churches in North Dakota" by Stanley W. Voelker, an agricultural economist with the U.S. Department of Agriculture in Fargo, N. Dak., has by far the lowest percentage of persons engaged in other basic industries, such as mining, forestry, fisheries, and manufacturing, or construction.

A relatively large part of the economic activity of the State consists of providing goods and services to farmers.

In no other State is the welfare of such a high proportion of the population so dependent, directly and indirectly, upon economic conditions in agriculture.

North Dakota agriculture is characterized by a comparatively high proportion of farm income from crops and a low proportion from livestock and livestock products.

In 1960, 62.4 percent of the total cash farm income came from the sale of crops, 6.9 percent from Government payments, and only 30.7 percent from the sale of livestock and livestock products.

In this respect, North Dakota agriculture differs sharply from that of other North Central and Northern Great Plains States, where sales of livestock and livestock products account for an overwhelming share of total cash farm income.

Wheat is by far the most important crop in North Dakota, accounting for nearly a third of the harvested acreage and for nearly half of the value of crop production in 1960. Wheat plus other grains such as barley, rye, oats, and corn accounted for 63 percent of the harvested acreage, and 72 percent of the crop value in 1960.

It is because of this heavy reliance upon grain that North Dakota faces one of the most trying adjustment problems in the country, because in the Nation as a whole, wheat and feed grains are the farm commodities plagued by the largest surpluses and the lowest prices.

Farms in North Dakota have shown a steady decline in numbers and an increase in size since 1930. In 1935 there were 84,600 farms with an average acreage of 462 acres in North Dakota. In 1959 there were 54,900 farms with an average acreage of 755 acres.

Since that time, and especially in the last year, the rate has accelerated. By 1975 at the present declining rate of 2.5 percent a year, there is projected only 37,300 farms in the State.

As our farms have grown larger in size and fewer in numbers, the people of North Dakota have gone elsewhere to seek employment.

Despite one of the highest birth rates and lowest death rates in the country, North Dakota has actually declined in population by nearly 50,000 people since 1930, when it had 681,000, to the 1960 level of 632,000.

The 1960 population is up from the 620,000 level of 1950. This is attributed to the retaining effects of the new petroleum industry and major military installation at Minot and Grand Forks.

From 1940 to 1960, North Dakota had a net outmigration of 226,000 people. Most of these were among the most productive and between the ages of 20 and 44.

Because of this trend, most of our population is below 20 or above 45, and the increased numbers in nonproductive age groups, both

children and elderly persons, have placed heavier economic burdens upon the decreased number of people in the productive age groups.

This has made it increasingly difficult to provide the best educational and social services needed by our people.

This population trend plus the heavy reliance on low-profit grain farming has caused North Dakota to be among the lowest States in the Union in terms of per capita personal income.

Since the end of World War II, a time when most other areas of the country have enjoyed relative prosperity, the income of the North Dakota resident has averaged 20 to 30 percent below the national average, the lowest of any State.

And as my colleague, Senator McGovern, has just stated, in 1963 North Dakota suffered a drop of 12 percent in per capita personal income—again the largest decline of any State in the Union.

In recent years, unemployment in North Dakota has ranged from a high of 5.4 percent in 1961 to a low in 1964 of 4.2 percent. These figures are not high when compared to the startling rates of some of our cities. However, they can be misleading, because they do not account for the thousands of persons who could not find jobs in the State and subsequently moved elsewhere, usually to the cities, to seek employment.

Some have been successful, but the unskilled and uneducated have only contributed to the unemployment rolls of the urban areas of the country.

Recently, the Minneapolis Tribune reported the results of a 5-year Midwestern economic study by the Upper Midwest Research and Development Council.

Two of the most startling predictions of this study were that out-migration would continue to increase, and employment continue to decrease, in North Dakota in future years.

The No. 1 challenge facing North Dakota according to this study is to provide jobs for those persons released from farming and other traditional means of livelihood.

Mr. Chairman, an Upper Great Plains Development Commission could facilitate the task of providing employment in this area. By coordinating economic development projects in the region with the Federal Government, it could be the tool for obtaining information about the region's economy that could then be used to develop programs necessary to strengthen the economy of the area.

I would hope that such a commission would recommend such projects as an Upper Great Plains Scenic and Historical Highway to connect historic sites in each of these four States, such as that called for in S. 662.

In addition, it could provide information necessary to justify further research into better methods of utilizing the region's mineral resources.

And of course I would hope that in addition to searching for ways of developing new sources of economic wealth, it would concentrate on more efficient ways of utilizing the agriculture and water resources of the area in order to create new wealth from old sources.

I believe an Upper Great Plains Development Commission could assist in all these things, and more. I endorse such a commission and recommend its approval by this committee.

Mr. Chairman, I support completely the legislation before you.

Senator METCALF. Thank you, Senator Burdick, for outlining and paralleling the needs of North Dakota with those of South Dakota. The same case, of course, can be made for the other States in the Upper Great Plains regions.

Do you have any questions, Senator?

Senator HARRIS. No; thank you.

Senator BURDICK. Thank you very much.

Senator METCALF. At this time I offer for the record a letter from my colleague, the Senator from Montana, Senator Mansfield. Without objection, it will go into the record at this point.

(Letter referred to follows:)

U.S. SENATE,
OFFICE OF THE MAJORITY LEADER,
Washington, D.C., April 27, 1965.

HON. LEE METCALF,
Committee on Public Works,
U.S. Senate, Washington, D.C.

DEAR SENATOR METCALF: One of the persistent problems confronting this administration, and its predecessors, is persistent unemployment in economically distressed areas and regions of the Nation. The United States as a whole finds itself in the enviable position of being the most economically advanced Nation in the world. However, this is deceiving when we recognize that we have far too many areas of poverty, substandard incomes, and underemployment.

We have already taken steps to alleviate this situation and I am pleased to take this opportunity to endorse the purposes of the "Public Works and Economic Development Act of 1965" and the "Regional Development Act of 1965." A program has begun in the Appalachia region and there is every reason to believe that similar programs can provide aid elsewhere. As a Senator from Montana I am especially interested in S. 812 and the help it would bring to the Treasure State and its neighbors in Wyoming, North and South Dakota. I believe the regional approach will be most satisfactory. Our economies are largely rural, we have similar historic and cultural backgrounds and we depend upon the development of our natural resources. We have the same problems—high unemployment, our average incomes are not growing as rapidly as the national average, industry is extractive in nature and there is a very serious outmigration of labor and our young people. Also there is a definite lag in meeting the challenges of a changing industrial technology.

In 1963 the national average personal income was \$2,448, in Montana it was \$2,215. In 1964 the national average increased to \$2,550 and in Montana is dropped to 2,180. Programs such as those being discussed at these hearings can be of great assistance in reversing this trend.

The regional approach to these economic problems is basically sound and I hope that the Senate Committee on Public Works will make its recommendations known to the Senate at an early date.

With best personal wishes, I am

Sincerely yours,

MIKE MANSFIELD.

Senator METCALF. I also have a statement from Senator Gale McGee of Wyoming, and without objection his statement will also be made a part of the record.

(The statement referred to follows:)

STATEMENT OF HON. GALE MCGEE, A U.S. SENATOR FROM THE STATE OF WYOMING

Mr. Chairman, it is a privilege for me to appear here to present to your committee my testimony in support of S. 1648. I speak especially for title V of the bill which would create a series of regional action planning commissions. Earlier in this session of the Congress, I joined with Senators McGovern, Metcalf, and Burdick in proposing an Upper Great Plains regional development commission to promote the economic development of our four-State area which, as the title suggests, share many of the common characteristics of the western plains.

At the time of the introduction of that bill, I noted that while we in the Upper Great Plains are fortunate enough to have escaped in large measure the extremes of poverty and unemployment that have affected other areas in the Nation, we still are faced with a very real problem of exploiting for the benefit of our people and the Nation as a whole the potential possessed in the Upper Great Plains for increased economic growth and development.

The whole Nation will be the poorer if any area stagnates in economic backwardness while others enjoy the benefits with which our modern technology is very rapidly changing the face of the Nation and our way of life. There are some indications to suggest that we in this area are falling behind in certain economic respects. For example, throughout the United States an average of 21.4 percent of our families must exist on incomes of less than \$3,000 a year. Six of Wyoming's 23 counties have a low income percentage substantially above the national average, reaching as high as 28.5 percent in one instance. Furthermore, many concerned citizens have written or spoken to me of their distress over the fact that many of our young people after graduating from our high schools and colleges are leaving our State and area for what they consider to be better opportunities elsewhere.

Mr. Chairman, there is no resource that we can less afford to lose than that of the skills, energies, abilities, and labor of our young people. I would hope that if these commissions do nothing else they will demonstrate to our young men and women that opportunity does not lie over the horizon, but is found in their own home State.

The State of Wyoming is affected by pockets of unemployment caused by technological changes, especially the changeover from coal to oil by the trans-continental railroads. We suffer from communications difficulties because of the distances involved in travel and bringing our products to market. We face extremes of rainfall and problems of soil, climate, and elevation.

While we have many problems, we also have tremendous potential. Some time ago, I asked the U.S. Geological Survey to prepare for me an analysis of Wyoming's mineral and water resources. And while I was well aware of the great variety of our mineral reserves, I was astounded to note that this survey showed reserves far beyond my expectations both in size and variety. What is lacking, of course, is the means to utilize these resources. We have seen instances of mineral development in the past few years that have been very encouraging and should provide useful examples for those who would extend this mineral development to other areas.

I firmly believe that one of the real problems which has prevented a faster rate of economic growth in our area is the lack of comprehensive planning which has prevented various facets of our economy from reinforcing each other and contributing to total overall growth. And I believe that our modern technology is creating the means to use many of our resources which have heretofore not been used because of high production costs. Further, the State's agricultural picture which rests mainly on three or four commodities should be analyzed to determine if there are not other crops or other animals which we could produce and which would broaden the farmer's economic base, thus protecting him from dependence upon one market and one crop.

All these things are indications of the need for comprehensive planning which can be provided by the regional action planning commission envisaged by this legislation.

Mr. Chairman, I should note that a great deal of my support for this proposal comes from the fact that it does not propose to do for the people of my State and region what they can and should do for themselves, but rather to show them how best to use all the tools that modern science and technology put at our command. The people of Wyoming are justly proud of their self-reliance. We consider that we are one of the last repositories of the spirit of the old frontier and I hope that with the assistance of the proposals set forth in this bill and with the cooperation of our neighbors we will find the way to eliminate the economic soft spots that do exist and to provide for sustained economic growth and development of what I am confident can be an area of real strength and stability for our entire Nation.

Senator METCALF. Our next witnesses comprise a panel consisting of Mr. Carl F. Kraenzel, department of agricultural economics and rural sociology, Montana State College, and Arthur Jones, president, Basin Electric Cooperative.

Mr. Kraenzel is an old friend of mine, an expert in all of this region, and author of textbooks and articles on the Upper Great Plains. He is especially authoritative on the needs of Montana.

I am delighted to have him before the committee.

I notice you have a prepared statement, Carl, and you go right ahead.

STATEMENTS OF CARL F. KRAENZEL, DEPARTMENT OF AGRICULTURAL ECONOMICS AND RURAL SOCIOLOGY, MONTANA STATE COLLEGE; ACCOMPANIED BY ARTHUR JONES, PRESIDENT, BASIN ELECTRIC COOPERATIVE

Mr. KRAENZEL. Mr. Chairman, I appear here as a witness at the hearings of the Public Works Committee on Senate bill 1648, especially title V, relating to multi-States information collection and development, particularly as set out in Senate bill 662, sponsored by Senators McGovern, Burdick, McGee, and Metcalf.

I speak as a resident and citizen of this region, and as a long-time student of its problems. These several States of the Great Plains, especially the four to the north, namely, South Dakota, North Dakota, Wyoming, and Montana, need help and encouragement as individual States, but more particularly as a group of States or a region.

These States, especially that portion between the 98th meridian and to the west, to the foothills of the Rockies, and including the Rockies, are semiarid and even arid in character. Not only is the longtime average precipitation 20 inches or less, but it fluctuates extremely, sometimes above this, and sometimes considerably below this.

And these fluctuations are not predictable as to length of time. There are other hazards attendant on these facts. They have been well documented by special committees, and by myself in writings such as "The Great Plains in Transition," published by the University of Oklahoma Press in 1955.

Such unpredictable fluctuations in precipitation have always created special hazards for the institutions and the service base, especially now, and promises to do so for the future.

This is because ours is now more of a cash economy, one that depends upon "boughten goods and services." If people do not have income, especially a stable income, they cannot support purchases, private services, semiprivate services, and public services, except in haphazard fashion.

The risk of supporting merchants, churches, medical services, public health, schools, local government, credit—all community services—is high.

The residents of the Great Plains proper, to survive and be effective citizens, need the same security of income that residents of other parts of the Nation have. To have this, special adaptations of living are necessary. These adaptations include special techniques:

- (a) to develop reserves;
- (b) to accomplish flexibility; and
- (c) to encourage mobility.

Agriculture, both ranching and farming, have developed such adaptations. Examples have been described by myself in some of my writings and by others.

It is in education, local government, health, church, community, business, and manufacturing aspects that I see no such adaptations, and it is in this area that adaptations need to be made.

It is in these aspects that research in new ways and forms of social organizations—and in agriculture, too—needs to be undertaken, tested, demonstrated, and then disseminated.

To do this, several indigenous cities must be developed to hold population that is now migrating out. Centers of adapted financing and business organization need to be encouraged. Centers for developing indigenous information and mass communication need to be developed.

National and international events in politics and business need to be treated and evaluated in the light of the regional setting and needs, and regional needs and problems need to be translated in their national and international context.

Wheat and livestock products, the major source of income at this time, need to be understood locally in the region and on a national level from both of these points of view. And so it is with the few resources other than agriculture the region has. Otherwise, the region is likely to become an area for exploitation by nonresident landlordism, a desert, and an area of intense poverty.

The region is already an area of high social cost of space. By this I mean that the area has such vast distances, and population is so sparse that:

1. Many kinds of services to people are curtailed or nonexistent; or
2. The quality of such services is below average or poor; or
3. The cost of good quality services is very high, most likely to be higher than in the more populated States; or
4. Services are postponed to some future date, resulting in high "curative" rather than less expensive preventative costs; or
5. Costs are necessarily pushed into the future and onto the general public rather than borne by the individual.

6. Some combinations of all of the five points above prevails.

That the region of the Northern Plains States suffers from this high risk and vulnerability is demonstrated by the slow population growth, the lack of large cities, and the resultant exodus of population. Exhibits I to IX which I offer with some conclusions appended, are in partial support of this position:

1. Exhibit I shows that the area is large, the population sparse, and the population increase between 1950 and 1960 less than half that for the Nation;

2. Exhibit II shows that the four States are city-less, none having had over 75,000 in 1960. From this it follows that population must necessarily move out of these States if it moves city-ward. The present town and city growth is likely to be temporary only by way of a step out of the region.

3. Exhibit III shows the number of counties losing population between 1950 and 1960—about 60 percent of them. Some lost so much prior to 1950 that the loss of more in the last decade was impossible short of zoning counties out of existence entirely.

4. Exhibit IV shows the difference in population density, number of towns 10,000 and over in size, and size of average trade area for such towns for the four Plain States, for nine Midwest-Ohio Valley States, and for Connecticut. This shows clearly, in an indirect way, the social cost of space.

In this connection, for the purpose of this committee here, I wish to call attention to the data in row 3 entitled "Density per square mile for the Great Plains States." This is 5.9 persons per square mile.

For the nine States in the Midwest and Ohio Valley area, the same sized area, the density is 141 persons per square mile, and for Connecticut, which is of course a small State, but has population of the same size as these four States, the density is 506.

And then down at the bottom are two important figures in the exhibit. For example, average square mile area of such centers. I listed here the number of centers of 10,000 and over.

For the Great Plains there were 30 such centers, and they had an average square mile trade area of over 13,000. For the 9 States in the Midwest and the Ohio area, the square mile area was 669 only, and for Connecticut 158.

If you were to visualize this as a circle, it would be a distance of 64 miles from the center of the circle to the periphery in the case of the Great Plains, only 14 miles in the case of the 9 States in the Midwest, and 7 miles in the case of Connecticut, showing the cost of distance.

5. Exhibit V shows the dependency ratio, people under 20 and 65 and over to the likely working population, 20 to 65, for these 4 States and for several of the most urban States and cities.

It is clear that each 1,000 potential adults in these 4 States support more dependents than the urban States and cities, a consequence of outmigration, in large part.

6. Exhibit VI shows the differential in population density between the 4 States of the Northern Plains and the 4 most densely populated contiguous States of the Nation.

7. Exhibit VII shows for North Dakota and Montana how 88 Federal agencies tend to pull apart rather than hold together 2 States that have much need for common action. This data was based on Federal agencies in operation in the mid-'30s.

For example, in this connection I call attention to simply two figures. In the case of Montana for these 88 agencies, 43 of them pulled Montana westward, while in the case of North Dakota 61 of these 88 agencies pulled North Dakota eastward. No wonder these 2 States do not talk to each other.

8. Exhibit VIII shows the probable cost of rearing youth in these States, and the subsidy to areas outside the State, especially cities. No region can survive such continued mining of its population and resources.

For example to educate through high school at family and public expense a young person, it is estimated to cost about \$19,000. Educating such a person through college, the cost is \$32,000.

My estimate, based on research, indicates that there are about 5,000 such people, young people, leaving the State every year. Together, this costs about \$127 million per year.

The price of all the income to Montanans, all wheat sold, is barely \$140 million. Livestock sales are nearer \$200 million.

Far be it from me to be mercenary, but even young people cost money today, and it is necessary to have the money to rear them.

9. And finally, exhibit IX shows the proportion of the Nation's population estimated to live in strip cities, and the relative growth of these. The 4-State area has little prospect of population growth of this character at this time, but need encouragement of opportunity.

These things, sir, are ideas about the 4-State Northern Plains region, and its problems. I fail to see how any significant force for growth can come from the individual States by themselves.

It would appear that a united regional attack is necessary to have significant growth, or to avoid further deterioration at this time. I should like to see this tried in the manner suggested in the proposed Senate bill 662 amended to the major bill.

Without such regional attack, I foresee complete depopulation of large areas of these 4 States. In fact, I would recommend this in the light of the high social cost of space that would prevail.

Mr. Chairman, I have here an article that I would suggest be included. It deals with the communities and the title is "Pillars of Service for the Emerging Community of the Plains, With Special Emphasis Upon Health Services." This appeared in the Journal of Health and Human Behavior in the summer and fall issue, 1964, volume 5, pages 67 through 74.

Senator METCALF. Without objection, the article will be incorporated in the record following the exhibits to your statement.

(The material referred to follows:)

EXHIBIT I

4-State population numbers and density for 1950 and 1960

Area		1960 population				1950 population			
State	Square miles	Total	Density	Rural	Density	Total	Density	Rural	Density
Montana.....	146,316	674,767	5.6	336,310	2.3	591,024	4.0	332,990	2.3
North Dakota.....	70,054	632,446	9.0	409,733	5.9	619,636	8.9	454,819	6.5
South Dakota.....	76,536	680,514	8.9	413,334	5.4	652,740	8.5	436,030	5.7
Wyoming.....	97,606	330,066	3.4	142,515	1.5	290,529	3.0	145,911	1.5
Total.....	390,412	2,317,793	5.9	1,301,892	3.3	2,153,929	6.0	1,369,750	3.5

Prepared by Carl F. Kraenzel, Montana State College, Bozeman, Mont. (Census source).

CONCLUSION

(1) The area of these four States is very large. It is the equivalent of a nine-State area in the Midwest and Ohio Valley, namely Illinois, Indiana, Ohio, Kentucky, Tennessee, West Virginia, Michigan, Wisconsin, and Pennsylvania.

(2) It is sparsely populated, less than 6 persons per square mile for the entire area, ranging from 9 persons in North Dakota to 3.4 persons in Wyoming in 1960.

(3) The rural density is about half that of the total density, indicating that cities are not highly significant in the four-State area. In fact, the rural population, including that of towns under 2,500, did not decrease significantly between 1950 and 1960 while the total population increased 7.6 percent compared with an increase of 18.4 percent for the Nation.

EXHIBIT II

4-State population (1960), classified by proportion in certain residence category

Area	Size of residence category							
	Rural pop- ulation		2,500 to 9,999		10,000 to 24,999		25,000 to 49,999	
			Number	Population	Number	Population	Number	Population
Montana-----	336,310	17	82,523	65,533	5	72,059	2	108,208
North Dakota-----	409,733	8	44,753	37,554	3	139,387	0	0
South Dakota-----	413,334	17	72,995	84,526	6	42,399	1	65,466
Wyoming-----	142,515	14	65,574	39,542	4	82,435	0	0
Total-----	1,301,892	56	265,845	228,155	18	336,280	3	173,674
							0	0

Prepared by Carl F. Kraenzel, Montana State College, Bozeman, Montana (census source).

CONCLUSION

- (1) These four States are cityless. In 1960, there was no city over 100,000 ; in fact, none much over 75,000 population.
- (2) There are only three cities with population of over 50,000 and none of these are part of a strip-city complex except perhaps Sioux Falls in South Dakota.
- (3) The small cities, those under 75,000 and those under 50,000 are expected to carry the burden of the larger city in most other areas.
- (4) The absence of cities of any significant size means that population that leaves agriculture and the small town must necessarily move out of State.

EXHIBIT III.—4-State counties showing 1950-60, percent change in total population

Area	Counties showing increase						Counties showing decrease						Total counties	
	Total	75 and over	50-74.9	30-49.9	15-29.9	5-14.9	Under 5	5-14.9	15-29.9	30-49.9	50-74.9	75 and over		Total
Montana.....	32	0	1	6	8	9	8	13	2	0	0	0	24	56
North Dakota.....	12	0	0	3	1	5	3	30	7	0	0	0	41	53
South Dakota.....	22	1	2	0	1	8	10	26	4	1	0	0	45	67
Wyoming.....	15	0	2	1	8	3	1	5	2	0	0	0	9	24
Total.....	81	1	5	10	18	25	22	74	15	1	0	0	119	200

Prepared by Carl F. Kraenzel, Montana State College, Bozeman, Mont. (census source).

CONCLUSION

- (1) More than half of the counties, 60 percent, lost population between 1950-60 in this four-State area.
- (2) The largest number of these, 62 percent of those losing population, lost between 5 and 15 percent.
- (3) In fact about 75 percent of those losing population lost more than 5 percent; and 45 percent (almost half) of the total counties lost more than 5 percent.
- (4) Forty percent of the counties gained population between 1950 and 1960, and the range of percentage increases was great.
- (5) Fewer Montana counties showed population decrease between 1950 and 1960, compared with the counties of the other States chiefly because Montana population decreases in specific counties occurred in earlier decades, prior to 1950.

EXHIBIT IV

*1960 population and area data for centers 10,000 and over for 4-State, 9-State
midwest Ohio Valley, and Connecticut*

Item	4-State Plains area ¹	9-State mid- west Ohio Val- ley equivalent ²	Connecticut ³
Area (square mile).....	390,412	395,567	5,009
Total population (1960).....	2,317,793	56,010,056	2,535,234
Density (per square mile).....	5.9	141.6	506.1
Number of centers, 10,000 and over.....	30	591	33
Population of such centers.....	738,109	30,531,692	1,693,199
Average population of such centers.....	24,604	51,661	51,309
Average total population of such centers.....	76,928	94,771	76,825
Average square mile area of such centers.....	13,014	669	158
Radius equivalent (were the area a circle).....	64.4	14.6	7.1

¹ The total of Montana, North and South Dakota, and Wyoming.

² An equivalent size area including the total of the following States: Illinois, Indiana, Ohio, Kentucky, Tennessee, West Virginia, Michigan, Wisconsin, and Pennsylvania.

³ A State (northern) with a population number similar to that of the 4-State Plains area.

Prepared by Carl F. Kraenzel, Montana State College, Bozeman, Mont. (census source).

CONCLUSION

(1) Distance is a problem, and an economic as well as a social cost in the four-State Plains area as shown by:

(a) The low density of population (row 3), namely, 5.9 per square mile for the four-State Plains area, 141.6 for the midwest Ohio Valley equivalent, and 506.1 for Connecticut.

(b) The large area per town or city of 10,000 population and over (row 8) which was 13,014 square miles for the four-State Plains area, 669 square miles for the nine-State midwest Ohio Valley area and 158 square miles for Connecticut.

(c) The long-radius distance (row 9) from the center to the periphery, were the area in (b) above thought of as a circle; i.e., a 64.4-mile radius in the first instance, a 14.6-mile radius in the second, and a 7.1-mile radius in the third instance.

(2) Apparently there is a somewhat similar total number of people necessary to support towns and cities, on the average, regardless of sparsity of population. This is shown by the fact that the average number of total population per town of 10,000 and over was 76,928 for the four-State Plains area, 94,771 for the nine-State midwest Ohio Valley area, and 76,825 for Connecticut. This similar figure has been noted in other calculations.

(3) The conclusion in item (2) above would indicate that area is the variable when it comes to population support of towns 10,000 and over, and that this is especially pressing for sparsely populated areas.

(4) In the densely populated area, the many smaller towns and cities of 10,000 and over pull down the size of the large cities, when these data are averaged, compared to the situation in the sparsely populated area (data in row 6); or, inversely, the difference between an average of 25,000 for all towns over 10,000 for the sparsely populated area and an average of 50,000 for all towns over 10,000 in a densely populated area is significant and is indicative of intertown and intercity support, large and small.

EXHIBIT V

Dependency ratios for total urban and rural population as of 1960, for 4 Plains States, 6 most urban States, and 5 most urban cities¹

	Total population	Urban population	Rural population
4 Plains States:			
Montana Plains.....	1,062	1,012	1,113
Montana nonplains.....	1,003	968	1,042
North Dakota Plains.....	1,103	1,017	1,140
North Dakota nonplains.....	1,049	1,004	1,087
South Dakota Plains.....	1,051	969	1,107
South Dakota nonplains.....	1,079	1,082	1,076
Wyoming Plains.....	949	925	979
Wyoming nonplains.....	959	920	1,013
Select States:			
New Jersey.....	801	790	888
Rhode Island.....	857	840	890
New York.....	786	756	979
Massachusetts.....	883	862	947
Connecticut.....	744	819	872
California.....	850	838	924
Select cities:			
District of Columbia.....	690	-----	-----
Boston.....	855	-----	-----
New York City.....	725	-----	-----
Chicago.....	811	-----	-----
Los Angeles.....	819	-----	-----

¹ Dependency ratio is the number of persons under 20 and over 65 years of age per 1,000 persons 20 to 64 years of age.

Prepared by Carl F. Kraenzel, Montana State College, Bozeman, Mont. (census source).

CONCLUSION

(1) Compared with urbanized States and with the most urban centers, those in the working force in the four-Plains States carry a higher support burden. They have more young and old persons to support.

(2) This is generally more true for rural areas than for urban areas.

(3) In all probability, this is partially accounted for by the exodus of young people out of the four-Plains States and out of the rural areas generally.

EXHIBIT VI

Per square mile total population density as of 1960, for 4 Plains and 4 most densely populated States for 1910 through 1960 census periods

Area	Total population density					
	1960	1950	1940	1930	1920	1910
4 Plains States:						
Montana.....	4.6	4.1	3.8	3.7	3.8	2.6
North Dakota.....	9.1	8.8	9.2	9.7	9.2	8.2
South Dakota.....	8.9	8.5	8.4	9.1	8.3	7.6
Wyoming.....	3.4	3.0	2.6	2.3	2.0	1.5
4 most dense States:						
Rhode Island.....	812.4	748.5	674.3	649.8	566.4	508.5
New Jersey.....	806.7	642.8	553.1	537.3	420.0	337.7
Massachusetts.....	654.5	596.2	545.9	537.4	479.2	418.8
Connecticut.....	517.5	409.7	348.9	328.0	286.4	231.3

Prepared by Carl F. Kraenzel, Montana State College, Bozeman, Mont. (census source).

CONCLUSIONS

(1) This demonstrates that the Plains States are strikingly less populated.

(2) Since 1920, the growth in the individual States of the Northern Plains has not been significant measured in terms of density change.

(3) For the four Plains States, by contrast with the densely populated States, these data are one measure of the cost of space.

EXHIBIT VII

Official regional headquarters for 88 Federal agencies for Montana and North Dakota during the midthirties, showing the tearing apart process for 2 plains States that have much in common

MONTANA PULLED WESTWARD LARGELY

For 88 different Federal Government functions, Montana was pulled:

A. Westward 43 times to:

1. Spokane, Wash., for	3
2. Portland, Oreg., for	5
3. San Francisco, Calif., for	21
4. Seattle, Wash., for	13
5. Sacramento, Calif., for	1

Total 43

B. Southward 18 times to:

1. Denver, Colo., for	11
2. Lincoln, Nebr., for	1
3. Salt Lake, Utah, for	4
4. Kansas City, Mo., for	1
5. St. Louis, Mo., for	1

Total 18

C. Eastward 10 times to:

1. Minneapolis, Minn., for	5
2. Chicago, Ill., for	3
3. Omaha, Nebr., for	2

Total 10

D. Agency in Montana 17 times

Grand total 88

NORTH DAKOTA PULLED EASTWARD LARGELY

For 88 different Federal Government functions, North Dakota was pulled:

A. Westward 5 times to:

1. Montana for	4
2. San Francisco, Calif., for	1

Total 5

B. Southward 14 times to:

1. Denver, Colo., for	2
2. St. Louis, Mo., for	3
3. Omaha, Nebr., for	4
4. Kansas City, Mo., for	2
5. Lincoln, Nebr., for	2
6. Joplin, Mo., for	1

Total 14

C. Eastward 61 times to:

1. Minneapolis and St. Paul, Minn., for	26
2. Washington, D.C., for	3
3. De Moines, Iowa, for	1
4. Chicago, Ill., for	25
5. Milwaukee, Wis., for	4
6. Duluth, Minn., for	1
7. Detroit, Mich., for	1

Total 61

D. Agency in North Dakota 8 times

Grand total 88

Prepared by Carl F. Kraenzel, Montana State College, Bozeman, Mont.
(Source: Northern Plains in Transition, Oklahoma University Press, 1954, p. 216.)

CONCLUSION

- (1) Two States that have much in common are torn apart by Federal agencies.
- (2) These Federal agencies are typical of the business and industrial forces also.
- (3) Were some of these agency, business and industrial forces located in some small city within the region of the four States, there would be a powerful force for some reasonable urban development within this area, including a population holding capacity. This is illustrated in Canada by Edmonton, Calgary, Saskatoon, and Regina.

EXHIBIT VIII

The estimated total cost of high school and college education for Montanans and the cost of urban subsidy from Montana because of population exodus

Category	Number of departures per year	Per person cost to Montana parents and citizens	Total annual cost to parents and citizens
High school graduates.....	¹ 2, 500	² \$19, 000	\$47, 500, 000
College graduates.....	¹ 2, 500	² 32, 000	80, 000, 000
Total.....	¹ 5, 000		127, 000, 000
Annual long-time average income for livestock sales to Montana ranches about.....			³ \$200, 000, 000
Annual long-time average income for wheat sales to Montana wheat farmers about.....			³ 140, 000, 000

Prepared by Carl F. Kraenzel, Montana State College, Bozeman, Mont. (Source: An unpublished paper on Montana's Education Problems, prepared in 1961.)

¹ Estimated data taken from Kraenzel, Carl F., "Montana's Population Changes, 1920-50," Montana Agricultural Experiment Station Bull. No. 530, June 1956.

² These figures are an informed guess based on a study for Oklahoma by James D. Turner, "The Cost of Rearing Oklahoma Children," Oklahoma Experiment Station, Bull. No. 467, March 1956; and on data developed by Theodore Schultz, "Investment in Human Capital" in "American Economic Review," vol. 51, No. 1, March 1961, p. 1 ff.; "Capital Formation in Education" in "Journal of Political Economy," December 1960, p. 68 ff.; and "Education and Economic Growth," in the 1961 "Yearbook of the National Society for the Study of Education," Ch. 3.

Turner found that it costs \$11,600 to rear a boy and \$11,300 to rear a girl through the age 18 at 1954 prices for the out-of-pocket family costs for food, clothing and cash for health, school and travel; but not including public recreation, public health and public education costs, nor including mother's labor cost, interest on investment and an allowance for death cost. If to this is added \$2,240 for grade school tax cost and \$2,272 for tax cost for high school, this figure comes to \$16,112 for boys through 18. If another \$3,408 is added for foregone earnings during the high school period (Schultz) this figure comes to \$19,620 as the cost for completion of high school.

Schultz estimates, at 1956 prices, that it costs \$3,300 a year or \$13,200 for 4 years of college, including an amount for loss of earnings while going to college. Adding \$13,200 to the \$19,620 expenditure up through high school, the total for 16 years (4 years of college) education cost and foregone earnings is \$32,820.

³ For 1959, the respective figures were \$193 million and \$140 million, and for 1960 they were \$198 million and \$125 million respectively. See U.S.D.A., ERS report entitled "Farm Income, F.S.-183, Supplement, 8/61."

CONCLUSION

(1) Because of the absence of urban centers and employment and other economic opportunities in Montana, the exodus of youth is high.

(2) This is a subsidy to other areas of the Nation, especially urban centers in the amount of \$19,000 at least for each high school graduate, and \$32,000 at least for college graduates.

(3) The total export value of such human beings from Montana is almost as much as that for Montana wheat sales, and about 65 percent of the amount of livestock and livestock products sales.

EXHIBIT IX

The nations 1960 population distributed according to 13 strip cities and the remainder of the United States

Strip cities	1960 population	Percent increase over 1950	Percent of the U.S. total 1960
1. Boston to Washington strip.....	31, 469, 498	15. 7	17. 5
2. San Francisco to San Diego strip.....	13, 590, 821	51. 2	7. 6
3. Chicago-Gary to Milwaukee strip.....	8, 663, 007	22. 9	4. 8
4. Cleveland to Pittsburgh strip.....	6, 558, 551	14. 6	3. 7
5. Detroit to Muskegon strip.....	5, 720, 692	25. 7	3. 2
6. Fort Worth-Dallas-San Antonio-Houston strip.....	4, 541, 207	43. 1	2. 5
7. Albany to Erie strip.....	3, 696, 081	17. 9	2. 1
8. Miami-Tampa-Jacksonville strip.....	3, 043, 450	96. 5	1. 7
9. St. Louis to Peoria strip.....	2, 746, 168	19. 1	1. 5
10. Toledo-Cincinnati strip.....	2, 657, 385	22. 7	1. 5
11. Seattle to Eugene strip.....	2, 413, 590	23. 7	1. 3
12. Atlanta to Raleigh strip.....	2, 216, 100	32. 9	1. 2
13. Kansas City to Sioux Falls strip.....	2, 078, 929	23. 9	1. 2
Total strip area population.....	89, 395, 469	25. 7	49. 8
Nonstrip urban and rural population.....	89, 927, 706	12. 8	50. 2
Total U.S. population.....	179, 323, 175	18. 5	100. 0

Prepared by Carl F. Kraenzel, Montana State College, Bozeman, Mont. (Source is the U.S. News & World Report for Sept. 18, 1961, and the U.S. Census.)

CONCLUSION

(1) The population of the 13 strip cities, chiefly along or near to deep water, contained half the Nation's population and grew more rapidly than the rest of the Nation.

(2) The population of the rest of the Nation, mostly the inland, is far less densely populated and growing at a slower rate, especially the nonurban areas.

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PILLARS OF SERVICE FOR THE EMERGING COMMUNITY OF THE PLAINS, WITH SPECIAL EMPHASIS UPON HEALTH SERVICES

(By Carl F. Kraenzel*)

The emerging community for the Great Plains will involve the (a) relocation of some of the old ones, and (b) a new set of interests. Not trade alone, but chiefly health, education, welfare, recreation, and religious functions will serve as the basis for organization. The doctors and nurses, the teachers and pastors, the social workers and the laboratory technicians—they, their administrators and the facilities they build, will attempt to shape these new communities. By professional training, urban bias and ignorance of the survival requirements for living in the region these new community builders will make mistakes that are as tragic as those made by the homesteaders 100 years ago—unless everybody learns. The models for learning are available.

INTRODUCING THE PROBLEM

Today's technology in transportation and communication, coupled with the living standard demands for expanded services for health, education, and welfare, calls for a different coordination of the social and economic facets involved than formerly in bringing these services to rural people. It also requires some deliberate community and intercommunity planning especially for people who live in the sparsely populated Great Plains region.

The following statistics emphasize the decline of rural population numbers and from them can be inferred the impact this will have upon communities, especially in the Great Plains. The Nation's total population increased from 132 to 180 million between 1940 and 1960, about 36.4 percent; but the farm population declined in that time from 30.5 to 15.6 million, or by 48.9 percent.¹ For the Great Plains the total population increased from 4.8 to 6.4 million, or by 33 percent; but the farm and ranch population decreased from 1.8 million to under a million, or by 45.8 percent.²

TABLE 1

This farm and ranch population decrease in the Plains is especially critical because its sparsity results in costs of services so high that their availability is threatened, or that extensive subsidy is necessary. Other alternatives to this are the complete depopulation of much of the region, or the invention of new social organization to deliver these services in drastically different ways than formerly. The latter is the course of action suggested in this paper.

*Professor of Rural Sociology, Montana State College, Bozeman, Mont. This paper was first prepared for the Nebraska Public Health Association meetings, Lincoln, Nebr., Sept. 26 and 27, 1963; and was also used, in large part, at the WICHE Regional Mental Health Planning Conference in Portland, Oreg., Feb. 16-19, 1964, at the Montana State College Rural Pastors' Conference, Apr. 13-15, 1964, and at the Social Science Section of the Southwestern and Rocky Mountain Division of the American Association for the Advancement of Science, Apr. 26-30, 1964, held at Texas Technological College, Lubbock, Tex. Contribution of the Montana Agricultural Experiment Station, Bozeman, Mont., Paper No. 662, Journal Series.

¹For this kind of data see "Population Bulletin," published by the Population Reference Bureau, Inc., vol. XIX, No. 3, for May 1963. See also "Recent Population Trends in the United States With Emphasis on Rural Areas," USDA, ERS, Agricultural Economics Report No. 23, January 1963.

²The Great Plains includes parts of 10 States, namely, the western parts of North and South Dakota, Nebraska, Kansas, Oklahoma, and Texas and the eastern parts of New Mexico, Colorado, Wyoming, and Montana—about 20 percent of the land area of the United States. For a detailed description see Kraenzel, Carl F., "The Great Plains in Transition," Norman, Oklahoma University Press, 1956.

The data in table 1 impress upon one the need for considering such new ways of rendering these services. The Plains part of four Northern Plains States encompasses 242,437 square miles of territory, which is somewhat larger than the entirety of six Ohio Valley States; namely, Illinois, Indiana, Ohio, Kentucky, Tennessee, and West Virginia. The population per square mile is 5.1 for the Plains and 136.7 for the 6-State Ohio Valley area.

In the Plains part there were only 14 centers with a population of 10,000 or more each, compared with 343 for the Ohio Valley area. A center of at least this size served an area of 17,317 square miles, on the average, in the Plains and only 703 square miles in the Ohio Valley. If this area is considered a circle, the most distant part is about 75 miles from the center for the Plains, compared with 15 miles for the Ohio Valley area. Yet the total population served by such centers, on the average, is about the same; namely, 88,787 and 96,227, respectively.

The population of the Plains is spread out all over the land area as is the case for the Ohio Valley. So services need to be spread all over the area, too. The situation is different for the arid West where space is extensive too, but where population tends to be concentrated mainly in the irrigated oases or industrial towns. This means that people in the arid West may live in communities that are far apart, but within these they are clustered close together. For example, the population density pattern in the case of the three West Coast States—California, Oregon, and Washington—is more similar to that of the Ohio Valley area than that of the Plains.

TABLE 1.—1960 population data for 3 regional areas of the United States showing contrasts in density and trade center population ratios

Items	Regional area		
	Northern Great Plain ¹	Ohio Valley area ²	West coast States ³
Area (square miles).....	242,437	240,733	319,530
Total population.....	1,243,015	32,915,719	20,339,105
Density (per square mile).....	5.1	136.7	63.7
Number of centers 10,000 and over.....	14	343	237
Population of such center.....	389,810	18,122,818	13,188,298
Average population of such center.....	27,810	52,991	55,648
Average total population of such center.....	88,787	96,227	85,819
Average square mile area for such center.....	17,317	703	1,348
Radius equivalent for such area.....	74.2	15.3	20.7

¹ The Plains (western) portion of North and South Dakota and the (eastern) portion of Wyoming and Montana.

² The entirety of the 6 States in the Ohio Valley, namely: Illinois, Indiana, Ohio, Kentucky, Tennessee, and West Virginia.

³ The 3 States, California, Oregon, and Washington.

From these facts, then, it appears clear that the decreasing rural population in the Plains is likely to result in a new community organization pattern, requiring more cooperation and a higher degree of interdependence among several communities than formerly.³ The emerging community will, therefore, demand some planning and the pillars of service will likely include those connected with education, health, and social welfare rather than alone those connected with buying and selling and church activity, as was the case in the past. This paper is intended to define this problem for the Plains, with special emphasis upon health services. Specifically, then, this paper will cope with the following aspects of Plains society:

(1) A brief enumeration of those indigenous factors that demand an urgent inventory of the situation at this time, even earlier than in other rural areas of the Nation;

³ For studies emphasizing these aspects see, for example, Anderson, A. H., "The Expanding Rural Community," University of Nebraska College of Agriculture, SB No. 464, September 1961; Pedersen, H. A., and Peterson, Earl B., "Patronage Patterns in Central Montana," Montana Agricultural Experiment Station Bulletin No. 578, May 1963; Alexander, Frank and Kraenzel, Carl F., "Rural Social Organization of Sweet Grass County, Montana," Montana Agricultural Experiment Station Bulletin 490, November 1953; and Anderson, A. H., and Miller, C. J., "The Changing Role of the Small Town in Farm Areas," University of Nebraska College of Agriculture SB No. 419, May 1963.

(2) An identification of the new pillars or underpinnings of service for the newly emerging community in the Plains;

(3) An explanation of the compulsory participation that will likely attend the fact of community living in the Plains;

(4) The role of the general practitioner, or the multipurpose competence required of the professional persons, especially those in health and health related activities for the smaller places in the Plains, and the backstopping required from intercommunity cooperation and from specialists in larger centers so as to develop supporting competence for services to the people of the regions; and

(5) The challenge to educational centers and cities from outside the region, that service the Plains, in the education of personnel willing to cooperate in these matters.

FACTORS INDIGENOUS TO THE PLAINS THAT DEMAND AN URGENT REINVENTORY ⁴

In addition to being sparsely populated, and an area of great distances, the Great Plains is unique because it is primarily based on agriculture. The already sparse population is made more sparse because of the decreased manpower associated with the current revolution in farm and ranch technology and the merchandising technology in the towns. The region is also unique because of its semiarid nature—the unpredictable precipitation about an annual average of less than 20 inches, resulting in unpredictable production, hence an unpredictable income, and pyramiding into the high risks associated with income fluctuations in a cash economy.

Associated with these is the fact that the way of life of the Plains is imported from the urban and humid East and Midwest, and is largely unsuited to the facts of semiaridity. This has created many problems. Agriculture alone has made some suitable adaptations but most local services in the region—local government, school and health programs, church and financial organizations, and other mainstreet services—have not, or have done so stingily and haphazardly. Until adequate institutional mainstreet adaptations are made, all services in the region will be tenuous and costly; and the community can survive only with difficulty.

An associated aspect of the way of life in the Plains is the high cost of space for services—space itself represents a cost that is social in nature. Unless the newly introduced services are properly adapted to the facts of semiaridity and cope with the condition of sparsity, these social costs of space become still higher in the future.⁵ By social cost of space is meant those costs that arise out of distance and sparse population, and are avoided by the private person but are paid in group ways. Often they are deferred to a later date when they are necessarily higher because they involve rehabilitation or palliative treatment rather than prevention. An example is the additional cost of keeping a Yonland patient in the hospital longer than his city counterpart because his home is farther from all the necessary modern services which he may need, or there are no suitable facilities, in case of emergency, in the Yonland area.

A final situation unique to the Plains is that the region has areas of strikingly low population density called Yonland, and areas of somewhat higher density called Sutland.⁶ The Sutland is the stringlike area throughout the region, often along the major rivers, accompanied at times by irrigation and major transportation and communication avenues, and supported by the larger towns and cities with wholesale depots. Here, then, is more population, sometimes more stability of income supplied by irrigation, a greater business and trade payroll, and a more stable and greater property tax base by virtue of concentration of these additional services and functions.

⁴ For some of these aspects see Kraenzel, Carl F., "The Great Plains in Transition," *ibid.*, especially chs. 2, 3, 4, 7, 8-14, and 21.

⁵ For more detail of the social cost of space see Kraenzel, Carl F., "Sutland and Yonland Setting for Community Organization of the Plains," *Journal for Rural Sociology*, vol. 18, No. 4, December 1953, p. 349ff. Also see Anderson, A. H., "Space as a Social Cost" in the *Journal of Farm Economics*, vol. XXXII, No. 3, August 1950, p. 419. Dr. Maurice Kelso, agricultural economist formerly of Montana State College, now of Arizona University, has also written on this subject.

⁶ For a more detailed analysis of this Yonland and Sutland distinction see Kraenzel, Carl F., "Sutland and Yonland Setting for Community Organization in the Plains," *ibid.*, p. 345ff. Also see the further application of the concept by Cleland, Courtney, Institute for Regional Studies, North Dakota State College, Social Science, Report No. 1, 1955.

The Yonland, away from the Sutland, has fewer of these retail and wholesale functions, and the towns are smaller and less self-sufficient; the support for all kinds of services is more tenuous because it is dependent more upon the risks associated with a semiarid agriculture alone. Social costs of space are higher, and the population necessarily looks to the Sutland centers for services.

There is now no meaningful interdependence and mutual support among the Yonland centers and those of the Sutland. In fact, the relationships are largely of an exploitive nature. The Sutland centers, which are also small sometimes, struggle fiercely to become more urban and larger. Business grows in the Sutland, often at the price of destroying services in the Yonland; hospital beds, for example, are added in the Sutland centers to draw trade, and the small Yonland hospitals are weakened or closed and the doctors leave.⁷ A similar predatory behavior, practiced by the Sutland against the Yonland, appears in connection with schools, churches, recreation, and other services.

These facts describe the unique aspects of Plains society and indicate the need and the probable direction of community reorganization in the region.

NEW PILLARS FOR THE EMERGING PLAINS COMMUNITY

The newly reorganized community living patterns for the Plains will require some new services. The buying and selling services which formed the base of the community in the past are no longer adequate to the task. The selling of livestock and wheat has become very seasonal; and the purchase of production supplies and equipment has become seasonal also.⁸ The wheat farmer has become a do-it-yourself man; his mechanized crop work occupies only a limited number of calendar days—the rest of the time he visits, travels, is his own repairman, and runs his community business. And he has little hired help. Some farmers move to the larger towns for the education of their youth, and they may engage in other employment, thus weakening the small community centers still more.

Ranching, too, has become more mechanized and requires less help. Processed feed supplements are so readily deliverable to range livestock and are so attractive to animal appetite that a "cowcall" and the sight of a truck will bring range cattle to the feeding and corral area in the time it once took the cowboy to merely rope and saddle his horse. Cattle come with tail straight out. Family persons and hired help are much more sparse around ranch premises than formerly.

The Great Plains is also an area of a high level of living as shown by the standard of living indexes.⁹ This means that the "boughten" aspects of the standard of living necessarily include health and hospital services, homes and home care for the aged, public health services, education and library services, religious services, recreation services and other welfare and social security services. These "boughten" services are primarily of the group kind, supported by local, State and Federal funds.¹⁰

If these public health functions are not performed through a full-time public health unit, they are partially performed through a part-time public health program, a public health school nursing program, or by many smaller and less unified programs through a part-time State-sponsored public health program.¹¹

⁷ See Belcher, John C., "Medical Service Relationships in Harper County, Oklahoma," Oklahoma A. & M. Experiment Station Bulletin No. B-477, September 1956, pp. 7, 9-10, 13-14, 17, and 21. Also see his "The Changing Distribution of Medical Doctors in Oklahoma," Oklahoma A. & M. Experiment Station Bulletin No. B-459, August 1955.

⁸ Pederson and Peterson, "Patronage Patterns in Central Montana, *ibid.*, make this very clear in their study. They conclude that "It does not seem unlikely that in the not too distant future three or four towns will be all that are required to service the basic economic needs of the farmer and rancher in the survey area" (p. 15) which currently consists of six counties and has 30 towns, large and small, within the six-county area.

⁹ See "Farm Operator Level-of-Living Indexes for Counties of the United States," 1950 and 1959, USDA, ERS, Statistical Bulletin No. 321, pp. 25, 26, 27, and ff.

¹⁰ See "Revenues and Expenditures of State and Local Governments in The Great Plains," USDA, ERS, Agricultural Economics Report No. 22. This report concluded that generally speaking, State and local governments spend substantially more per capita in the Plains States than the U.S. average, and some of the revenue for this larger per capita expenditure is met by revenues from the Federal Government. For the 10 States the per capita expenditure is higher for higher education, for local schools, and for public welfare but is lower for health and hospital and sanitation other than sewage and sewage disposed than for the Nation.

¹¹ For a detailed study of health needs and conditions in the Great Plains see a special study directed at this aspect, namely, The Health Study of Kit Carson County, Colo., U.S. Department of Health, Education, and Welfare, Public Health Service, Division of Community Health Services, Publication No. S44, 1962. For a detailed treatment of the functions of public health units, full-time and part-time as well as on a national scale, see the following sources: Smillie, Wilson G., and Kilbourne, E. D., "Preventive Medicine and Public Health," Macmillan, 3d edition, 1963; Mustard, Harry S., and Stebbins, Ernest K., "An Introduction to Public Health," Macmillan 4th edition 1959; Freeman, Ruth B., and Holmes, Edward M., "Administration and Public Services," W. B. Saunders, 1960. In the latter see especially chs. 3 and 5.

The thing of significance is that where once the pillars of the community were chiefly economic and trade services, and sometimes religious services, they now include the functions of health, education, and welfare along with library, recreation, and religious services. This is characteristic of the traits of a consumer-oriented economy as contrasted with a producer-oriented one. It is into this consumer-oriented approach to living that American technology and automation are pushing the community of today, including the new community of the Plains.

THE ELEMENT OF COMPULSORY COOPERATION TO MAKE THE COMMUNITY FUNCTION

In the Plains the town as well as farm and ranch residents shop around to patronize this service here and that service there; they patronize towns of varying sizes, some near at hand and some at great distances away. This is for buying and selling, but also for health services as indicated by the Kit Carson health study and by Belcher's studies of medical services in Harper County, Okla., for example; or in the Pedersen-Peterson trade area study in Montana. This allegiance to specific community centers is, therefore, low and town-country conflict appears prevalent. Feelings of insecurity appear to be especially high and people act much as minorities do—they fight at the drop of a hat.¹²

This lack of allegiance to the trade center that already has too few people to maintain and support the service except in a minimal way, appears to require special planning and cooperation. In some areas the services cannot survive at all unless there is consolidation and integration of smaller areas into fewer larger ones and unless there is an element of compulsory participation on the part of the residents. Those who desert their local school and send their children to the school in the larger center, and oppose increased taxes and improved services in both places, destroy education at home and in the larger center. Those who patronize the doctor in a far away place when able, cause the loss of the doctor in their small town even for emergency purposes. For these reasons the survival of the community itself is dependent upon an element of compulsory participation—or the practice of the golden rule in everyday living.

This need to support local services is especially the case in the Yonland areas of the region where resources and people are so few that the very survival of the community is bound up with the survival of the minimum number of services themselves. The sparsely populated Yonland areas, and sometimes the smaller Sutland places, cannot afford the luxury of alternative types of service from which people can freely choose. For example, most such communities are not large enough to support more than one general store, a drug store, or a general practitioner, nor can they support both a Catholic and a Protestant hospital. Unless they choose inferior services, they can hardly afford a single community-oriented hospital and must settle for a health center. Elementary and secondary educational standards are becoming so high in caliber that the luxury of a small uncoordinated or dual educational system can not be afforded—unless the youngsters who later go to cities to compete for jobs are to suffer handicaps. In short, to have any services at all in some of these areas—school, church, recreation, health, and trade—the emphasis is increasingly to get people to patronize what there is, and on cooperation between Yonland and Sutland.

This aspect of compulsory participation is well known to public health people—Typhoid Mary and her contacts need to be located and treated whether in the Sutland or the Yonland to protect the entire population. So it is with weed control in an irrigated area; with irrigation water flowing through the ditches of many farms, the weed infestation on one farm makes all of them dirty. In a soil conservation district, the blowing of one farm soon causes blowing on the neighboring farms. Compulsory participation in these efforts appears to be a fundamental requirement; and such cooperation in health, education, and welfare matters appears to be no exception.

GENERAL PRACTITIONER COMPETENCE

Fundamental to making it possible for the partial communities of the Yonland to survive and to implement their interdependence upon larger communities, including those in the Sutland, it will be necessary to have the services of the multipurpose worker in a number of what are now professional specialist areas. The fact of being a generalist does not mean that the quality of service that

¹² In this connection see the author's chapters on minorities in the Plains in his book "The Great Plains in Transition," *ibid.*, chs. 17 to 20 inclusive.

is rendered should be low grade. The need is to the contrary; the generalists will need to be especially trained for their multipurpose functions and they must be aware of the teamwork approach and have access to backstoppers who are specialists. Service personnel for the Plains, whether teacher, preacher, lawyer, nurse, doctor, financier, or mechanic, need to be first of all, generalists. They would perform the first diagnosis or first level of service and give the first information, service, or treatment, and they would need to involve the whole person. They need also to be capable at referral so as to direct the clientele, when necessary, to the appropriate specialists, whether in medicine, dentistry, nursing, law, financing, mechanics, library service, or psychiatry. In turn, the specialists from the more distant places would need to backstop these generalists, for the latter represent a stage in "the path to adequate service."

To make this work, the multipurpose worker would need to be especially educated and periodically updated for this kind of multipurpose service. He would need to have confidence, but would also need to refer people with confidence. His referral would need to be confidently accepted by the specialists in the Sutland area. The residents of the Yonland community would need to accept with confidence such a multipurpose worker and such a referral system. This would appear to be an essential part of the compulsory cooperation and interdependence between Yonland and Sutland areas described earlier.

THE CHALLENGE TO EDUCATION CENTERS AND CITIES FROM OUTSIDE THE REGION TO SERVICE THE PLAINS

People of a community, an area, and a region cannot always do things alone; they frequently require outside stimulation and sometimes also financial and direct guidance help. The process of community reorganization and development involves extensive education, and when social change is rapid this education needs to be frequently repeated. Furthermore, in America this process needs to be a democratic one, involving much information collection, much give-and-take discussion, considerable forward stumbling, and sometimes a gratifying large step forward.

For the Great Plains, most colleges and universities, the medical schools, the larger news vehicles and communication channels, and the large cities in which information is collected and housed, reshaped, and from which it is disseminated, are located chiefly outside the region proper in settings quite different from that of the Plains. They tend to face away from the region rather than toward it. For example, Montana and the Dakotas do not have such larger, metropolitan-like, power-creating centers within their entire borders. Omaha and Lincoln, in Nebraska, identify themselves as "neighbors to the Midwest" and use the word "outstate" for the Plains area; the former do not readily identify themselves with the latter. Denver, Colo., is nestled into the mountain climate, away from the heat, drought, and blizzards of the Plains.

The larger and more specialized higher educational systems and the more metropolitan-like larger cities in some States of the region need to develop channels whereby they can give services to the Plains, rather than have channels only that take, as has generally been the case, especially in the instance of benefiting from the trained youth manpower migrating away from the more rural areas. The Sutland, too, needs to develop channels to give to the Yonland, rather than to have only pipelines that take from the Yonland. The people of the region and of the Yonland places apparently wish to be involved in the decisionmaking in the larger places for this "whole" is their "community," but there are not channels now for them to become involved, and so their patriotism to community falters as does their support. The people of the Plains need to have vehicles so that they can become involved in the decisionmaking in the areas adjacent to them—be this for city development, for educational programs, or for news dissemination. In short, there is need for a rational system of social organization to facilitate interaction between communities, between metropolitan centers, and between regions, and this needs to be democratic in character.

The necessary coordination between Yonland and Sutland communities, between the cityless Plains and the non-Plains city and university resources, and the backstopping by the latter, can be illustrated in the area of hospital and health programs by the proposals of the late Dr. Joseph F. Mountin.¹³ His proposals called for health centers in the smaller places, rural hospitals in the somewhat larger

¹³ See, Mountin, Joseph W., et al., "Health Service Areas," Division of State Relations, U.S. Public Health Service, F.S.A., 1945, Public Health Bulletin No. 292.

places, and base hospitals in the still larger places, with effective coordination and cooperation among the personnel and facilities from diagnosis through treatment and rehabilitation. There are some concrete examples approximating this. This writer described several examples of this for Montana.¹⁴

The same kind of rational organization as in the case of hospitals can apply to public health organization and services, nursing home organization, health education of family members and relatives of aged and handicapped, mental health clinics and hospitals, water pollution programs, laboratory services, and food and drug inspection programs. The same system of rationale can apply to recreation and to church organization, and to economic, financial and business services of all types for the sparsely populated Plains. The modern technology of agriculture and home living will require that electricians, mechanics, construction workers, and other craftsmen service the people of the rural area, at least in backstopping fashion; otherwise the complicated technology will result in financial and social bankruptcy—a deep freeze full of food could quickly become a great waste if the equipment is inoperable for long, for example, and people become angry and unhappy.

The Federal Department of Health, Education and Welfare, through its regional offices and through the health departments in the several States, is necessarily involved in this kind of Sutland-Yonland community organization rationale in the Plains. First of all, it provides some of the specialist back-stoppers for this kind of program in the Yonland-Sutland community complex. Nebraska has this in its community psychiatric clinic program. This involves not only bringing specialist psychiatric services to communities, but through inservice training assist in the further education of general doctors, teachers and ministers in mental health matters. The departments of health of several States supply many of these kinds of inservice training programs, many with Federal financial support, to get this kind of back-topping task accomplished. Through this kind of device postgraduate short courses in heart and cancer problems are periodically conducted for the medical practitioners in States such as Montana and Wyoming where there are no medical schools. There are similar short courses for medical practitioners in Oklahoma, Nebraska, and other Plains States. It would seem that similar in-service education is necessary for sanitarians, nurses, medical technicians, psychiatrists, psychologists, social workers, hospital administrators, teachers and other service personnel. In the Western States WICHE does some of this in cooperation with HEW regional offices.¹⁵ The Federal Department of HEW, through its regional offices, and in concert with the respective State agencies, may be expected to play a decisive role in the maintenance and rehabilitation of rural communities and the Yonland-Sutland inter-community cooperation so essential in the sparsely populated Great Plains.

What has been said about health personnel and services for the sparsely populated Plains appears to require a selection of manpower and a unique educational program for this manpower, and this applies to personnel for health, education, welfare, law, business, finance, institution and government administration, church administration, recreation administration, and even mechanics, engineering, and labor organization. And this needs to be on the many levels of multipurpose and specialist competence that are required. The model for accomplishing this kind of interstate cooperation can be found in WICHE itself. In the six northern Plains States there are only three reasonably full complement medical schools at this time, namely: Creighton, Nebraska University, and Colorado University. Except for Creighton, these schools are now State bound by financing and by the doctrine of "States rights." It is distressing that eastern Nebraska, including Omaha—once the "gateway to the West," the route of the U.P. Trail and the Pony Express, the home base of Missouri River Transport and the U.P. Railway, one of the originators of the Western Water Doctrine and the site of one of the first irrigation congresses—now prides itself on being pri-

¹⁴ See, Kraenzel, Carl F., "The Hospitals of Montana, a Basis for a Coordinated Hospital-Health-Medical Care Program," Montana Agricultural Experiment Station Bulletin No. 456, January 1949. The bibliography contains references to many suggestions and proposals for such coordination.

¹⁵ WICHE stands for Western Interstate Commission for Higher Education and originally involved the establishment of fellowships by the several States to pay out-of-State tuition and some instructional cost for students in medicine, dentistry, and veterinary science to avoid building such schools in the State involved. Later nursing was added and today other interstate coordinating functions are performed by WICHE. A recent study entitled "The West's Medical Manpower Needs," WICHE, Fleming Law Building, Boulder, Colo., 1959, details some of the health personnel needs for the 11 Western States.

marily a "neighbor to the Midwest" rather than continuing to face "outstate" and to the Great Plains in a courageous way. It would appear that both Creighton and the University of Nebraska need to be enlisted to educate the specialist and multipurpose health services personnel that is required in the sparsely populated semiarid Plains: Colorado University cannot be expected to perform this task alone. If these institutions do not serve, it may be necessary to start a totally new education site for this purpose, somewhere in the Plains, involving the cooperation of such States as the Dakotas, Wyoming, Montana, and Idaho and Federal Government.

Finally, in recognition of the fact that modern technology has given the Nation a consumer-oriented society, there are not only new needs and demands, but new areas of employment need to be sought out. These are to be found chiefly in the service areas, including the HEW functions identified above and community organization itself. These services are a capital investment. Community development is an investment, as is also education and the channels and organization to get it to people. This is new industry and new job opportunity—a most critical need in a sparsely populated agricultural area such as the Plains. In this sense the Plains situation, in shaping the outlines of the newly emerging community, may well be pioneering on a new frontier—the third one in the history of the Nation.

Mr. KRAENZEL. Thank you very much for giving me the opportunity to appear before this committee.

Senator METCALF. Thank you very much, Dr. Kraenzel, and if you will just wait a moment, we will let Mr. Arthur Jones, president of Basin Electric Cooperative make whatever statement he has, and then you will be available for interrogation if it is desired.

Mr. Jones, we are delighted to have you before us.

STATEMENT OF ARTHUR JONES, PRESIDENT, BASIN ELECTRIC COOPERATIVE

Mr. JONES. Mr. Chairman, and members of the committee; I am indeed happy to appear here this morning in support of S. 1648.

My name is Arthur Jones. I am a South Dakota farmer, and I serve on the boards of directors of three associated rural electric cooperatives. Today I wish to speak as president of Basin Electric Power Cooperative, a federation of 115 rural electric cooperatives located in eight Great Plains and Missouri Basin States.

The cooperative has offices in Bismarck, N. Dak., and is constructing a 200,000 kilowatt thermal electric generating plant on the lignite fields of that State. This construction is being financed by a \$36.6 million loan from the Rural Electrification Administration. Electric power from this facility will serve part of the requirements of approximately 250,000 rural homes and businesses.

We in the Upper Great Plains and Upper Missouri Basin are greatly concerned about the worsening of the region's rural economy—namely, the decline in farm income and the lack of other employment opportunities for our people.

The steady outmigration of people from the region has resulted in increasing numbers of abandoned farmsteads, which in turn results in idle electric services on our rural electric lines.

Although our use of electric power is increasing steadily, the already low density of consumers per mile of line does not improve. More serious, however, than the less-than-optimum development of rural electric loads are the changes taking place in our rural communities because of loss of population and lack of job opportunities in the region.

I believe that this trend could be reversed with judicious development of the rich resources of the region.

I appear before you, therefore, in support of S. 1648, the Public Works and Economic Development Act of 1965, because I believe that a vigorous area redevelopment program is necessary to my region, and because I think that those provisions of the bill which would make possible the establishment of regional development commissions could play a vital part in improving the economy of our section of the country.

In this regard, I would like to cite a few indications of our need for regionwide planning and assistance in economic development.

As you know, the Great Plains is a region of low population density and relatively low income per capita. The steady net outmigration of people from this region is seriously aggravating the depressing economic conditions which this situation creates, especially in the rural area.

From 1950 to 1960 there were only three counties in my home State of South Dakota that did not have a net loss of population. The rates of population loss ran as high as an average of 4.8 percent yearly over the 10-year period.

My home county, Marshall County, averaged a yearly net loss of population of 3.16 percent during this period—a rate of loss which is typical.

North Dakota suffers from a similar condition, with only four counties not having a net loss of population during this 10-year period.

Senator RANDOLPH. Mr. Chairman, would you indulge me a moment to interrupt the witness?

I do it only because I do have an appointment, and I would like to comment just briefly.

Senator METCALF. We would be delighted to have a comment from the distinguished Senator from West Virginia.

Senator RANDOLPH. Thank you. It has to do with West Virginia, and the figures you are presenting on the Dakotas and other areas.

Mr. Jones, in West Virginia in this 10-year period of which you speak, we had in West Virginia approximately 7.6 percent loss of population. That is the State as a whole. Arkansas had almost as much in the way of the loss of its population, a little less.

Now, we found from study that our older people were not going from West Virginia to other States, but our youth were outmigrating. So not only were we losing population, but we were losing leadership, very necessary leadership in the development of our State under the period of transition, industrialization, diversification, technological change.

So we, in West Virginia, as in the States that you discuss this morning, are not just losing persons, were we, to other areas? We were losing a reservoir of dynamic leadership.

And this is very important, isn't it, that we keep, as far as possible, at least a portion of our youth in the State. I think this is an important point that you are making, that I simply want to supplement this morning, that there is this strength which the State loses when its younger folk go into other States, therefore benefiting those areas, and the areas from which they came are lessened in economic strength.

Thank you for giving me this opportunity, Mr. Chairman, to comment at this point.

Senator METCALF. Thank you, Senator Randolph.

Dr. Kraenzel commented on the same point, and in his exhibit V he showed that the working populations between 20 and 45 was the special part of the population that was in decline. He highlighted his statement to that effect.

Senator RANDOLPH. Thank you, Senator Metcalf.

Mr. Jones, I shall read with interest the statement of Dr. Kraenzel, as well as the portions of your statement that I will not hear given in the hearing this morning.

Thank you, Senator.

Senator METCALF. Thank you, Senator, for your very helpful comment.

Will you proceed, Mr. Jones?

Mr. JONES. I am certain that people moving out of our region into other regions to seek jobs has created a downward spiral in our economic life that increases in intensity as we lose more and more people.

Fewer businesses can be sustained, and less capital is available from local sources for investment, in local enterprises. The tax burden becomes greater upon those who remain, which in itself has a depressing effect.

Mr. Chairman, at this point I do comment on the outmigration of the younger people, too. However, probably not as forcefully as Senator Randolph has just spoken.

The loss of population is especially great among our young adults. Figures for the Upper Great Plains, combined with Minnesota and part of Wisconsin, show that in the 1950-60 period, nearly one-third—32.2 percent—of our youth from 15 to 19 years of age left the region. About 10 percent of those in the 20 to 39 years of age group left.

Not only do we lose the youthful energies and income-creating ability of these age groups, but we lose the investment we have made in the education of these young people. Our investment becomes an economic benefit to other sections of the country.

Certainly, Mr. Chairman, and gentlemen of the committee, we do lose this group of people, as the Senator has so ably indicated.

In addition to the outmigration of our people, we have a recorded unemployment just above and at about the same level as the national level, depending upon the State.

In addition, there is very serious unemployment among our Indian population—25 to 30 percent of the work force.

But unemployment figures fail to reveal the underemployment of our people, especially rural people. There are a great many rural people who would like to supplement their farming income by other work, but they have not sought jobs because they know there are no jobs available in the local communities.

These people could be brought into the work force and contribute to economic improvement, if we can stimulate the region's economy.

I wish to add that I believe that at least some of the unemployment of our region is moving into the urban centers of Minneapolis, Chicago, and California. I feel certain that if we could create jobs which would keep our youth in the region we would assist in the decrease of unemployment in urban centers.

These conditions I have described show the need, I think, for a vigorous effort by the Federal Government to assist the region's people in establishing a balanced and growing economy. I believe our people are ready to do all they are able to improve the region.

For example, member cooperatives of Basin Electric are beginning to take action at this time to form area development groups of several cooperatives in order to pool their talent and their knowledge of local resources and conditions.

One such group is now considering formal incorporation for the purpose of encouraging specific local projects which will employ local people and which will develop local resources.

Such groups could make excellent use of the help a regional development commission could provide in research and planning for such projects.

The Upper Great Plains have vast natural resources that are yet untapped, or just beginning to be utilized on a large scale, such as lignite. Approximately 98 percent of the Nation's lignite reserves are located in the region, and promise to become the basis for a large electric generating industry.

Hopefully, low fuel costs and low electric power costs will attract other industries.

There are also clay, halite, and sulfur deposits which have been partially surveyed but not subjected, in most instances, to intensive study to determine feasibility for industrial development.

A commission devoted to the interests of development of our region's resources could be the key instrument by which our local groups could get research and development work done which they are not able to do themselves.

I believe there is the promise of a brighter future for the Great Plains in the development of the lignite reserves in the region. The construction of Basin Electric's large-scale thermal electric plant—the largest single-unit, lignite-burning generating plant in the Western Hemisphere—has not only opened the way to other such developments, but will make available an abundance of low-cost power in a region which has been characterized by higher power costs.

Lost cost electric power will be available through our members to rural users, individuals and industries, throughout the region.

There are many economic development opportunities in the Great Plains, but efforts must be intensified now in order that our region can participate in the national economy on a more equitable basis than heretofore.

It is my firm belief that in order to prevent economic depression in the Great Plains, the region must be helped to enter a new period of development. For too long we have supplied raw materials and our youth to other regions.

We need now to broaden our region's economic base from one predominately agricultural to one which includes prosperous family farms and growing businesses and industries utilizing the resources we have at hand.

A great Plains Development Commission which would give concentrated attention to establishing such a new economic base is vitally needed today.

Thank you, gentlemen, for the opportunity to appear in favor of S. 1648.

Senator METCALF. Thank you very much, Mr. Jones. You have made a significant contribution, I believe, in developing how this special service in which you are involved—of providing electrical energy to the people of the region—could be enhanced by development of our lignite deposits and our water resources and so forth.

I have no further questions.

Do you have any questions Senator Harris?

Senator HARRIS. I don't have any questions, Mr. Chairman.

Senator METCALF. We are very grateful to both of you for coming here. Your statements, I believe, supplement and complement each other. They both highlight and touch up the need for the development of this region, as previous testimony in this committee has highlighted the need for regional development in other areas of the United States.

I am especially glad that Dr. Kraenzel was here to point up the relationship of the State of Montana with our sister States of North and South Dakota, and part of Wyoming, and I compliment you both for outstandingly good statements.

The next part of this hearing will not start until 10:30, when we will have a hearing on the Ozarks, so the committee will be in recess until that time.

(Brief recess.)

Senator HARRIS (presiding). The committee will come to order.

We are continuing at this time on hearings on the overall administration bill, S. 1648, and particularly that section of the bill, title V, having to do with regional action planning commissions, and at this particular time on the needs under that section for the establishment of a regional development commission for the portions of the States of Oklahoma, Arkansas, Missouri, and perhaps now or in the future portions of other States in the general area.

I want to note for the record the presence of Don McBride from the office of Senator Mike Monroney of Oklahoma, and offer for the record at this time a statement by Senator Monroney in support of the establishment of such a commission.

Without objection, that will be made a part of the record.

(The statement referred to follows:)

STATEMENT OF HON. A. S. MIKE MONRONEY, A U.S. SENATOR FROM THE STATE OF OKLAHOMA

Mr. Chairman, I am happy to endorse the proposal for an Ozark Regional Development Commission. I am convinced that the best means of orderly improvement can come only after a job of careful planning. We can live in the midst of forests, clay, and stone; but until we plan how to convert these raw materials to lumber, cement, and bricks, we cannot build a house. And even the second step of planning is necessary if our house is to have the greatest utility.

So it is with the region of the Ozarks. We have known for a long time that this great area possesses the potential for better things. The need for developing the scenic and recreational resources of the area is eminently evident. Likewise, the natural resources of water, soil, minerals, and timber all point to possible "new and better." And most assuredly, the greatest potential of the region is its fine people—pioneer stock with the will and determination to help themselves if given an opportunity.

We possess in this tristate area the technical know-how of a coordinated regional plan. Our schools and colleges, our industries, and our State governments have economists, researchers, scientists, and engineers who can be regimented to do a top-rate planning job and show us the way for better utilization of what we possess.

I agree with our President that we cannot attack the problems of low family income, disease, and lack of education on a community or State level. We must do it on a regional basis. Poverty does not regard State or county lines. Therefore, the Ozark regional concept makes a lot of sense.

With the Federal Government helping us, and with the full utilization of our State and local skills, we can change the economic status of this region if we can create the blueprint to guide our future development.

Last year, in connection with the justification of a supplemental fund for the construction of the Arkansas River project, we found the river bisected or bordered 27 counties in Oklahoma and Arkansas. Of the 27, all but 4 had family incomes averaging \$2,700 per year. The average for the United States is \$6,000. This river traverses the Ozark region. The need to increase family income is obvious. Yet another need is also present, and that is the need for a top-notch job of planning for the utilization of the improved river, which will provide a 9-foot navigation channel from Tulsa, Okla., to the Mississippi River. It also provides flood control, municipal and industrial water supply, hydroelectric power, and recreation and fish and wildlife opportunities.

Here is the demonstrated need for the planning of the utilization of a development that will attract industries, create jobs, and lift the per capita income over a regional area in the heart of the Ozarks.

Admittedly we have a need—and we have the tools for the solution. The Ozark Regional Development Commission can furnish the map with which to steer our course.

I support the proposal.

Senator HARRIS. I want to note also the presence of Mr. Dick White of the office of Congressman Ed Edmondson of Oklahoma, and offer for the record a statement of the congressman on this subject, which, without objection, will be made a part of the record.

(The statement referred to follows:)

STATEMENT OF HON. ED EDMONDSON, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF OKLAHOMA

Mr. Chairman, I wish to express my wholehearted support for this bill, S. 1648, and for the extension of the regional development concept for which it provides.

The Appalachian economic development program, involving a wide region with common economic problems and common interests, cutting across State lines in an effort to rehabilitate a vast section of this Nation, is a new concept which has promise of remarkable success. Appalachia has shown the rest of the Nation that it is possible to leave behind old and traditional rivalries, to replace purely local interests with broader and more effective regional interests. Appalachia has proved that cooperation is possible at a level higher than ever before seriously considered.

The Ozark Mountain region, which begins in southwestern Missouri and stretches south through western Arkansas and eastern Oklahoma, is another area of the United States which could benefit in a very big way from a concentrated, multistate economic development program. The people in this area, whether they live in Missouri, Arkansas, or Oklahoma, share common problems and common hopes. Many of them, like the people of Appalachia, have been left behind as the rest of the Nation has taken great economic steps forward. They have been left behind through no fault of their own. They have initiative, willingness, and resources. A regional development program would make it possible for them to benefit from these assets, and the rest of the Nation would benefit with them.

My strong endorsement of this bill is underscored by the fact that I have introduced a similar bill, H.R. 5480, in the House of Representatives. I believe in the regional development concept, and I strongly urge you to report this bill favorably.

Senator HARRIS. I note also the presence of Mr. Ed Montgomery from the office of Sen. Edward V. Long of Missouri, and make a part of the record a statement offered by Senator Long.

(The statement referred to follows:)

STATEMENT OF HON. EDWARD V. LONG, A U.S. SENATOR FROM THE STATE OF MISSOURI

Mr. Chairman, I would like to take this opportunity to express my support for S. 1648, a bill establishing a Federal program to stimulate regional economic development in the United States.

In the midst of America's current prosperity and abundance, Americans in a number of sections of the Nation are affected by regional economic underdevelopment and unemployment. In distressed regions across the country, opportunity is little available to those who want to join in producing and enjoying our national abundance.

The Federal Government has a responsibility to serve all its citizens, regardless of their economic circumstances.

We must recognize this responsibility in relation to those areas who need Government service most.

We have the resources and ability to provide adequate economic opportunity to all parts of America. The legislation presently before this committee provides for a program to help achieve this objective.

The southern part of my own State of Missouri would be one region in a position to benefit greatly from this approach to the problems of depressed areas.

In many counties of south Missouri unemployment and population decline have presented acute problems in recent years.

The problems created by the technological revolution in American agriculture have been felt keenly by Ozark farmers.

Industrial development has lagged behind that of neighboring regions.

Yet, the Ozark region of Missouri has the potential for substantial economic growth and expansion.

Some of America's most beautiful lakes and mountains provide excellent attractions for the key industry of tourism.

Mineral deposits in south Missouri are being explored and developed in some counties with highly favorable results.

In some areas, timber is heavy enough to make prospects for increased commercial lumbering promising.

In addition to these natural resources, the large labor supply available in many towns could help attract new industrial development.

These and other assets create a potential for really outstanding economic growth in southern Missouri. The resources are there. We should not, and must not, let them go undeveloped.

We should, and we must, provide residents of this area the opportunity to formulate projects to make their area more prosperous and progressive with Federal guidance and assistance.

If we can give new vitality to the region, we will add new strength to America. Residents of distressed areas can repay the assistance they receive through increased tax revenues.

Favorable action by this committee on the Public Works and Economic Development Act of 1965 would be a major step toward that goal.

Once again, I respectfully urge the committee's most careful and favorable consideration of this legislation.

Senator HARRIS. We note also the presence of Mr. Jim Westbrook from the office of Senator McClellan of Arkansas, and make a part of the record a statement which Senator McClellan has offered to the committee.

(The statement referred to follows:)

STATEMENT OF HON. JOHN L. MCCLELLAN, A U.S. SENATOR FROM THE STATE OF ARKANSAS

Mr. Chairman, I appreciate the opportunity to provide the committee with my views on the proposed Ozark Regional Development Commission. Title V of S. 1648, the Public Works and Economic Development Act of 1965, is designed to encourage the establishment of multistate regional action planning commissions such as the one that will be discussed before the committee this morning. I understand that representatives of Oklahoma and Missouri and our own Dr. Peterson of the University of Arkansas will discuss in detail some of the problems which exist in the Ozark region and some of the ways in which our long-range, overall economic development might be facilitated by the establish-

ment of a regional action planning commission. Rather than duplicate the efforts of these gentlemen, who I might add are extremely well qualified to present these facts to the committee, I should like to speak generally of one aspect of the matter in which I have long been interested.

From as far back as 1938, the people of Arkansas and Oklahoma have been in a continuous uphill fight to secure navigation on the Arkansas River. Although our progress was at times very slow, we are now confident that our goal of navigation all the way to Catoosa, Okla., will be accomplished. The great Arkansas River navigation project is already half completed and the end is now in sight. I have felt for some time that we must begin making preparations to utilize this project to its fullest potential. A look at a map of Arkansas and Oklahoma will indicate that the Arkansas River flows through the area that would be affected by the establishment of an Ozark Regional Development Commission. By providing a framework for action and grants to get such a commission started, title V of S. 1648 gives us an excellent vehicle for use in taking full advantage of the potential inherent in the Arkansas Basin project.

There are a number of things that we need to do, and I believe a listing of these things will indicate that many of them can best be accomplished through a multistate regional action planning commission as envisioned in this act. Some of the things I have in mind are:

1. adequate planning of facilities and services to accommodate the tourists and recreationists who will use our new lakes and navigation pools for fishing, boating, picnicking, swimming, and water sports;
2. cooperation between local communities and State and Federal agencies in providing well-marked access roads, boat ramps, picnic spots, lodges, maps, and tourist information;
3. surveying and planning for highway traffic needs of the future;
4. preparing to accommodate a rapidly growing and an increasingly urbanized population by getting ready to meet the financial and other responsibilities that go with orderly expansion of school services, hospitals, shopping centers, police and fire protection, water and sewage systems, and the like;
5. providing the variety and flexibility of financial and credit services that will be needed to accommodate private investors and developers as tremendous economic expansion takes place;
6. long-range planning by communities to meet public needs such as reserving and acquiring when possible, while they are still uncommitted and relatively inexpensive, the grounds they will someday surely need for additional reservoirs for water supply, airports, parks, transportation facilities and other public uses; and
7. preparation by our civic organizations and local and State officials to develop the trained leadership that the great potentialities of this tremendous navigation and water resource improvement will necessitate and demand.

We cannot and will not obtain the maximum benefits in this area without planning, without preparation, and without effort. The best results will not take place in a helter-skelter fashion.

I commend the committee for its interest in the great Ozark region, and I believe that this committee will report legislation which will aid us greatly in the task which we must undertake in order to obtain full benefits from the human and natural resources of this region.

Senator HARRIS. I have just received a letter from Congressman Jim Trimble of Arkansas. Without objection I will make it a part of its record.

(The letter is as follows:)

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., April 28, 1965.

HON. PAT McNAMARA,
Chairman, Committee on Public Works,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I wish to go on record in support of S. 1648, the proposed Public Works and Economic Development Act of 1965.

I was born and reared in the Ozark region, and I represent a congressional district in the Ozark region. I am sure the provisions set out in this legislation would mean much to other sections of our great country, but I can speak with

a lifetime background of knowledge about the Ozark region. We need the help proposed in S. 1648, and I hope the bill will be favorably reported.

Sincerely,

JIM TRIMBLE.

Senator HARRIS. I might also call to the attention of those assembled that on April 23 in McAlester, a group of citizens and public officials from the States of Arkansas and Missouri met and formed an organization, the Ozarks Regional Development Association, or OZARKA, and elected as their president Mr. Jim Hamilton, attorney of Poteau, that there were some 34 communities of Oklahoma present or represented and 11 communities from Arkansas represented.

Mr. Hamilton, who had planned to be here in person, was unable to because of business responsibilities, and asked that the committee place in the record a statement by him in support of the establishment of such a regional commission.

(The statement referred to follows:)

STATEMENT OF JIM HAMILTON, PRESIDENT, OZARKS REGIONAL DEVELOPMENT ASSOCIATION

I am Jim Hamilton, an attorney practicing in Poteau, Okla. I grew up where I now live in the southeastern section of Oklahoma, 20 miles from the Arkansas border, and I have long maintained an active interest in the problems and possibilities of this region.

Two weeks ago I learned of the President's proposal to Congress to authorize the creation of regional economic development planning commissions. I discussed with a number of local citizens in my community the implications of this for our area and found them extremely interested. We agreed that I should call a meeting of persons from eastern and southeastern Oklahoma and the adjacent sections of Arkansas to discuss these possibilities further and assess their interest. On very short notice, the surprising number of about 300 attended a meeting in McAlester Okla., just last Friday, April 23. These people came from 34 communities in Oklahoma and 11 in Arkansas, and represented a broad range of background, professions, and interests.

After discussing the economic situation of our area, and the importance of regional planning in the light of pending legislation, the group constituted itself into a private organization known as the Ozarks Regional Development Association or "OZARKA." I was elected as president of the organization. Four vice presidents were elected: Dr. J. N. Baker, president, eastern Oklahoma A. & M. College, Wilburton, Okla.; Mr. William Halfacre, planning commission, Little Rock, Ark.; Mr. Jim Jordan, manager, Muskogee Chamber of Commerce, Muskogee, Okla.; and Mr. Jeta Taylor, president, Arkansas River Basin Association, Ozark, Ark. Mr. Jay Dalley of the Poteau Chamber of Commerce, Poteau, Okla., was elected secretary-treasurer. Each county delegation present named a representative to a board of directors. The total group authorized me to express to this committee their desire that the Ozarks region be identified as early as possible as an area in need of and eligible for economic planning. The exact region is not now and should not yet be identified, but a large group of counties including parts of Oklahoma, Arkansas, and Missouri share common problems and would benefit from coordinated approaches to those problems.

Seldom have I seen such spontaneous and enthusiastic support by so many people to any civic idea. In my view, if our region is authorized to set up a regional development commission, that commission will enjoy the vigorous support of the educational, civic, and financial institutions in the whole area. For this reason, the group of citizens I represent strongly urge the creation of a regional development commission for OZARKA. Furthermore, we pledge our assistance in every possible way to aid the creation of the commission, and when it is established we will support its efforts to the fullest extent of our abilities.

Senator HARRIS. I want to also place in the record a statement by Mr. Francis J. Wilson, executive vice president of the Arkansas Basin Development Association, of Tulsa, Okla., in support of the establishment of an Ozarks Regional Development Commission.

This was transmitted to me from Mr. Wilson by letter of April 23, 1965. This statement is also jointly endorsed by Mr. Taylor, president of the Arkansas Basin Association of Ozark, Ark., by letter to me of April 24, 1965.

(Statement referred to follows:)

STATEMENT OF FRANCIS J. WILSON, EXECUTIVE VICE PRESIDENT, THE ARKANSAS BASIN DEVELOPMENT ASSOCIATION, TULSA, OKLAHOMA, AND JETA TAYLOR, PRESIDENT, ARKANSAS BASIN ASSOCIATION, OZARK, ARKANSAS

The Arkansas Basin Development Association favors the establishment of the Ozark Regional Development Commission.

The project, of which our organization is sponsor, is the comprehensive development of the Arkansas River basin. We are represented by membership in Arkansas, Oklahoma, and Kansas. Our members are businessmen, industries, city and county governments, and individuals.

The navigation portion of the comprehensive development project of the Arkansas River will be completed in 1970, providing a 9-foot navigation channel from the Mississippi River to Catoosa, Okla. The Arkansas River bisects the heart of the Ozark region in western Arkansas and eastern Oklahoma.

The project consists of a series of multipurpose reservoirs on tributary rivers to the Arkansas River, 4 reservoirs on the Arkansas with navigation locks, and 13 locks and dams on the navigation channel. The project provides, in addition to the 9-foot navigation channel, flood control, hydroelectric power, municipal and industrial water supply, fish and wildlife and recreational developments.

The project presently is more than 50 percent completed, \$500 million of construction is in place, and \$150 million in contracts are in operation. The President's budget for fiscal year 1966, contains \$136.5 million to continue the project toward completion in 1970.

In reality the construction phase of the project is nearing completion, and plans now must be made to utilize fully this huge Federal investment. This is the responsibility of the local communities and the States. The Federal job was completing construction and providing a "turnkey" project.

When Congress authorized this project in 1946, it asked and sought commitments for participation of local interests. The local interests are required to provide adequate terminal and transfer facilities for navigation.

Prior to authorization of the project, local interests furnished written assurances that they would construct suitable public terminals, and currently the Governors of Arkansas and Oklahoma have reaffirmed those assurances. The cities on the river in both States are actively involved in engineering and planning, site acquisition, and financing of these terminal and port facilities.

Laws enacted in 1959, in both States, authorized organization and operation of port authorities and permit political subdivisions to engage in port activities. Port authorities have been organized to develop facilities for Tulsa and Rogers County and Muskogee and Sallisaw, Okla., and Van Buren, Dardenelle, Little Rock, Pine Bluff, and Jefferson County, Ark.

As this great project nears completion and the responsibility of preparation for its operation commences, the Arkansas Basin Development Association has begun to consider the "next" steps and evaluate them in the order of their importance. These steps must be taken if we are to secure the optimum benefits from the controlled and impounded waters and the navigation facilities. It is obvious that, although some steps have been taken, we are not prepared to take full advantage or make complete utilization of this great engineering works that is soon to be turned over to us.

As we face this new phase in the development of the valley, we realize that the future looks bright for the people the entire length of the Arkansas River Valley. But how bright it will be for any of them depends on the people themselves—mobilized to make it bright. The development of navigation on the Arkansas River merely makes possible—it does not guarantee—a great era of development for the river valley. Not only will the river be a new mode of transportation, but it will also have large lakes and a stabilized channel to create potential recreation development. The power and water supplies are likewise potential to development of industry.

A great deal of planning, research, and study must be done to identify the economic problems and provide an adequate solution to the Ozark region of eastern Oklahoma, western Arkansas, and southern Missouri—a large part of

which is in the Arkansas River Basin. We need to inventory our resources, both natural and economic, as well as to keep paramount the utilization of our human resources.

We have often talked of our vast natural resources in the valley. But these need to be identified, cataloged, and determined in location, quality, and quantity. We need to relate them to potential business and industrial development. We need to know how to best locate processing and manufacturing plants. We need to think in terms not only of new industry, but also expansion of existing business enterprises.

We need to plan for the coordination of our new and existing highways with the waterway. Rail and truck transportation must be integrated with the river navigation project for a coordinated transportation system to best serve the area of today and the planned area of tomorrow.

Our utilities of electric power, natural gas, communications, sewage treatment, and water supplies must be planned to provide for future needs.

In the realm of State legislation we need to examine ordinances and statutes for zoning, establishment of port authorities, and State regulations. A review of the laws of other States to determine what has been done to facilitate development and operation elsewhere needs to be undertaken.

A need for a program of recreational development and tourism is eminent. How best should these resources be advertised and developed?

These are but a few of the areas that ought to be approved on a regional basis, rather than county by county, or State by State.

The need for a fully integrated, coordinated attack on the problems by cities, counties, States and the region may be illustrated, as far as the Arkansas River is concerned, by information assembled in 1964 for justification of adequate appropriation for the river project. It was found that of the 28 counties adjacent to or bisected by the Arkansas River in Oklahoma and Arkansas, 23 of them were eligible for ARA assistance. The median family income was \$2,833, or 47.5 percent off the national average of about \$6,000. The solution to this problem can only be industrial job opportunities.

Senator John McClellan of Arkansas at the annual meeting of the Arkansas Basin Development Association set out seven points for our consideration. These could well be incorporated in the objectives of development of the entire Ozark region. His remarks follow.

"The Army Engineers tell us we will be able to navigate up to Little Rock by 1968 and all the way to Tulsa by 1970. Those dates will be here before we know it. For years we have been telling each other and the nation about the economic growth that will take place here as a result of this big improvement. Now, with completion so near at hand, we need to instigate and aggressively pursue an active effort to accommodate that growth—to foster, encourage, and accelerate it.

"I know that some progress along these lines has already been made in many communities—maybe more than I realize. But I am confident that more could be done and needs to be done. Some of the things I have in mind are

"1. Adequate planning of facilities and services to accommodate the tourists and recreationists who will use our new lakes and navigation pools for fishing, boating, picnicking, swimming, and water sports. (Such accommodations must be provided if we are to make this area competitively attractive with other highly developed sections of our country.)

"2. Cooperation between local communities and State and Federal agencies in providing well-marked access roads, boat ramps, picnic spots, lodges, maps, and tourist information;

"3. Surveying and planning for highway traffic needs of the future. (Not just tourist traffic, but also the commercial traffic, the truck traffic, and the commuting will increase as enterprise grows and communities expand.)

"4. Preparing to accommodate a rapidly growing and an increasingly urbanized population by getting ready to meet the financial, real estate, and other responsibilities that go with orderly expansion of school services, hospitals, shopping centers, police and fire protection, water and sewage systems and the like. (We must be prepared to finance the many kinds of additional public facilities and services that the impact of increased population and economic expansion will require.)

"5. Providing the variety and flexibility of financial and credit services that will be needed to accommodate private investors and developers as tremendous economic expansion takes place;

"6. Long-range planning by communities to meet public needs such as reserving and acquiring when possible, while they are still uncommitted and relatively inexpensive, the grounds they will someday surely need for additional reservoirs for water supply, airports, parks, transportation facilities, and other public uses. (A number of communities along the river are setting aside industrial park areas. That is good, for they are most essential. But, they also need to set aside public use areas that will inevitably be required as a result of the occupation and development of the industrial parks they are now establishing.)

"7. Preparation by our civic organizations and local and State officials to develop and to assume the efficient, technical, and energetic leadership that the great potentialities of this tremendous navigation and water resource improvement will necessitate and demand.

"These are not all but only some of the things that will soon be pressing for attention. I could mention many others.

"I suggest that it is time, high time, that we devote some concentrated thought and concerted effort to the responsibilities of our local and State governments, our civic organizations, and our own citizenship responsibilities. For if we really want economic growth and progress in this valley, let us remember that nothing will attract investment, industry, and enterprise so much as will the clear and publicized demonstration that we are ready for it, that we are prepared to meet our responsibilities.

If we will plan wisely and meet these local responsibilities, we can get the most out of our opportunities, but we cannot and will not get the maximum benefits without planning, with preparation, and without effort. The best and most will not come to us that way. It will not take place helter-skelter. It will not come by happenstance."

"Our local governments and chambers of commerce and other civic organizations should make purposeful plans and preparations and then formulate and carry out an appropriate program to inform the national public of the opportunities that this valley presents."

In summary, three broad general points might well be suggested as a basis for planning:

1. Make an appraisal of the economy of the Ozark area from the viewpoint of expansion of commerce, industry, agriculture, production, and employment.
2. Determine the causes of any lag in the economic growth of the area.
3. Make recommendations and otherwise assist in developing policies and programs to promote the expansion of the area's economy.

These problems can be solved on a county basis or on a State basis. But they are regional in scope. Much unnecessary duplication can be avoided if we approach them on this basis. It is imperative that regional multistate planning and development be undertaken as soon as possible. We feel that action on many fronts is needed if the low income, high unemployment level is to be changed. Private and governmental, local, State and Federal Governments, all must join hands, pool their knowledge and their fact-gathering machinery and research facilities so that we can identify our common problems and join hands to work together to solve them.

No region of America has greater opportunity and potential for economic growth and development, for the development of new, private jobs, than does the Ozarks region.

We are hopeful that legislation will be passed to enable the establishment of an Ozarks Regional Development Commission to channel these activities and provide the necessary funds for research and planning.

If the legislation is adopted, you can be assured of the full cooperation of the Arkansas Basin Development Association.

Senator HARRIS. And lastly, I would like to place in the record a letter from Mr. Louis Harkins, director of the Agricultural Experiment Station, Oklahoma State University, the letter being dated April 16, 1965, making a proposal for research, asking for a grant of approximately \$50,000 for tick eradication, this being one of the serious problems of this general region, a deterrent to tourism and recreation, the cattle industry, and a health hazard.

(The letter referred to follows:)

OKLAHOMA STATE UNIVERSITY,
DIVISION OF AGRICULTURE,
Stillwater, April 16, 1965.

Senator FRED R. HARRIS,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR HARRIS: President O. S. Willham has relayed to me through Dean O. Burr Ross your request for outline of a research proposal on control and eradication of ticks and mites (including chiggers). You will find a draft of such a proposal enclosed. I discussed this subject with Mr. Dage by telephone and hope the outline as here prepared will serve your purpose effectively.

If we can be of any further service or assistance in this or any other connection, please permit us to help you. We do want to have a part in the Ozark regional program in event one is initiated.

Sincerely,

LOUIS E. HAWKINS,
Director.

RESEARCH PROPOSAL

CONTROL OF TICKS AND MITES

PROJECT TO BE CONDUCTED BY THE AGRICULTURAL EXPERIMENT STATION, OKLAHOMA STATE UNIVERSITY, STILLWATER, OKLA.

Area concerned: The Ozarks and adjacent areas of Oklahoma, Arkansas, and Missouri.

The Agricultural Experiment Station of Oklahoma State University is capable, ready, and willing to undertake and conduct this research project contingent only upon operating funds made available to do the work. Competent scientific leadership and major laboratory facilities are now available. The project can be added to the program of the Experiment Station with minimum indirect cost, thereby using the maximum of grant or contract funds for direct financing of the research.

Justification: The Ozark area of Oklahoma, Arkansas, and Missouri covers approximately 100 counties in eastern Oklahoma, western Arkansas, and southern Missouri. This region is characterized by wooded mountains and valleys, sparkling streams and beautiful scenery with a moderate climate.

Twenty-some major lakes of clear water, many of which are in excess of 50,000 surface acres in size, have been created by large dams on the rivers of the region. Hundreds of smaller lakes are scattered throughout the area, the property of private individuals, club groups, and municipalities. Parks and playgrounds of wide range in magnitude and character have been established in the region. Wildlife—animals and birds of great number of species and varied description—abound throughout the area.

Farming and ranching, mining and commercial timber and lumber business also characterize the entire Ozark region. The total area is a vast complex of wild lands, commercial enterprise, recreation and wildlife.

Full use of the resources of the region presently, and full realization of the enormous potential for further development, are greatly impeded by ticks and mites which infest the entire region. These obnoxious parasites are a constant menace to the health and comfort of man, animal, and bird. They threaten human health, curtail farm and ranch profits, impair the health and thrift of wildlife and diminish the usability of recreational facilities.

There is a critical need for added knowledge of more effective and feasible ways of controlling the ticks and mites which attack man and beast. The present state of knowledge of this subject does not enable man to mount an adequate program of control and eradication of these pests. The enormous losses caused by these parasites through their attack on farm animals, pets, and wildlife and their constant threat to the health and comfort of people warrant a very substantial investment in research to achieve control and eradication of them.

It is highly essential that only those chemicals be used in control measures which would be safe for human contact or exposure. The research to be conducted under this project of necessity will give close attention to human safety in kinds of materials used and methods of application.

Present Status of Knowledge: Eight genera and eighteen species of ticks are known from the Ozark region of Oklahoma. Of these *Dermacentor variabilis*, *Amblyomma americanum* and *Ixodes scapularis* are dangerous to humans. In addition *Argas persicus*, *Otobius megnini* and *D. albipictus* are important vectors of diseases of domestic animals and may cause serious economical losses. Wildlife conservation officials have stated that tick attack is the principal cause of death among fawns and ticks may be equally damaging to many wildlife species.

Eradication of the Texas cattle fever tick from this area stands as a brilliant example of tick control which was possible because it fed on cattle only and could be eliminated by dipping and pasture rotation. These procedures will have limited usefulness against the remaining species which feed on many hosts.

Chlorinated hydrocarbon insecticides are effective as sprays or dips but resistance to them is developing in several species and their usefulness will soon be limited. Organic phosphates and newer insecticides show promise and may be very useful.

The general biology and ecology of the major species is known but many details are lacking for the Ozark area.

Objectives: 1. To determine the detailed biology and ecology of the important species of ticks and mites of the Ozark area.

2. To develop safe, economical procedures for control of ticks and mites.

3. To evaluate the health hazard, disease potential, and economic loss due to or caused by the ubiquitous tick population of eastern Oklahoma.

Procedures: 1. Determination of the seasonal and geographic prevalence of the important tick and mite species using standard biological procedures. The life cycles and ecology of the ticks and mites in specific ecological habitats which may influence control will be stressed.

2. The relationship of pasture management, habitat control and animal manipulation on tick and mite numbers will be studied.

Collect and rear large numbers of the important species of ticks and mites and expose them to possible pathogens to determine the usefulness of potential biological control agents which may be used in natural conditions.

Evaluate currently available and potentially acceptable pesticides by standard techniques and determine the degree of resistance shown by ticks and mites to currently recommended materials.

The possibilities of combining control procedures into integrated control programs will be studied to obtain greater effectiveness and reduce environment contamination with pesticides.

3. All available data pertaining to economic losses, health hazards, and disease potential will be collected, evaluated, and summarized.

Operation: Departments in the College of Agriculture, the College of Veterinary Medicine, and the College of Arts and Sciences will cooperate in planning and conducting research under this project. Collaboration will be established with State departments of wildlife conservation and State parks departments in the three States involved. The Wildlife Research Unit of the Bureau of Sport Fisheries and Wildlife, U.S. Department of the Interior, will be brought into the project where appropriate.

Budget per year (12 months)

	Grant	OSU	Total
Project leaders		\$4,000	\$4,000
Assistant project leader	\$10,000	5,000	15,000
Research assistants	16,000	8,000	24,000
Subprofessional	5,000	2,500	7,500
Equipment	6,000	2,000	8,000
Supplies and materials	5,000	500	5,500
Travel, wages, and other	8,000	1,000	9,000
Indirect costs		14,600	14,600
Total	50,000	37,600	87,600

Senator HARRIS. I might suggest for the record that it is my judgment that section 501(a)(3) of title V of this act ought to be amended to spell out particularly the powers of the Commission to be established

to enter into research contracts along this line, and that this will certainly be the type of activities in which the Commission will want to be engaged.

I think also I might observe section 501 (a) and (c) of the act ought to be amended along the lines suggested earlier by Senator McGovern, of South Dakota, to detail more the procedures by which a regional action planning commission may be established.

Along that line, I offer for the record the resolution adopted by the Legislature of the State of Oklahoma, entitled "Enrolled Senate Concurrent Resolution No. 26," expressing the intent of the State of Oklahoma that that State should enter into the establishment of an Ozarks regional development program.

(Resolution referred to follows:)

OKLAHOMA ENROLLED SENATE CONCURRENT RESOLUTION No. 26

A Concurrent Resolution Extending the Support of the Oklahoma Legislature to the Congress of the United States for the Enactment of Legislation for the Ozarka Regional Development Program

Whereas the Congress of the United States has established the policy of supporting economic development in sections of the country which fall behind the national average in per capita income and employment through the enactment of the Area Redevelopment Act and the Public Works Acceleration Act and its present consideration of the Appalachian regional development bill; and

Whereas the President of the United States has, in his state of the Union address and in his messages to the Congress on the budget and agriculture, indicated his continued support for such a policy; and

Whereas U.S. Senator Fred R. Harris and Members of the Oklahoma congressional delegation have proposed an "Ozarka" regional development program for eastern Oklahoma and neighboring States similar to that now under consideration by the Congress for the Appalachian Mountain region; and

Whereas the formulation and implementation of an economic development plan for "Ozarka" will require complete cooperation among the Federal, State, and local governments as well as businessmen, farmers, and working people in the area. Now, therefore, be it

Resolved by the Senate of the 30th Legislature of the State of Oklahoma, the House of Representatives concurring therein, That this legislature hereby indicates its support for the enactment of legislation by the Congress of the United States to extend the regional development concept to the eastern Oklahoma "Ozarka" region and commends its Representatives in Congress for their efforts in support of such a program.

Be it further resolved, That it is the expressed intent of this legislature that the State of Oklahoma and the agencies and subdivisions thereof lend all possible aid, assistance, and cooperation in the formation of an Ozarka regional development program to include a portion of the State of Oklahoma.

Be it further resolved, That the secretary of senate is hereby directed to forward appropriate copies of this resolution to the President of the United States, the Honorable Pat McNamara, Chairman of the Senate Public Works Committee, and the Honorable George H. Fallon, Chairman of the House Public Works Committee, and to the members of the Oklahoma congressional delegation, each of whom is commended for his past efforts and further encouraged to support the planning and implementation of an Ozarka regional development program.

Adopted by the senate the 4th day of March, 1965.

Senator HARRIS. I understand that a similar resolution has been adopted in the State of Arkansas.

I might observe lastly that in my judgment there are unique common problems and opportunities in the area of eastern Oklahoma, western Arkansas, southern Missouri, and parts of other contiguous States, which can best be met by multi-State, regional planning and action.

No section of America has greater opportunity, people who are willing to work together energetically for their area, than does the Ozarks region. It has the natural resources, it has the great natural beauty, and it seems to me that these great assets cannot be utilized to the fullest and the potentialities of this region cannot be realized unless we join hands, not on a county or State basis, but on a multi-State, regional basis, which we can do through the formation of an Ozarks Regional Development Commission.

I am certainly hopeful that this legislation can be passed in all its parts, particularly title V of the act, and an Ozarks Regional Development Commission can be established quickly, and that there can be appropriated \$2 or \$3 million initially, so that we can get underway now to reduce the chronic high unemployment and low incomes of those regions.

We are particularly pleased to have in person today a colleague who has been most instrumental in the development of our area of America, who has been most instrumental in the arrangements for this hearing.

At this time I want to say that we appreciate his taking time from the Senate Foreign Relations Committee, which he chairs, to come here and be with us in person at this meeting.

The Senator from Arkansas, Senator Fulbright.

STATEMENT OF HON. J. W. FULBRIGHT, A U.S. SENATOR FROM THE STATE OF ARKANSAS

Senator FULBRIGHT. Thank you, Mr. Chairman. It is a great pleasure to appear before your committee.

Having a Senator from Oklahoma chair the Committee on Public Works involves an old experience, and it is very gratifying to see another one step into his place. For many years we used to appear before Senator Kerr, as the Senator knows.

I am very pleased to testify this morning on the need for an Ozarks Regional Development Commission and in support of S. 1648, the Public Works and Economic Development Act of 1965. I am pleased to be a cosponsor of this bill, which provides the framework for substantial progress in the development of areas of our country which do not now share fully in our national prosperity.

Inasmuch as today's hearing is confined to the need which exists for regional action planning commissions which would be authorized by title V, I will confine my comments to that facet of the bill.

When this committee considered the Appalachian regional development bill earlier this year, I wrote to your distinguished chairman to urge that funds be included in that legislation for planning further regional development programs.

When the Appalachian bill was reported to the Senate, the chairman of the Public Works Committee and others noted the need which exists for regional programs beyond that in progress for Appalachia. I am very pleased that this concept has been included in the bill proposed by the President as title V.

A strong case can be made for the creation of a regional development program for the Ozarks region. As the chairman knows, I live in this region. A thoroughgoing study similar to that accomplished

by the President's Appalachian Regional Commission would serve to pinpoint our needs and our economic potential.

There is no question that we in Arkansas have made substantial progress in recent years in the attraction of new industry and the expansion of old enterprises. Many of our towns and cities have experienced considerable and healthy growth. Our rate of increase in per capita income, as a state, I may say, not just the Ozarks region, is one of the highest in the nation.

Through the various activities of the Federal Government latent resources have been tapped. Drainage and flood control projects in eastern Arkansas have made our delta region one of the most productive agricultural areas in the country.

The Arkansas River project will soon bring the benefits of deep channel navigation, flood control, recreation, and abundant supplies of water to the Arkansas River valley which bisects my State and of course runs into the chairman's State of Oklahoma, our neighbor to the west.

Federal reservoirs in northern Arkansas and southern Missouri, area redevelopment projects, accelerated public works grants, and other Federal efforts have been of inestimable value to the State of Arkansas.

I might add that the Arkansas River program is a good example of a regional undertaking. As the chairman of this subcommittee well knows, many interested citizens of Arkansas and Oklahoma have cooperated fully in developing the Arkansas River valley.

Even with the progress we have made, our situation in Arkansas is analogous to the national economic picture in that while some areas prosper, others are economically dormant. This is particularly true of the mountainous area of Arkansas and contiguous sections of Missouri and Oklahoma.

Subsistence farming, which at one time was the basic occupation in this region, is largely a thing of the past. Many hill farms in the Ozarks have been abandoned by young people searching for a place in our modern economy.

Most of our mountain counties showed a decline in population in the 1950's. While some selected areas have reversed this trend, others have not. Even now most hill counties in the Ozarks continue to show a net outmigration of people.

The result is a vicious cycle—inadequate schools, insufficient public facilities, a limited road network, and a tax base which is depreciating relative to these needs.

And yet, Mr. Chairman, within the Ozarks region of Arkansas, Missouri, and Oklahoma lies some of the most beautiful country in America, an area which is ringed by major population centers. Kansas City, St. Louis, Memphis, Little Rock, Dallas, Fort Worth, Tulsa, and Oklahoma City form an almost perfect circle around an area with vast potential for recreation and light industry.

Some communities and counties in this region are doing very well. Fayetteville, Ark., which is my hometown, and the seat of the University of Arkansas, has experienced truly amazing economic growth in recent years. A number of new plants have opened there, and the latest unemployment survey showed that Washington County had an unemployment rate of less than 3.5 percent.

I cite Washington County as an example of the fact that economic progress can be a reality in this area. Unfortunately, it is the exception rather than the rule.

I do not think it is appropriate for me to try to define the regions which could profit from the type of program envisioned in title V of this bill. It would certainly be a primary task of a regional action commission to establish the precise geographical limits of the region.

However, any such program will include the mountain counties of north-central Arkansas, and I think their economic characteristics are representative. In these counties unemployment figures are high—in most cases 2 to 4 percentage points above the national average.

Underemployment—low-skilled and low-salaried jobs and incomes well below the national average—is an even greater problem.

At my request, the Arkansas Planning Commission selected 40 Arkansas counties in the mountainous northwest half of Arkansas. In every county median family income, according to the 1960 census, was below the national average.

To illustrate, let me cite a few examples. According to the 1960 census, median family income in Newton County was \$1,666, or \$3,994 below the national average. In Fulton County, which is on the Missouri line, median family income was \$1,886, or \$3,774 below the national average.

In Madison County, which, incidentally, is directly adjacent to Washington County, to which I referred earlier, median family income was \$1,928, or \$3,732 below the national average.

You can see that it is substantially below the national average. This is not per capita income. This is family income.

I think these figures indicate the magnitude of the economic problem to be met in this region.

Mr. Chairman, a regional action planning commission will not be merely a device to extract funds from the Federal Treasury for public works in the Ozarks. Investments by the States involved and their political subdivisions may be coordinated by such a group for maximum economic advantage.

Through regional planning of highways, water resources—such as the Arkansas basin—educational efforts, and other improvements which underlie economic growth, the development of this area can be accelerated, and can be directed.

A regional planning commission is a good example of what the President calls constructive federalism, as it seeks to coordinate Federal, State, and local efforts.

Mr. Chairman, there is, as you well know, deep interest and support for this type of program within the Ozarks region.

Senator HARRIS. Senator, I might interrupt you right there, if I may.

I understand there are a good many of your people from Arkansas who are here today, and I know that there were a great many of them who were present at the meeting in McAlester to organize this private association for this region, also.

I want to commend you for the great interest shown by you and by your State.

Senator FULBRIGHT. I thank the chairman very much. He is quite right. We do have, I think, quite a substantial group this morning

I would ask to stand in a few moments. They have shown a great interest.

Perhaps this would be a good time, if I could introduce them to you just briefly.

Mr. James A. Hatcher of Little Rock, I believe, is here.

Mr. Wesley J. Gordon of Fayetteville, Ark. He has been directing our chamber of commerce for many years, a very efficient man, as will be evidenced by the advancement in that area.

Mr. E. J. Bail of Fayetteville.

Mr. Charles E. Sanders of Springdale, Ark., which is one of the fastest growing communities. It is also in Washington County.

And Mr. Hilton L. Lewis of Springdale, Ark., and Mr. Kelly Yount of Russellville, Ark.

Mr. Carl Tillery of Paris, Ark., and Dr. Barten Westerlund, of the University of Arkansas.

All of these gentlemen have played a part in this, and are deeply interested in this program.

Senator HARRIS. Thank you, Senator.

I might observe, too, we are not only speaking for all of us on this committee, but also for the record which will be examined by the Senate, and I hope also, when this legislation is passed, by the Secretary of Commerce, I think it would be very helpful to us in establishing this kind of a commission that that interest was shown by the presence of these people from Arkansas here at this hearing.

Senator FULBRIGHT. I think these men, all of them, could be of use in this commission in helping advise them and guide them.

As the chairman I think stated, the Arkansas State Legislature adopted unanimously a resolution pledging cooperation in such a program, and an ad hoc organization has been established, comprised of interested citizens in eastern Oklahoma and western Arkansas to promote it.

I might add that all of us interested in this proposal are indebted to our colleague from Oklahoma, who occupies the chair this morning, for his very good work in support of the establishment of an Ozarks regional development program.

When this matter first came up, of course, it is common knowledge that Senator Harris took a leading part in it in our negotiations at the time of the Appalachian bill.

Mr. Chairman, I have referred to a letter I received from the Director of Planning of the Arkansas Planning Commission with reference to an Ozarks development program, and with your permission I would like to include it in the record of this hearing.

I would also like to include the resolution passed by the Arkansas State Legislature to which I have referred.

Senator HARRIS. Without objection, both will be included in the record.

(The letter and resolution referred to follow:)

ARKANSAS PLANNING COMMISSION,
Little Rock, Ark., April 21, 1965.

HON. J. WILLIAM FULBRIGHT,
United States Senator,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR FULBRIGHT: In response to your inquiry for information concerning the State of Arkansas that would be pertinent to the Regional Development Act of 1965, section 3-A, I would like to submit the following information.

The enclosed map will show the area that makes up the interior highlands of the State which historically has been known as the Ozark Mountains. Within this statement it is realized that the Boston Mountain Range lies to the north of the Arkansas River and the Ouachita Mountain Range is immediately south of the Arkansas River.

Generally speaking, the area so described is that portion of the State which would lay north and west of a line drawn diagonally from the Northeast corner to the southwest corner of the State. Through the years this area has been characterized by the corncob pipe smoking corn liquor drinking native.

The above mentioned section of the State comprises 40 counties and is further characterized by a relatively high rate of unemployment and a most significant high rate of unemployment compared to the national rate. This information is portrayed in the attached chart which deals with the unemployed rate in each county for the years 1962 and 1963 and the differences of these unemployment factors as compared to the national average for each of the years 1962 and 1963.

The same chart dealing with each of the 40 counties also has the income of each of the counties in 1960 and the differences of these counties relative to the national average in 1960. The median level of family income is below the national rate for the year 1960 at which time the national rate was \$5,660 while the State of Arkansas as a whole only showed a median income of \$3,184.

The level of housing, health and education facilities are substantially below that of the national average in all of the 40 counties excepting the urban areas which are in the population range of 25,000 plus.

The industrial analogy of these 40 counties shows a very broad and diverse pattern ranging presently from the menial task of agricultural production to the highly sophisticated considerations and associations of nuclear energy, however, as each of these counties would lend greatly to the economy, it must be stated that the poultry industry would be the dominant single industry of the aforementioned 40 counties.

The rate of out migration of labor in the area of concern is low compared to the remaining portion of the State. Within the 40-county area, only 12 counties showed a loss of population between 1960 and 1963 with the largest loss in Pike County being 6.1 percent negative change. Within the individual counties of this area, a considerable amount of out migration has occurred from the rural sections to the urban places which can best be pointed out by the fact that the largest gain in any one county in this subject area was Sebastian County with a 21.1 percent increase. It is presumed that this gain was assisted to some degree by the operation of Fort Chaffee.

Because of the nature of existing industries in this area, it is not presumed that changing industrial technology will be significant in the immediate future. Ultimately as navigation of the Arkansas River brings in new industries and some of the pilot industries established in the area are found feasible, the horizon does present evidence of ultimate technological advances and change. Most significant in this line will undoubtedly be those technological changes associated with the nuclear program of the University of Arkansas.

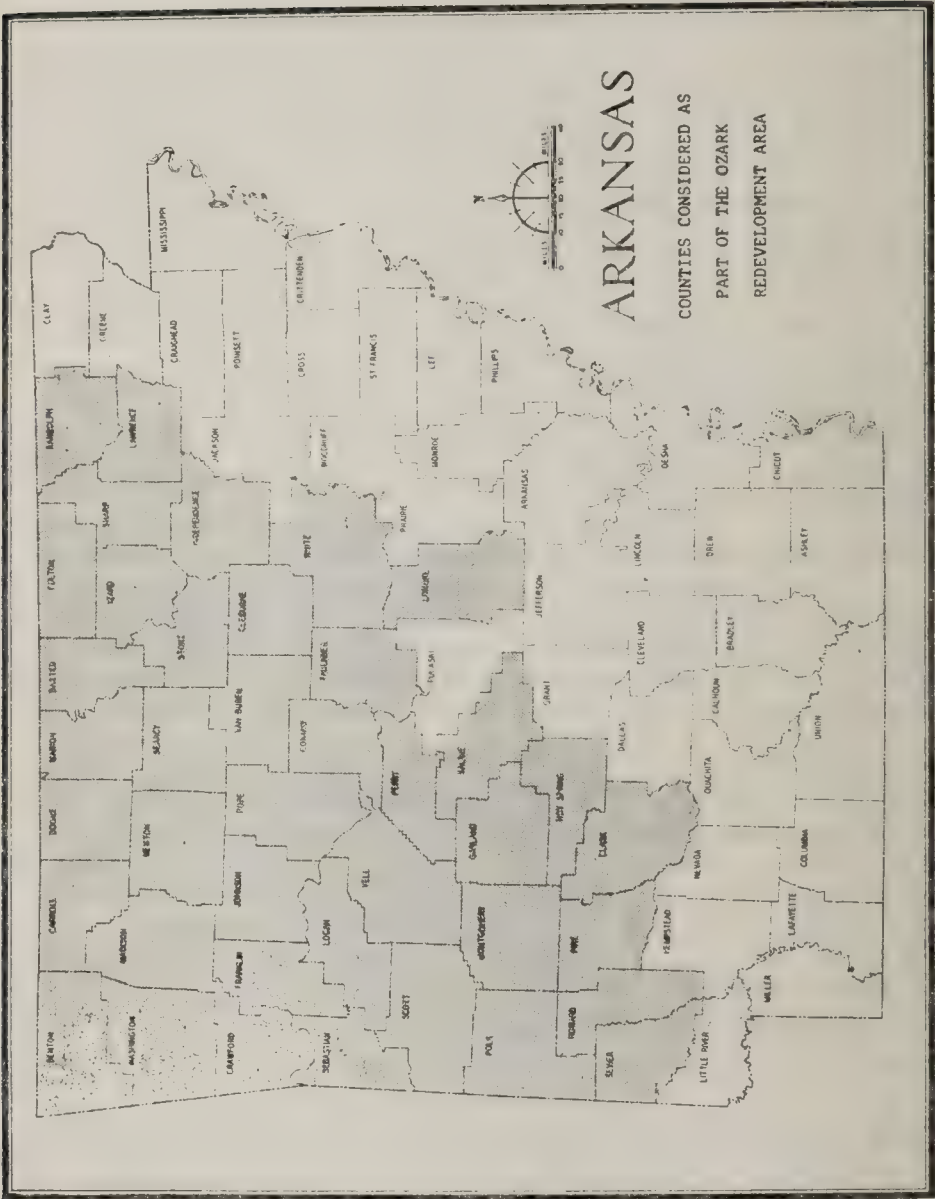
The effects of change in national defense facilities would have very little effect in the total area of consideration except the closing of Fort Chaffee at Fort Smith will cause a substantial displacement of people and will seriously alter the economy immediately while long range will have a rather moderate effect. The industries of Fort Smith and Van Buren will keep the Fort Smith economy from nose diving for a long cycle. In conjunction with the national defense facilities of the aerospace age and nuclear power, there is a possibility that the area along the Arkansas River and in the hills of the Ozark region will develop relative significant industrial complexes with the proper assistance.

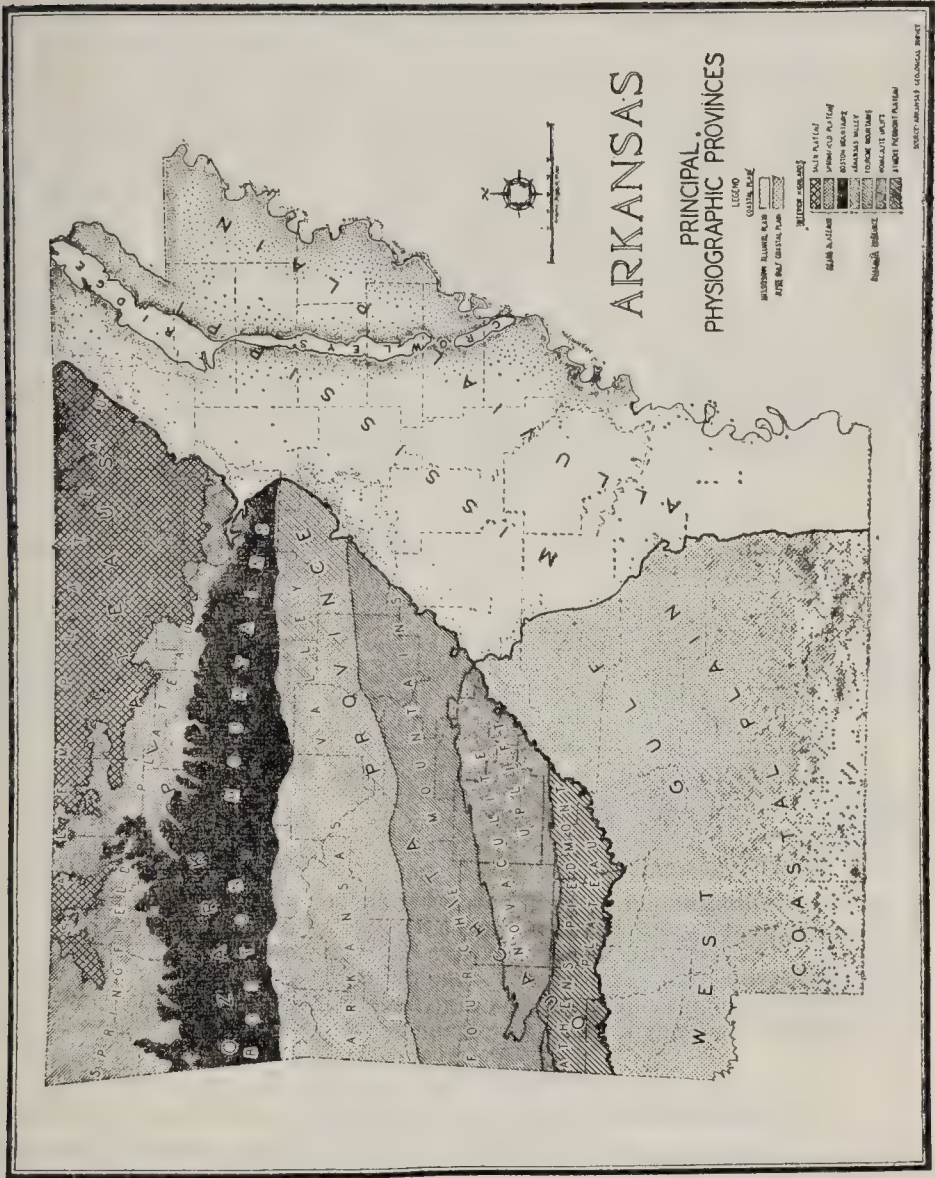
We are vitally interested in this particular piece of proposed legislation and will assist in any way that we can to insure complete considerations of the areas involved.

I sincerely hope that the information contained herein is of assistance and if there is anything else we can add, please do not hesitate to call.

Very truly yours,

WILLIAM R. HALFACRE,
Director of Planning.





County	Unem- ployed rate in county, 1962	Unem- ployed rate in county, 1963	Difference in na- tional and county average in 1962 (+ over, - under)	Difference in na- tional and county average in 1963 (+ over, - under)	Income in the county, 1960	Difference in na- tional and county in 1960	1960-63 net mi- gration (+ over, - under)	1960-63 percent change in popula- tion (+ over, - under)
Baxter.....	NA	NA	NA	NA	\$2,800	-\$1,860	-13	+1.0
Benton.....	5.8	5.0	+2	-7	3,160	-2,500	+3,030	+10.8
Boone.....	18.5	17.1	+2.9	+1.4	2,837	-1,823	-19	+3.1
Carroll.....	6.8	6.7	+1.2	+1.0	2,555	-3,105	+731	+8.3
Clark.....	8.6	7.3	+3.0	+1.6	3,127	-2,533	-19	+2.6
Cleburne.....	NA	NA	NA	NA	2,137	-3,523	-11	+3.0
Conway.....	11.2	9.7	+5.6	+4.0	2,751	-2,909	+252	+5.1
Crawford.....	14.7	15.1	+9.1	+9.4	3,122	-2,538	+878	+8.2
Faulkner.....	8.0	7.7	+2.4	+2.0	2,968	-2,692	+2,538	+14.6
Franklin.....	13.8	13.8	+8.2	+8.2	2,611	-3,049	-13	+2.0
Fulton.....	NA	NA	NA	NA	1,886	-3,774	-195	-1.5
Garland.....	NA	NA	NA	NA	3,511	-2,149	-259	+9
Hot Spring.....	7.8	6.7	+2.2	+1.0	3,881	-1,779	-1,000	-1.6
Howard.....	4.8	3.3	-8	-2.4	3,033	-2,627	-577	-2.4
Independence.....	NA	NA	NA	NA	2,502	-3,158	+209	+3.1
Izard.....	NA	NA	NA	NA	2,099	-3,561	-8	+1.6
Johnson.....	17.0	9.9	+11.4	+4.2	2,484	-3,176	-56	+8
Lawrence.....	11.5	9.7	+5.9	+4.0	2,255	-3,405	-404	+1.7
Logan.....	10.0	8.9	+4.4	+3.2	2,376	-3,284	+275	+3.5
Lonoke.....	6.2	5.0	+6	-7	2,708	-2,952	-1,291	-5
Madison.....	NA	NA	NA	NA	1,928	-3,732	+224	+4.8
Marion.....	NA	NA	NA	NA	2,260	-3,400	-18	+4
Montgomery.....	NA	NA	NA	NA	2,572	-3,088	-257	-4.0
Newton.....	(4)	(4)	(4)	(4)	1,666	-3,994	-260	-1.5
Perry.....	(4)	(4)	(4)	(4)	2,217	-3,443	-6	+2.1
Pike.....	7.4	6.0	+1.8	+3	2,614	-3,046	-585	-6.1
Polk.....	9.6	14.2	+4.0	+8.5	2,694	-2,966	-588	-4.5
Pope.....	8.3	6.7	+2.7	+1.0	3,046	-2,614	+1,027	+8.5
Randolph.....	8.5	7.7	+2.9	+2.0	2,497	-3,163	-495	-5
Saline.....	6.5	4.2	+9	-1.5	4,483	-1,777	+831	+6.5
Scott.....	6.6	7.8	+1.0	+2.1	2,168	-3,492	-382	-2.3
Searcy.....	(4)	(4)	(4)	(4)	2,066	-3,594	-450	-3
Sebastian.....	4.6	4.4	-1.0	-1.3	4,241	-1,419	+10,694	+21.1
Sevier.....	8.8	7.0	+3.2	+1.3	3,089	-2,571	+268	+4.6
Sharp.....	NA	NA	NA	NA	1,902	-3,758	-9	+1.3
Stone.....	NA	NA	NA	NA	1,740	-3,920	-273	-1.0
Van Buren.....	NA	NA	NA	NA	1,968	-3,692	+160	+4.0
Washington.....	3.9	3.7	-1.7	-2.0	3,623	-1,977	+3,790	+11.1
White.....	12.0	13.6	+6.4	+7.9	2,893	-2,767	+1,959	+9.5
Yell.....	(5)	(5)	(5)	(5)	2,600	-3,060	-58	+1.7

¹ This is a combination of Boone, Newton, and Searcy Counties.

² This is a combination of Conway and Perry Counties.

³ This is combination of Pope and Yell Counties.

⁴ See Boone County.

⁵ See Pope County.

State of Arkansas unemployment rate average for 1962 was 5.8.

State of Arkansas unemployment rate average for 1963 was 5.1.

The National unemployment rate average for 1962 was 5.6.

The National unemployment rate average for 1963 was 5.7.

The National unemployment rate average for 1964 for 5.2.

The National unemployment rate average as of January 1965—4.8.

ARKANSAS SENATE CONCURRENT RESOLUTION 14

Resolution of the Arkansas Legislature indicating its support for the enactment of legislation by the Congress of the United States to extend the regional development concept to the Ozarks and commends its representatives in Congress for their support of such a program

Whereas the Congress of the United States has established the policy of supporting economic development in sections of the country which fall behind the national average in per capita income and employment through the enactment of the Area Redevelopment Act and the Public Works Acceleration Act and its present consideration of the Appalachian regional development bill; and

Whereas the President of the United States has in his state of the Union address and his messages to the Congress on the budget and agriculture indicated his continued support for such a policy ; and

Whereas members of the Arkansas congressional delegation, led by Senator John L. McClellan and Senator J. W. Fulbright, have proposed a regional development program for the Ozark Mountain region of Arkansas and neighboring States similar to that now under consideration by the Congress for the Appalachian Mountain region ; and

Whereas the formulation and implementation of an economic development plan for the Ozarks will require complete cooperation among the Federal, State, and local governments as well as businessmen, farmers, and working people in the area : Now, therefore, be it

Resolved by the Senate of the 65th General Assembly of the State of Arkansas (the House of Representatives concurring therein) : That this legislature hereby indicates its support for the enactment of legislation by the Congress of the United States to extend the regional development concept to the Ozarks and commends its representatives in Congress for their efforts in support of such a program ; be it further

Resolved, That it is the expressed wish of this Legislature that the State of Arkansas and the counties and municipalities therein lend all possible aid, assistance, and cooperation in the formation of an Ozarks regional development program ; be it further

Resolved, That the secretary of state is hereby directed to forward appropriate copies of this resolution to the President of the United States, the Honorable Pat McNamara, chairman of the Senate Public Works Committee, and the Honorable George H. Fallon, chairman of the House Public Works Committee, and to the members of the Arkansas congressional delegation, each of whom is commended for his past efforts and further encouraged to support the planning and implementation of an Ozarks regional development program.

Senator FULBRIGHT. Mr. Chairman, it is a great pleasure for me to introduce to this subcommittee a member of the faculty of the University of Arkansas who is well qualified to discuss the economic characteristics of the Ozarks region.

Dr. John M. Peterson of the College of Business Administration is here to testify this morning, and I am sure his presentation will be extremely helpful to you.

Dr. Peterson is uniquely qualified to testify on this proposal. He teaches courses in economic development in the College of Business Administration at the University of Arkansas. He has served as head of the University's Industrial Research and Extension Center in Little Rock, and has had experience in regional economic analysis with the Tennessee Valley Authority.

I am very pleased that he could be here this morning, and it is a privilege for me to introduce him to you.

I think you will find that he is in the best sense of the word an expert in this type of development, and it gives me great pleasure to introduce Dr. Peterson to the committee.

Senator HARRIS. If you will come forward, Dr. Peterson.

Senator FULBRIGHT. Thank you very much, Mr. Chairman.

Senator HARRIS. Senator Fulbright, we are certainly grateful to you for taking time from your other committees and coming here.

Senator FULBRIGHT. Mr. Chairman, you don't know what a pleasure it is to come in here and talk about something constructive and get away from something like Vietnam.

Thank you very much for allowing me.

Senator HARRIS. Thank you, sir.

Dr. John H. Peterson, of Arkansas.

STATEMENT OF DR. JOHN H. PETERSON, COLLEGE OF BUSINESS ADMINISTRATION, UNIVERSITY OF ARKANSAS

Dr. PETERSON. Mr. Chairman and members of the Senate Committee on Public Works, it is a pleasure for me to be here as a representative of the University of Arkansas to testify on the special help needed by the Ozark region in economic development.

While this testimony will not deal with the provisions of S. 1648, the Public Works and Economic Development Act of 1965, we endorse the principle of the approach of title V, Regional Action Planning Commissions, and also part B of title IV, Economic Development Districts, as being potentially very helpful in dealing with the special problems of the Ozark region.

I personally am very much interested in the regional action planning approach. Since 1962 I have been teaching courses in economic development at the regional, national, and international levels.

Prior to that, I was the associate director of the University of Arkansas's Industrial Research and Extension Center in Little Rock, where I worked closely with local and statewide leaders concerned with industrial development.

With me here today to help answer questions is Dr. Barten Westerlund, present associate director of that center.

Prior to 1955 I had worked on regional economic analysis with the Tennessee Valley Authority, and on productivity studies in the U.S. Bureau of Labor Statistics.

I have written articles on southern problems of surplus labor, and on the employment-restricting effects of minimum wage laws.

But I am acquainted personally with the problems of other regions in the Nation, having attended high school in the small mining town of Bessemer in the Upper Peninsula of Michigan, and having attended college in several regions.

I received degrees from the University of Washington, Seattle, Harvard Graduate School of Business Administration, and the University of Chicago.

Also, from 1960 to 1963, I had the opportunity to serve on the Area Development Advisory Board of the CED, Committee for Economic Development, in New York City.

Therefore, I shall have some personal observations to make about the regional action planning approach after I have presented some information about the economic conditions in the Ozark region.

My prepared remarks are too long, so I will highlight my statement and ask that it be included in the record.

Senator HARRIS. Without objection, it will be so included.

(Statement referred to follows:)

ECONOMIC DEVELOPMENT PLANNING NEEDS OF THE OZARKS

By John M. Peterson, professor of Economics, University of Arkansas

IDENTIFICATION OF REGION

Although poverty is poverty wherever found, it may arise from a variety of causes. This statement is concerned with a multistate region having a hill country type of poverty which is due to natural resource limitations of isolation and rugged terrain, and human resource limitations of low education and poor public facilities in the past. This region lies in the southern part of Mis-

souri, the eastern part of Oklahoma, and the northern and western parts of Arkansas (see appendix, fig 1).¹

Although the term "Ozark" is commonly applied to this region, geologists recognize no specific mountains by that name. Maps refer to the Ozark Plateau as extending from southern Missouri into northern Arkansas. Just south lie the Boston Mountains, then the Arkansas River Valley, and finally the Ouachita Mountains. Both the Boston and Ouachita Mountains extend westward into Oklahoma.

The word "Ozark" is the anglicized version of the French term "aux arcs," meaning "longbows," and it was applied by early French explorers to the Indian tribe living in the bluffs of the region. Permanent settlements began in the river valleys shortly after 1800, but as the better lands became settled, later settlers moved into the hills. Many of the pioneers were hill folk already having come from Kentucky, Tennessee, Alabama, North and South Carolina, Pennsylvania, and southern Ohio. Judging by the region selected and the size of tracts cleared, these early comers were not thinking of acquiring vast estates, but rather of finding a patch of ground suitable for growing vegetables and grain for bread, along with access to a supply of game and fish. The Ozarks region was admirably suited for this type of subsistence farming. In this century, however, the rapid progress in living standards elsewhere makes subsistence living standards unacceptable, but the physical resources have been found ill adapted for adjusting to the technological revolution in agriculture.

RELATIVE NEED OF THE REGION

The Ozark region today has one of the most serious and long-standing poverty problems in the Nation. Unfortunately, the continuing adjustment problems of rural populations are not as dramatic and visible as the problem of adjusting to plant shutdowns in industrial urban areas. During the 1950's the formerly high-wage auto worker and coal miner drawing unemployment compensation payments attracted more national attention as a problem than the low-income, underemployed farm family. The rural poverty of the Appalachian region, it is true, was discovered by a shocked Nation in the 1960 election. But this attention was due to previous neglect rather than to the uniqueness or greater severity of poverty in that region.

A county-by-county map for the Nation of median family incomes in 1959 demonstrates that the Appalachian region does not lay exclusive claim to poverty. The lowest fifth of all counties in terms of median family income is found in the rural cotton-raising areas of the South, especially along the Mississippi River, and in two southern mountain regions—around eastern Kentucky and Tennessee, and around the Ozarks of Arkansas, Missouri, and Oklahoma (see appendix, fig. 2¹).

If the various measures of poverty and economic distress presented in Appalachia: A Report by the President's Appalachian Regional Commission, 1964 were applied to the Ozark region, they would show more deficient levels for the Ozark region. Readily available figures for the whole State of Arkansas (which includes some metropolitan areas), for example, show the following stair-step comparisons: The implied per capita income was \$1,850 for the United States; \$1,405 for Appalachia; and \$1,125 for Arkansas. The percentage of families earning less than \$3,000 was 21 percent for the United States, 31 percent for Appalachia, and 48 percent for Arkansas (see appendix, fig. 3).

Of the 620 counties in the Nation with median family incomes below \$3,000, 73 of these counties lie in the Ozark region (within arbitrarily selected boundaries). Arkansas alone has 51 of these counties, with 32 of them lying in the Ozark portion of the State. Of the latter, 16 had median incomes below \$2,500, and six had median incomes below \$2,000 (see appendix, fig. 4).

For illustrative purposes in the remainder of this statement, reference will be made to data from six representative counties in the north-central portion of the State. This is simply one subregion for which we have data readily available and is part of a broader regional study of the State. It does not include all of the poorest counties, and it includes Harrison, one of the larger cities in the mountain area. The six counties are: Baxter, Boone, Carroll, Marion, Newton, and Searcy. In 1959 the median family income in this subregion averaged \$2,364, or 41.8 percent of the national median family income (\$5,660).

¹ Filed with the committee.

UNEMPLOYMENT

Poverty is closely related to a surplus of labor supply relative to employment opportunities. Recognizing that fewer rural workers appear to be actively seeking work when they know that job opportunities are limited locally, the report for Appalachia used a measure of the "potential labor force" which reflects the numbers that would be seeking work at national rates of labor force participation. As a percentage of this potential labor force, 8.4 percent for men and 16.6 percent for women. By the same measure, Arkansas rates were 9.0 percent for men and 17.1 percent for women (see appendix, fig. 5).

Even in terms of unemployment rates, however, Arkansas over a long period of years has persistently had higher unemployment rates than is widely recognized. More attention has been accorded to unusually high rates for short periods in industrial areas. The midmonth unemployment rate in Arkansas (for unemployment covered by insurance) fell below the U.S. average only 1 month in the past 11 years. When the monthly rates are averaged for each year, the rate in Arkansas has been above the U.S. rate every year of record in the postwar period. When 48 States are ranked by these yearly averages, Arkansas was among the top 10 States in unemployment rates in 12 out of the past 15 years (see appendix, fig. 6).

HUMAN RESOURCES

One of the more significant indicators of socioeconomic opportunity is the movement of people into or from various regions of the Nation. Between the 1950 and 1960 censuses, population increased 18.5 percent in the United States. The only two States with population declines were West Virginia with a 7.2 percent decrease and Arkansas with a 6.5 percent decrease. The selected six-county area decreased 17 percent, and the largest loss of any county in the group was 31 percent. This population loss was in spite of higher-than-national birth rates in this region. The decade migration rate was 22.7 percent of the 1950 population for Arkansas, 27.3 percent for the six counties, and 43.7 percent for the highest county.

The State, incidentally, was able to check its population loss after the middle of the decade when an accelerated industrial development program was launched within the State, and during a period when national job opportunities have expanded slowly.

The productive age group (18 to 64 years) increased 3.7 percent nationally, but it declined 12.1 percent in Arkansas, 19.3 percent in the six counties, and 30.4 percent in the highest county. Youth below 18 increased 46 percent nationally, but declined 5.8 percent in Arkansas, 26 percent in the six counties, and 41.3 percent in the highest county. The 65-and-over age group increased 34.7 percent nationally, only 30.5 percent in Arkansas, but 37.8 percent in the six counties. This reflects considerable in-migration of retired people, for the highest county had an increase of 104.3 percent for people in retirement ages.

The low level of investment in the quality of our human resources is indicated by the large numbers who received limited schooling. The percentage of the population over 25 years old which had received less than 5 years of schooling was 8.3 percent nationally, 15.4 percent in Arkansas, but only 8.7 percent in the six counties. However, because of small school districts, the percentage failing to complete high school was almost 73 percent in the six counties and in the State, compared to about 59 percent nationally.

The rural nature of the mountain region is suggested by the fact that only one of the six counties contained a town classified as urban. Urban population in the State was only 43 percent of the total, compared compared to about 70 percent nationally.

The distinctly different economic background of the region also is suggested by the racial composition of the population. While the State had almost 22 percent nonwhite population, with some cotton farming counties over 50 percent, the six counties had less than one-tenth of 1 percent.

PUBLIC SERVICES²

The effects of low incomes upon both the amount and sources of revenues to support government services have contributed to the developmental lag in

² Data in this section are drawn from the following sources: Arkansas Economic Expansion Study Commission, "Accelerating Economic Growth in Arkansas" (Little Rock, 1964); U.S. Bureau of the Census, "Census of Governments, 1962," vols. II and IV.

the region. In terms of "effort," the people have been spending a higher percentage of their incomes only to find that even this was insufficient to equal the per capita expenditure levels of government services received by the average citizen elsewhere in the Nation. In State taxes during 1963, Arkansas paid 17 percent of their income, which amounted to only \$102 per capita. Nationally, citizens paid only 5 percent of their income in State taxes, but this amounted to \$118 per capita.

The revenue picture is even worse at the local government level in the mountain region. On a per capita basis, property tax assessments were \$2,316 in the Nation, \$793 in Arkansas, and \$570 in the six counties. While the assessment rates admittedly are low, property values also are low. The residential value of housing, for example, had a median value of \$11,900 in the United States, \$6,700 in Arkansas, and \$6,100 in the six counties. Even with some offsetting intergovernment transfers, total county revenues per inhabitant were only \$16.57 in the six counties, and \$17.03 in all Arkansas counties, compared to \$43.48 in all counties in the Nation.

Accordingly, government expenditures on public services critical to human welfare and economic development were much below national levels. State government expenditures per capita as a percentage of the national average (in varying recent periods) have run about as follows: 83 percent for higher education; 75 percent for public schools; 12 percent for highways; 130 percent for public welfare; 74 percent for public health; 84 percent for hospitals. County government expenditures per inhabitant in Arkansas as a percentage of the Nation during 1962 were as follows: 41 percent for education; 63 percent for highways; 10 percent for public welfare; 45 percent for public health; and 60 percent for total expenditures.

SOURCES OF INCOME AND EMPLOYMENT

The poverty of a region also is related to the composition of types of income and of employment by industry. Agriculture is a relatively low-income sector of the economy, but in 1960 the Nation only derived 3.8 percent of personal income from agriculture, compared to 14.8 percent in Arkansas and 15.8 percent in the six counties. Manufacturing wages and salaries, on the other hand, provide a higher income source and account for 21.9 percent of personal incomes in the United States, compared to 15.1 percent in Arkansas and only 10.2 percent in the six counties. Transfer payments (including pensions and welfare payments) accounted for 7.4 percent of personal income in the United States, 10.7 percent in Arkansas, and 17.8 percent in the six counties (see appendix, fig. 7).

Total employment also was heavily concentrated in farming and less in manufacturing in this region. In 1960 the share of employment in agriculture was 6.6 percent in the United States, 17.4 percent in Arkansas, and 25 percent in the six counties. The share of employment in manufacturing was 27.1 percent in the United States, 20.1 percent in Arkansas, and 19.2 percent in the six counties. Between 1950 and 1960, the percentage increase in manufacturing employment was greater in the six-county area (98.8 percent) and Arkansas (33.3 percent) than in the Nation (20.2 percent), but the relatively small number of workers added was not enough to offset the greater rates of decline in employment in agriculture. Government employment decreased in the six counties and increased only 17.2 percent in Arkansas, compared to 42.6 percent nationally (see appendix, fig. 8 and fig. 9).

NATURAL RESOURCE INDUSTRIES³

A recent study of an eight-county area adjacent to the Ozark National Forest indicated clearly some of the limitations that rugged terrain imposes on production based on natural resources in the mountain region. With almost two-thirds of the area's surface covered by forests, it might seem that the forest industry would have a great potential. However, in terms of the planning horizons of individuals, and even corporations, this potential lies rather distantly in the future because of the general depletion of the tree stands and the slow-growing hardwoods which are predominant in the area.

³This section is based on: Adlai F. Arnold and James B. Hottel, "Economic Study of Land Use Adjustment Potentials of Areas Adjacent to the Ozark National Forest (Fayetteville: Division of Agriculture, University of Arkansas, 1963).

Timber management also is handicapped by the small and scattered holdings of owners. Three-quarters of the acreage is held by 98 percent of the owners, who have tracts of less than 1,000 acres, and about two-fifths of the acreage was held in scattered tracts.

The average stocking in the area was 512 board-feet per acre. On the assumption that 3,000 board-feet would be required to operate the forest on a sustained yield management program and that the compound interest growth rate is $4\frac{1}{2}$ percent annually, 40 years would be required to bring the stand to this level.

At the present price relationships this would mean that an investor in timberlands would expect to earn somewhere between $1\frac{3}{4}$ and $2\frac{3}{4}$ percent per annum for the first 40 years. Even this rate is based on the assumption that management costs would be confined to taxes, fire protection, and interest on investment. Alternative investment opportunities seem to preclude the possibility that private investment in timber land is a reasonable alternative. In fact, the present net worth of land managed for timber alone is estimated to have negative values under reasonable alternative assumptions as to management costs. For the land to be used effectively, the negative values would have to be offset by other concurrent uses, such as for recreation, wildlife, flood protection, or mineral production.

Farming opportunities, of course, are better in some of the broad valleys; but the same study of an eight-county mountain area indicated that very little of the one-third of the surface which was nonforested was suitable for farming. Soil conservation capabilities classes V to VII comprise 79 percent of the area in the Boston Mountains, and 56 percent in the Ozark Highlands. Present use of the land for cropland and pasture now occupies about 20 percent of the Boston Mountain area, and 39 percent of the Highland area.

The trend toward larger farm units has been extended to this region through a faster decline in number of farm units than in farm acreage. The average size of farms increased from 112 acres in 1945 to 160 acres in 1960. Cropland declined 47 percent while pasture increased 3 percent, and woodland increased 10 percent.

The rugged topography and low productivity of the land in the region is such that general livestock raising probably is the most remunerative agricultural activity. Yet to provide a \$3,000 net farm income with beef cattle in this area would require about 980 acres of land and about 50,000 in capital. Since this much capital invested elsewhere would return \$2,000 or more, this leaves little reward for the farm labor and management. A farm business of this type, at best, still would provide only one-quarter time employment for the operator. For such an operator employment in manufacturing, a recreation industry, or some other nonfarm activity is needed to raise income above the subsistence level.

Mineral industries employ about 1,500 workers in the northern mountain portion of Arkansas. The potential for expanding employment and income opportunities in this sector would not appear to be very large in total, but they may be important to particular local areas. The most important barrier to development, however, has been insufficient geological survey information available in this mountain region to justify further private investigation (see letter from State Geologist, Norman F. Williams, in appendix, fig. 12).

MANUFACTURING

The manufacturing industries predominating in the Ozarks have been oriented to the forest and agricultural resources of the region. Furniture, lumber, and other wood products industries in 1960 accounted for 44.9 percent of the manufacturing employment in six counties, and 31.9 percent in Arkansas, compared to only 6.1 percent in the United States. Food and kindred products in 1960 provided 20.9 percent of the manufacturing employment in the six counties, compared to 15.5 percent in Arkansas and 10.4 percent nationally. The only other major manufacturing industry in the six counties was apparel, which accounted for 19.7 percent of the employment. It accounted for only 7.3 percent in Arkansas, and 6.6 percent nationally. All of these industries are low-wage industries.

The area was less diversified than the State as a whole has become in the past two decades. Lack of a skilled labor supply, limited markets, relatively poor transportation, and limited community facilities in the mountain regions all combine to limit the number of new industries that will consider locating new plants there. The plants that do locate in the region tend to have low-wage rates

and a high ratio of wages to value added. The new plants, therefore, tend to be labor-oriented industries moving in from other regions.

The resource-oriented industries are more likely to have local management and to involve employment expansions of existing plants. In spite of the decline in furniture, lumber, and wood products employment in the State, employment in these industries expanded in the six counties. The most rapidly growing industry during the 1950's, both in the State and in the six counties, was the poultry processing industry. The period of most rapid initial growth of this industry, however, appears to be in the past. Therefore, because of the relatively low wages paid and the slowing down of the growth of some of these industries, the prospects are not favorable for solving the large unemployment problems of the region with new manufacturing jobs (see appendix, figs. 10 and 11).

RECREATION INDUSTRIES

The accelerated development of recreation industries provides the main hope of the mountain region for developing sufficient employment and income opportunities to raise the living standards of its people closer to national levels. The potential has been only partly exploited to date, but two trends are rapidly enlarging that potential for the future. On the one hand, the supply of outdoor recreation facilities—in the form of reservoirs, parks, and recreation areas—is now being enlarged by Federal and State agencies. On the other hand, the national demands of urban populations for outdoor recreation facilities are projected to expand rapidly in the years immediately ahead.⁴

Recreation industries already are an important source of income in the region. A study by the Arkansas State Highway Department and the University of Arkansas estimated that travelers spent \$167 million in the State in 1960, and that this figure had risen to \$194 million by 1963. The travel-serving businesses accounted for about one-sixth of the sales of all retail trade and service businesses, and about one-half of these sales were made to travelers.⁵ A University of Missouri study of the trilake area of Table Rock, Bull Shoals, and Norfolk Reservoir (near the Missouri-Arkansas border), showed tourist expenditures of nearly \$19 million in 1960, or about 21.5 percent of the business sales in that area. Since 1960, more than \$25 million in capital investment has been made in homes, motels, and recreation facilities in the Table Rock area alone.⁶

Another study of recreation industries in an eight-county area of Arkansas near these lakes identified over 1,000 vacation homes in 1960. A large proportion of the people owning vacation homes here are within a few years of retirement, and many are planning to make their vacation homes their permanent residences when they retire. Along with the increasing number of retired people already moving into the region, local communities are experiencing increasing demands for improved public facilities.⁷

A major handicap in the development of the recreation potential of the mountain region, however, lies in the characteristics of the present recreation businesses. Many of the communities have no modern motel or restaurant facilities, and there are few luxury-type resorts in the region. The eight-county study showed that the outdoor recreation establishments—those providing fishing lakes, float trips, boat rentals, guide service, bait farms, private campgrounds, riding stables, dude ranches, private hunting preserves, trout farms, caves, and summer camps—had an average capital of from \$10,000 to \$50,000, and an average debt of almost \$10,000. Two-thirds were operated in connection with or as a part of a farm. The average age of the establishment was about 10 years, and few of the operators had had any previous experience. One-fourth did no advertising at all, and most had no liability insurance. About 70 percent were native Arkansans, and one-eighth had physical disabilities.

⁴ U.S. Bureau of Outdoor Recreation, "Tourist and Recreation Potential: Arkansas Ozark Region" (1963).

⁵ "Travelers and Arkansas Business" (Little Rock: Arkansas State Highway Commission and University of Arkansas, 1964).

⁶ Ronald Bird and Frank Miller, "Where Ozark Tourists Come From and Their Impact on the Economy," Research Bulletin 798 (Columbia, Mo.: College of Agriculture, University of Missouri, 1962).

⁷ Max F. Jordan, "Opportunities for Improving Rural-Family Income Through Recreation Enterprises," Bulletin 873 (Fayetteville: Division of Agriculture, University of Arkansas, 1963).

The area has been described as still being in the hunting and fishing stage of recreational development. The facilities and activities in most places do not provide for a wide range of recreation activities for whole families or a diverse type of tourists.

Many unique and outstanding tourist attractions are not yet fully exploited for general development of the region. A wealth of lakes, rapid flowing streams, mountain views, and trails in wilderness areas have not been well advertised and made accessible to tourists. The area has hot baths, springs, caves, a diamond mine, fossil beds, and historic sites. A unique folk culture also has been researched and preserved by a number of organizations that put on such colorful activities as handicraft fairs, folk festivals, folk singing, square dancing, and archery tournaments. The average tourist can pass by this region and see few of its natural sights and be completely unaware of its cultural and recreational activities.

Community attitudes and public programs are not yet oriented well to the tourist market. State programs have been preoccupied with regulating hunting and fishing and with the investment burdens of acquiring land and initially opening parks. Politically these developments have been viewed first as serving local citizens. The small recreation businesses are not well organized to promote their industry as a whole. Local people tend to regard travelers somewhat indifferently as "outsiders." The assumption appears to be that natural attractions alone can be relied upon to bring in visitors. There is little study of what the tourists' interests and preferences are. There is little realization that liquor laws and local forms of recreation may be unattractive to outside customers. Much of this may account for the more advanced state of development of the tourist industry on the Missouri side of the northern trilakes area.

HIGHWAYS AND COMMUNITY FACILITIES

The low incomes and limited government revenues of the mountain region have been a barrier to the development of main types of public facilities needed to help raise the income opportunities in the area—highways and community public works. Both new industries and tourists are concerned about time-distance from main urban centers and about the standards of essential public services—the water supply, sewerage, and hospitals.

In spite of tremendous efforts in recent years to improve public roads, the State and the mountain areas still lag behind national standards. Narrow, two-lane highways crossing the State long have given travelers a poor impression of the State. The new interstate highway system will correct this, but it will leave the mountain areas of Arkansas completely bypassed. The main routes from St. Louis to Dallas always have gone around the Ozark region. Once to tourist ventures into the mountain region, travel conditions become worse. It takes as long to move around to different tourist attractions within the region as it does to get to the region from distant metropolitan areas. According to an Arkansas Highway Department report in 1962 on the sufficiency ratings of highways throughout the State, a third to a half of the roads in all of the mountain districts were rated in "critical" condition (see appendix, fig. 13).

REGIONAL ACTION PLANNING

Substantial increases in public investment and a new approach to coordination of public and private programs are going to be needed to reduce the lag behind national progress in the Ozark region. The need for outside financial assistance is fairly obvious, but more attention needs to be given to the organizational requirements of effective development.

In all government programs, at the Federal and State levels, there is need for an overall perspective on the economic development potentials and strategic public facility requirements. Each agency has its own "blindness" as to its specific legal and administrative requirements, its own primary mission and criteria, and its own budget limitations and allocation priorities. There is no effective organization or leadership to consider what the economy of the area needs the most and where the gaps exist. For a disadvantaged rural region, the normal play of democratic politics and private organization does not take care of the development needs of the area. The area itself is not organized or

led effectively to take advantage of opportunities for assistance or pressure public agencies to consider its needs. There are few major farm or business organizations strongly organized in the area to look after an industry or community.

The main opportunity of development in the region—in the recreation industry—requires newer types of public action and a broader scope of governmental concern than ever before. Promotion of recreational industries is relatively new in the Nation as a whole, and there is less familiarity with the problems at all government levels. The industry, moreover, in the mountain area is composed of small operators who lack the leadership, the skills, and the financing to organize themselves effectively.

In Arkansas we have learned how to organize ourselves effectively for industrial development. We learned that this was a competitive game, but leadership and technical assistance at the State level was required to promote the whole area and help local communities to organize to do what was needed locally. Even in this field, however, it is the larger cities that organize and take care of themselves more effectively. Outside agencies must help the rural communities in mountain areas, because they lack the finances to hire full-time staff personnel to work on development problems.

In recreation, the problems are somewhat different. We have less of the easy tasks of simply providing information and services to outside business firms to encourage them to come in and build plants. Of course, some of this will be important in attracting outside recreational businesses to invest in major resort-type facilities in the region. The harder task is to stimulate, advise, and coordinate local enterprises to invest, modernize, and adapt themselves to a new and expanding market.

In developing the recreation industry, attention must be given to developing strategic centers of attraction and concentrations of multiple activities. Then, these centers need to be interconnected with each other and with the outside. It is as these centers become customer drawing points that multiple opportunities for many small private businesses will expand in nearby areas and intransit locations.

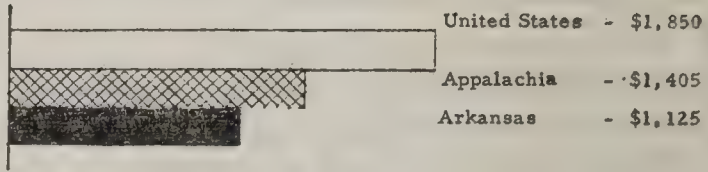
In Arkansas, for example, there is a need to develop a triangle of interconnection between major recreation centers around Beaver Lake in the northwest, the Bull Shoals-Norfolk area, plus the new folk center at Mountain View in the north and northeast, and the Ouachita mountain and lake region of Hot Springs—with the new reservoirs of the Arkansas River in between. The heartland of the mountain region then needs to be tied in with the interstate highway routes by high-speed highways. Arkansas needs to relate its highways and attractions to those in neighboring States, and together the States need to jointly promote and advertise the Ozarks as the lake and mountain playground area of the midcontinent.

To organize public and private organizations effectively, and to focus public attention on the problems, there is need for a regionwide planning and action organization. It is very essential that such an organization have sufficient funds to develop full-time staff and hire qualified consultants from any part of the Nation. Few effective organizations exist which rely solely upon voluntary committees. Interagency organizations that rely solely upon cooperative assistance of many other organizations also are likely to be handicapped.

It also is important to provide such an organization with adequate funds for research. This is a new field of endeavor, and it is not true that unguided spending of any kind will do the job. It is no problem to get large sums of Government money spent, but it is a problem to see that spending serves to develop the private economy effectively.

SELECTED AREA ECONOMIC COMPARISONS

Per Capita Income (1)
(Implied levels in 1959)



Inadequate Family Income
(Per cent of families with less than \$3,000 incomes in 1959)



Unemployment
(Per cent of civilian labor force unemployed in 1960)



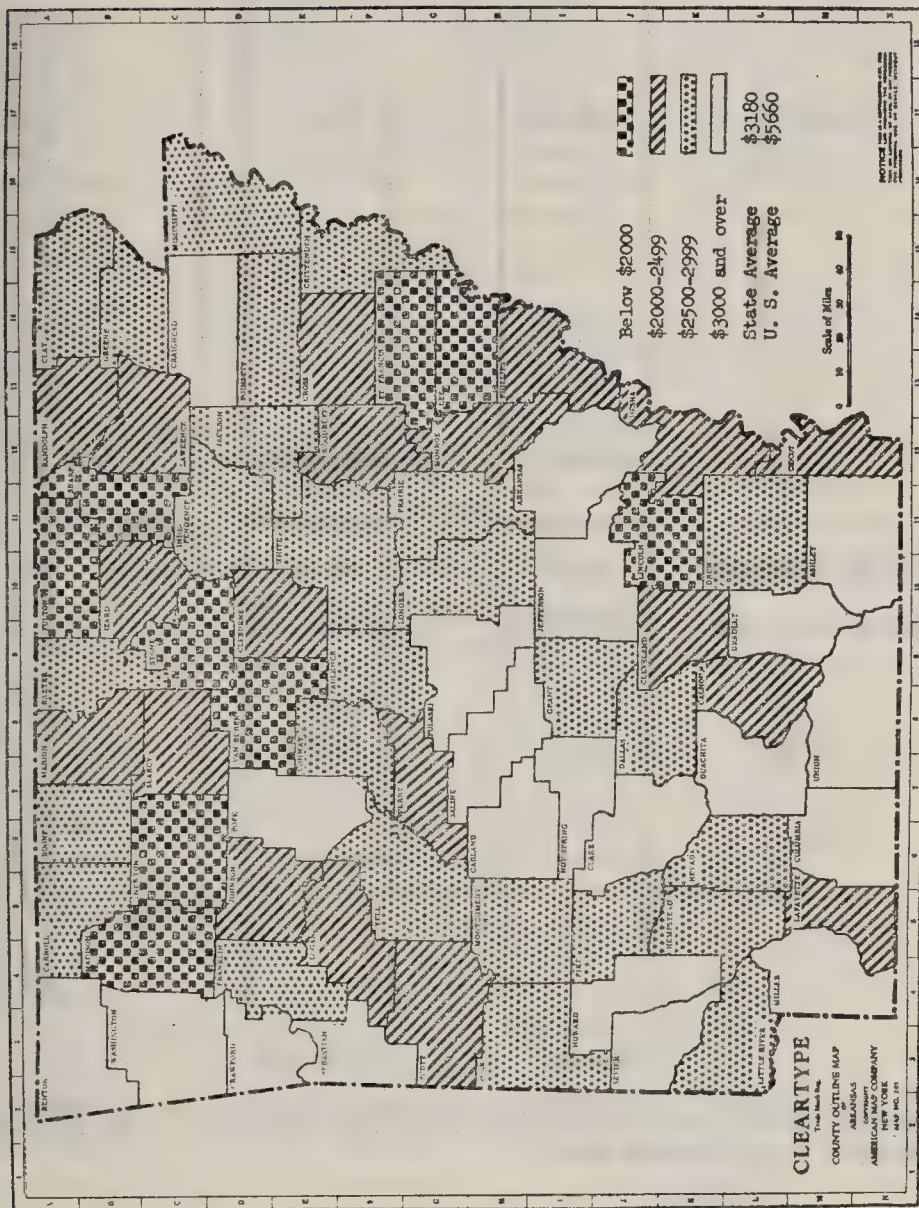
Inadequate Education
(Per cent of population 25 years of age and over with less than 5th grade education, 1960)

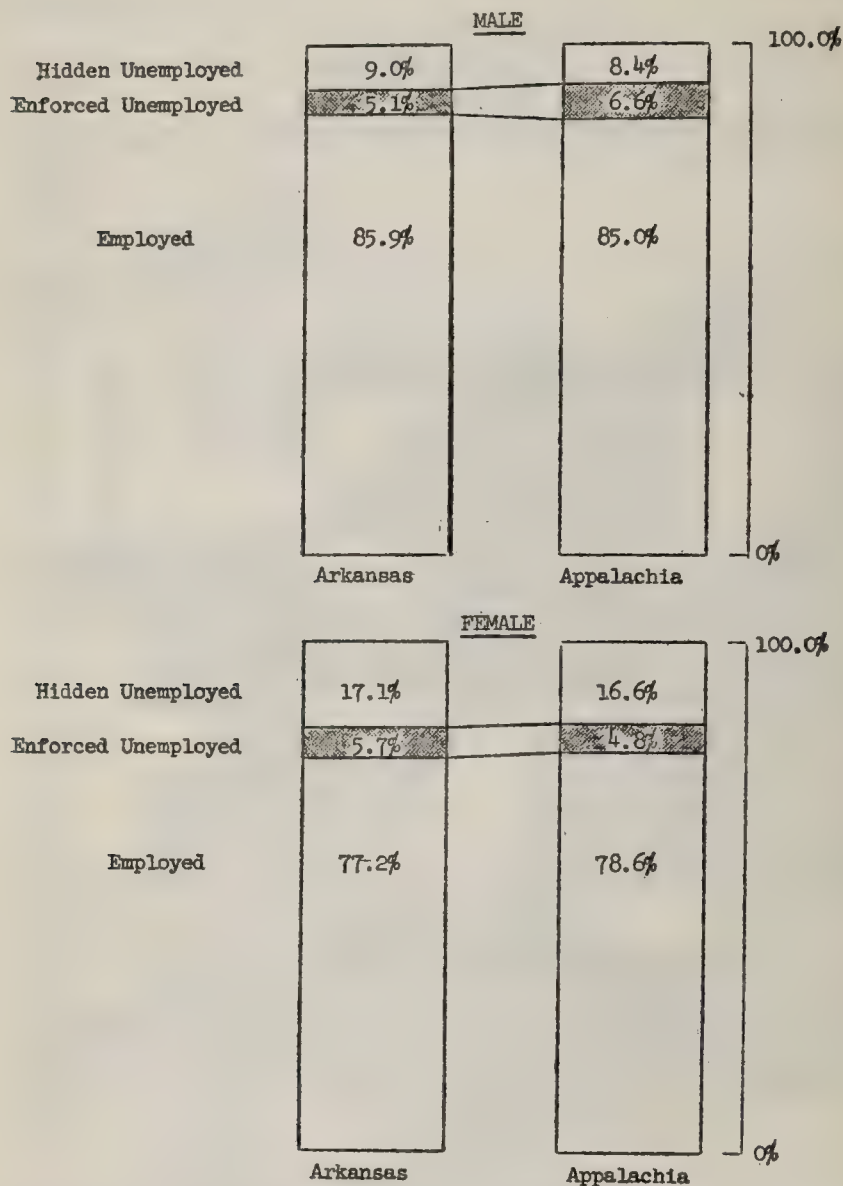


SOURCE: U. S. Bureau of Census statistics.

(1) Implied per capita income derived from data on mean incomes of income recipients.

MEDIAN FAMILY INCOME IN ARKANSAS COUNTIES, 1959



PERCENTAGE DISTRIBUTION OF POTENTIAL LABOR FORCE, BY SEX,
ARKANSAS AND APPALACHIA, 1960*

Source: Arkansas estimates compiled from data of the U. S. Bureau of the Census, 1960: Census of Population; Appalachia data taken from Appalachia: A Report by the President's Appalachian Regional Commission, 1964.

*The potential labor force represents the "hidden unemployed" as the number of additional workers the two regions would have if participation in the labor force were equal to the national rates.

*Average monthly insured unemployment rates, 1950-64: 10 highest States,
Arkansas, and United States*

[Percentages]

1950		1951		1952		1953	
1. New Hampshire.....	8.7	Rhode Island....	7.5	Rhode Island....	6.5	Oregon.....	5.8
2. Maine.....	8.4	New Hampshire....	5.9	New Hampshire....	5.3	New Hampshire....	5.3
3. Rhode Island.....	7.2	Maine.....	5.7	Tennessee.....	5.0	Washington.....	5.1
4. California.....	7.2	Tennessee.....	7.0	Maine.....	4.8	Rhode Island.....	5.0
5. Oregon.....	7.0	New York.....	4.6	Mississippi.....	4.8	Mississippi.....	4.9
6. New York.....	6.7	Mississippi.....	4.4	Kentucky.....	4.6	Maine.....	4.8
7. Washington.....	6.6	Kentucky.....	4.0	Oregon.....	4.5	Kentucky.....	4.5
8. Tennessee.....	6.3	California.....	3.8	Washington.....	4.4	Tennessee.....	4.5
9. Mississippi.....	6.2	North Carolina....	3.8	West Virginia....	4.2	West Virginia....	4.3
10. Arkansas.....	5.8	{Massachusetts....	3.7	Arkansas.....	3.9	{Idaho.....	4.0
United States.....	4.7	{Arkansas.....	3.5	United States....	3.0	{Arkansas.....	4.0
		United States....	3.0			United States....	2.8

1954		1955		1956		1957	
1. West Virginia.....	10.3	Kentucky.....	7.5	Kentucky.....	6.7	Kentucky.....	6.9
2. Kentucky.....	10.0	Tennessee.....	6.4	Tennessee.....	6.0	Rhode Island....	6.5
3. Rhode Island.....	8.9	Maine.....	6.1	Massachusetts....	5.4	Oregon.....	6.2
4. Tennessee.....	8.9	Washington.....	5.8	Mississippi.....	5.3	Tennessee.....	6.2
5. Mississippi.....	8.1	Mississippi.....	5.7	Rhode Island....	5.1	Mississippi.....	6.0
6. New Hampshire....	7.6	North Dakota....	5.6	Oregon.....	4.8	Arkansas.....	5.6
7. Maine.....	6.9	Oregon.....	5.5	Washington.....	4.7	Maine.....	5.2
8. Oregon.....	6.9	Rhode Island....	5.5	Arkansas.....	4.6	New Jersey.....	5.2
9. Pennsylvania.....	6.9	West Virginia....	5.4	New Hampshire....	4.6	Washington.....	5.1
10. Washington.....	6.7	Vermont.....	5.2	New Jersey.....	4.6	Montana.....	5.0
(Arkansas.....	6.6)	(Arkansas.....	4.9)	United States....	3.3	United States....	3.6
United States.....	5.1	United States....	3.6				

1958		1959		1960		1961	
1. West Virginia.....	10.5	West Virginia....	8.1	Alaska.....	10.3	Alaska.....	12.4
2. Michigan.....	10.4	Maine.....	7.0	West Virginia....	7.5	West Virginia....	8.3
3. Kentucky.....	9.8	Montana.....	6.6	Maine.....	7.2	Maine.....	8.0
4. Maine.....	9.3	Pennsylvania....	6.5	Montana.....	7.1	Kentucky.....	7.9
5. Pennsylvania....	8.7	Kentucky.....	6.0	Kentucky.....	7.0	Pennsylvania....	7.9
6. Rhode Island....	7.8	Washington.....	5.7	Washington.....	6.9	Arkansas.....	7.8
7. Arkansas.....	7.7	Arkansas.....	5.6	Pennsylvania....	6.7	Michigan.....	7.5
8. Tennessee.....	7.7	New Jersey.....	5.5	Arkansas.....	6.6	Washington.....	7.5
9. Montana.....	7.4	Rhode Island....	5.3	Tennessee.....	5.9	Montana.....	7.4
10. New Jersey.....	7.4	Mississippi.....	5.2	Mississippi.....	5.8	Mississippi.....	7.0
United States.....	6.1	United States....	4.2	United States....	4.8	{Tennessee.....	7.0
						United States....	5.7

1962		1963		1964	
1. Alaska.....	10.5	Alaska.....	10.5	Alaska.....	8.7
2. West Virginia....	6.8	Washington.....	6.3	Washington.....	6.4
3. Pennsylvania....	6.2	West Virginia....	5.9	California.....	5.5
4. Arkansas.....	6.1	Vermont.....	5.8	Massachusetts....	4.9
5. Washington.....	5.9	California.....	5.7	New Jersey.....	4.9
6. Kentucky.....	5.7	Pennsylvania....	5.7	Vermont.....	4.9
7. Maine.....	5.5	Maine.....	5.6	Maine.....	4.8
8. California.....	5.4	Arkansas.....	5.4	North Dakota....	4.8
9. Tennessee.....	5.3	Massachusetts....	5.4	Nevada.....	4.7
10. New Jersey.....	5.2	New Jersey.....	5.4	New York.....	4.6
United States.....	4.4	United States....	4.3	{West Virginia....	4.6
				{Arkansas.....	4.5)
				United States....	3.7

Source: U.S. Department of Labor, "Monthly Labor Market and Employment Security."

*Percentage distribution of personal income by major source, representative
6-county area, Arkansas, and United States, 1960*

	6-county area	Arkansas	United States
Total personal income.....	100.0	100.0	100.0
Farm income.....	15.8	14.8	3.8
Nonfarm income.....	86.3	87.4	98.5
Nonfarm wages and salaries.....	42.2	54.9	66.7
Manufacturing.....	(10.2)	(15.1)	(21.9)
Nonmanufacturing.....	(32.0)	(39.8)	(44.8)
Other labor income.....	1.7	2.4	2.7
Business and professional proprietors' income.....	13.4	8.8	8.6
Property income.....	11.2	10.6	13.1
Transfer payments.....	17.8	10.7	7.4
Less social insurance contributions.....	-2.1	-2.2	-2.3

Source: 6-county area and Arkansas compiled from estimates by the Bureau of Business and Economic Research, College of Business Administration, University of Arkansas; U.S. data compiled from "Survey of Current Business," August 1963.

*Employment by major industry groups, representative 6-county area,
Arkansas, and the United States, 1950 and 1960*

	6-county area		Arkansas		United States	
	1950	1960	1950	1960	1950	1960
Population, age 14 and over.....	48,562	42,885	1,335,053	1,249,421	112,354,034	126,276,548
Civilian labor force.....	23,139	19,009	646,124	601,484	59,071,655	68,144,079
Employed.....	22,500	18,147	615,796	565,491	56,239,449	64,639,252
Unemployed.....	639	862	30,328	35,993	2,832,206	3,504,827
Employed detail.....	22,500	18,147	615,796	565,491	56,239,449	64,639,247
Agriculture.....	10,516	4,540	215,270	98,567	6,884,970	4,256,734
Forestry and fisheries.....	52	91	2,325	1,633	120,433	93,150
Mining.....	65	41	6,775	4,848	929,152	654,006
Construction.....	2,527	1,448	35,281	36,464	3,439,924	3,815,937
Manufacturing.....	1,751	3,481	85,133	113,513	14,575,692	17,513,086
Transportation.....	604	512	23,636	21,597	2,940,663	2,739,913
Communications.....	97	149	4,465	4,920	645,732	819,649
Utilities and sanitary service.....	224	202	7,334	8,363	781,907	898,585
Wholesale and retail trade.....	2,786	3,149	97,546	103,820	10,547,569	11,792,635
Finance, insurance, and real estate.....	244	355	10,566	15,266	1,916,220	2,694,630
Services.....	1,901	2,513	78,709	98,362	8,591,390	11,012,559
Government (including schools).....	1,287	1,267	36,900	43,235	4,025,873	5,740,278
Industry not reported.....	446	399	11,856	14,903	839,924	2,608,085

Sources: U.S. Department of Commerce, Bureau of the Census, "Census of Population, 1960: General Social and Economic Characteristics, Arkansas," PC(1)-5C, table 83, pp. 5-196 through 5-201 and table 85, pp. 5-208 through 5-213; "Census of Population, 1960: Characteristics of the Population, Arkansas," vol. I, part 5, table 53, p. 5-147 and table 61, p. 5-153; "Census of Population, 1950: Characteristics of the Population, Arkansas," vol. II, part 4, table 25, p. 4-39; table 30, p. 4-43; and table 43, pp. 4-83 through 4-92; "Census of Population, 1960: Characteristics of the Population, U.S. Summary," vol. I, part 1, table 82, p. 1-213 and table 91, p. 1-221; and "Census of Population, 1950: Characteristics of the Population, U.S. Summary," vol. II, part 1, table 50, p. 1-99 and table 55, p. 1-102 (Washington: Government Printing Office).

Percent distribution and change in employment by major industry groups, representative 6-county area, Arkansas, and the United States, 1950 and 1960

	6-county area			Arkansas			United States		
	Per- cent change, 1950-60	1950 per- cent distrib- ution	1960 per- cent distrib- ution	Per- cent change, 1950-60	1950 per- cent distrib- ution	1960 per- cent distrib- ution	Per- cent change, 1950-60	1950 per- cent distrib- ution	1960 per- cent distrib- ution
Population, age 14 and over.....	-11.7	100.0	100.0	-6.4	100.0	100.0	12.4	100.0	100.0
Civilian labor force.....	-17.8	47.9	44.3	-6.9	48.4	48.1	15.4	52.6	54.0
Employed.....	-19.3	97.2	95.5	-8.2	95.3	94.0	14.9	95.2	94.9
Unemployed.....	34.9	2.8	4.5	18.7	4.7	6.0	23.7	4.8	5.1
Employed detail.....	-19.3	100.0	100.0	-8.2	100.0	100.0	14.9	100.0	100.0
Agriculture.....	-56.8	46.7	25.0	-54.2	35.0	17.4	-38.2	12.2	6.6
Forestry and fisheries.....	75.0	0.2	0.5	-29.8	0.4	0.3	-22.7	0.2	0.2
Mining.....	-36.9	0.3	0.2	-28.4	1.1	0.9	-29.6	1.7	1.0
Construction.....	-42.7	11.2	8.0	3.4	5.7	6.4	10.9	6.1	5.9
Manufacturing.....	98.8	7.8	19.2	33.3	13.8	20.1	20.2	25.9	27.1
Transportation.....	-15.2	2.7	2.8	-8.6	3.8	3.8	-6.8	5.2	4.2
Communications.....	53.6	0.4	0.8	10.2	0.7	0.9	26.9	1.1	1.3
Utilities and sanitary service.....	-9.8	1.0	1.1	14.0	1.2	1.5	14.9	1.4	1.4
Wholesale and retail trade.....	13.0	12.4	17.4	6.4	15.9	18.4	11.8	18.8	18.2
Finance, insurance, and real estate.....	45.5	1.1	2.0	44.5	1.7	2.7	40.6	3.4	4.2
Services.....	32.2	8.5	13.8	25.0	12.8	17.4	28.2	15.3	17.0
Government (including schools).....	-1.6	5.7	7.0	17.2	6.0	7.6	42.6	7.2	8.9
Industry not reported.....	-10.5	2.0	2.2	25.7	1.9	2.6	210.5	1.5	4.0

Source: Computed from table entitled "Employment by Major Industry Groups, Representative 6 County Area, Arkansas, and the United States, 1950 and 1960."

Manufacturing employment by 2-digit industry classification, representative 6-county area, Arkansas, and the United States, 1950 and 1960

	6-county area		Arkansas		United States	
	1950	1960	1950	1960	1950	1960
Manufacturing total.....	1,751	3,481	85,133	113,513	14,575,692	17,513,086
Furniture, lumber, and wood.....	1,018	1,564	38,932	36,246	1,189,025	1,067,252
Primary metal industry.....	17	12	1,661	2,473	1,166,782	1,224,922
Fabricated metal (including not speci- fied metal).....	9	17	1,122	3,304	836,651	1,291,709
Machinery (except electrical).....	51	59	2,455	2,850	1,294,922	1,568,035
Electrical machinery, equipment, and supplies.....	1	4	1,087	4,453	789,300	1,487,412
Motor vehicles and equipment.....	6	3	407	649	868,683	841,861
Transportation equipment (except motor vehicles).....	9	3	238	1,547	478,542	976,837
Other durable goods.....	61	190	4,699	8,285	1,133,017	1,370,661
Food and kindred products.....	203	728	10,089	17,637	1,399,070	1,822,477
Textile mill products.....	6	18	1,926	2,156	1,240,238	954,036
Apparel and other fabricated textile products.....	257	684	3,188	88,299	1,063,442	1,159,163
Printing, publishing, and allied prod- ucts.....	92	127	3,805	5,340	853,239	1,141,192
Chemicals and allied products.....	6	48	4,914	5,244	653,931	864,542
Other nondurable goods (including not specified manufacturing).....	15	24	10,610	15,030	1,603,850	1,742,987

Sources: U.S. Department of Commerce, Bureau of the Census, "Census of Population, 1960: General Social and Economic Characteristics, Arkansas," PC(1)-5C, table 85, pp. 5-208 through 5-213; "Census of Population, 1960: Characteristics of the Population, Arkansas," vol. I, pt. 5, table 61, p. 5-153; "Census of Population, 1950: Characteristics of the Population, Arkansas," vol. II, pt. 4, table 25, p. 4-39; table 30, p. 4-43; and table 43, pp. 4-83 through 4-92; "Census of the Population, 1960: Characteristics of the Population, U.S. Summary," vol. I, pt. 1, table 91, p. 1-221; and "Census of the Population, 1950: Characteristics of the Population, U.S. Summary," vol. II, pt. 1, table 55, p. 1-102 (Washington: Government Printing Office).

Percent distribution and change in employment by manufacturing groups, representative 6-county area, Arkansas, and the United States, 1950 and 1960

	6-county area			Arkansas			United States		
	Per- cent change, 1950-60	1950 per- cent distrib- ution	1960 per- cent distrib- ution	Per- cent change, 1950-60	1950 per- cent distrib- ution	1960 per- cent distrib- ution	Per- cent change, 1950-60	1950 per- cent distrib- ution	1960 per- cent distrib- ution
Manufacturing total.....	98.8	100.0	100.0	33.3	100.0	100.0	20.2	100.0	100.0
Furniture, lumber, and wood.....	53.6	58.1	44.9	-6.9	45.7	31.9	10.2	8.2	6.1
Primary metal industry. Fabricated metal (includ- ing not specified metal).....	-29.4	1.0	0.3	48.9	1.9	2.2	5.0	8.0	7.0
Machinery (except electrical).....	88.9	0.5	0.5	194.5	1.3	2.9	54.4	5.7	7.4
Electrical machinery, equipment, and sup- plies.....	15.7	2.9	1.7	16.1	2.9	2.5	21.1	8.9	9.0
Motor vehicles and equip- ment.....	300.0	0.1	0.1	309.7	1.3	3.9	88.4	5.4	8.5
Transportation equipment (except motor vehicles).....	-50.0	0.3	0.1	59.5	0.5	0.6	-3.1	6.0	4.8
Other durable goods.....	-66.7	0.5	0.1	550.0	0.3	1.4	104.1	3.3	5.6
Food and kindred prod- ucts.....	211.5	3.5	5.5	76.3	5.5	7.3	21.0	7.8	7.8
Textile mill products.....	258.6	11.6	20.9	74.8	11.8	15.5	30.3	9.6	10.4
Apparel and other fabri- cated textile products.....	200.0	0.3	0.5	11.9	2.3	1.9	-23.1	8.5	5.4
Printing, publishing, and allied products.....	166.1	14.7	19.7	160.3	3.7	7.3	9.0	7.3	6.6
Chemicals and allied products.....	38.0	5.3	3.6	40.3	4.5	4.7	33.7	5.8	6.5
Other nondurable goods including not specified manufacturing.....	700.0	0.3	1.4	6.7	5.8	4.6	31.2	4.5	4.9
	60.0	0.9	0.7	41.7	12.5	13.3	8.7	11.0	10.0

Source: Computed from table entitled "Manufacturing Employment by 2-Digit Industry Classification, Representative 6-County Area, Arkansas, and the United States, 1950 and 1960."

ARKANSAS GEOLOGICAL COMMISSION,
Little Rock, Ark., April 23, 1965.

DR. JOHN PETERSON,
University of Arkansas.

The highland area of Arkansas is presently producing minerals, exclusive of petroleum, valued at \$30 million a year. Approximately 1,500 employees are involved in these operations. Minerals produced include barite, silica, gypsum, stone, coal, and talc.

In the past this area has been a commercial source of lead, zinc, phosphate rock, titanium, diamonds, iron, manganese, and mercury. Antimony, columbium, copper, molybdenum, nickel, rare earth minerals, silver, thorium, and fullers earth have been noted in samples of adequate grade to justify further investigation.

Much of the region offers only limited possibility for accelerated development and employment in other fields. It follows, therefore, that a real effort should be made to more nearly realize the full potential of the mineral resources of the region.

Virtually all the known mineral deposits in the Arkansas highland area were discovered by curious citizens, prospectors, or geologists through the testing of unusual rock samples, from outcrops, wells, and stream gravels and much of the area has already been investigated by "walking the outcrop."

Recognizing the limitations of surface work in mineral exploration, both company and Government geologists and geophysicists have developed many new exploration techniques, and perfected older ones, and the application of these methods have resulted in many important new, unexplored mineral deposits in other parts of the country and the world. An outstanding example of

these new discoveries is the huge iron ore deposit at Pea Ridge in southeast Missouri. This discovery resulted in a 40 million dollar mining project with a present employment of more than 1,000 and a permanent employment of a similar number.

This deposit was found by test drilling a magnetic anomaly that had been outlined by geologists of the Missouri Geological Survey. The deposit was found in an area whose economy at the time of the discovery could be compared to that of the Arkansas highland area today. The advent of the Pea Ridge mine not only contributed materially to the economic growth of that community and its environs but also stimulated additional exploration in southeast Missouri with the subsequent development of several new mines.

It should be recognized that geophysical surveys by themselves do not guarantee an orebody and ultimately a mining industry. They do, however, encourage operating mining companies to drill potentially mineralized areas with the possibility of ultimately developing a mining industry.

It is recommended that geophysical studies be considered in segments of the Arkansas highland area listed below :

<i>Area</i>	<i>Type survey</i>
Northern Ozarks -----	Magnetometer.
Boston Mountains—Arkoma Basin -----	Do.
Northern Ouachita Mountains -----	Do.
Southern Flank of Ouachita Mountains-----	Do.
Mercury District -----	Geochemical.
Ocuachita Mountains -----	Do.
Ozark Mountains -----	Do.

The existence of many mineral deposits in the Arkansas highland area has been recognized for years and some of these have even been worked commercially for short periods. It is believed that many of these might be developed into commercial mining enterprises with the resultant benefits to the economy of the area. In some cases only additional reserves are needed to encourage development. Geologic studies of these deposits followed by drilling could possibly outline commercial orebodies. Some deposits may not only require more sufficient ore reserves but also beneficiation studies to produce a marketable grade ore.

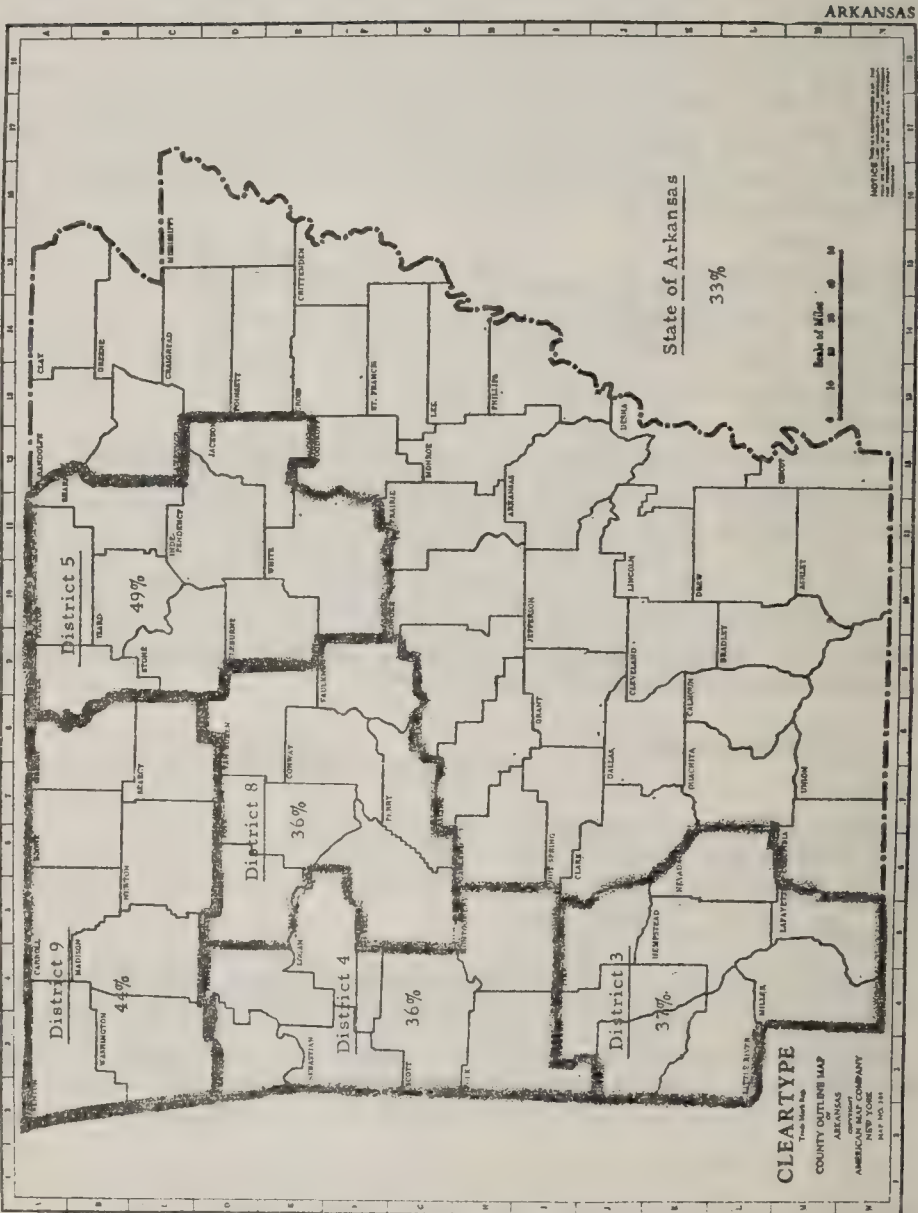
A list of the mineral deposits in the Arkansas highland area that should be considered for such development work follows :

<i>Mineral deposit</i>	<i>Recommended project</i>
Magnetite -----	Drilling and ore dressing research.
Carbonatite -----	Do.
Phosphate Rock-----	Do.
Molybdenum -----	Do.
Rutile -----	Do.
Other metallic ore deposits.	
Other nonmetallic mineral deposits.	

The foundation of an intelligent mineral exploration program is good surface geologic mapping. Much of the Arkansas highland area has been mapped only in reconnaissance detail. Certainly a program of surface geologic mapping would be worthy of consideration, particularly in the Ouachita Mountain region where abundant evidence of mineralization has already been recorded.

NORMAN F. WILLIAMS.

Per Cent of Highway Mileage Rated "Critical" (Arkansas Highway Department Sufficiency Ratings: December 1962)



Dr. PETERSON. I will ask you to refer first to the charts in the back of the statement.

Although poverty is poverty wherever found, it may arise from a variety of causes. This statement is concerned with a multistate region having a hill country type of poverty which is due to natural resource limitations of isolation and rugged terrain, and human resource limitations of low education and poor public facilities in the past.

This region lies in the southern part of Missouri, the eastern part of Oklahoma, and the northern and western parts of Arkansas.

Although the term "Ozark" is commonly applied to this region, geologists recognize no specific mountains by that name. Maps refer to the Ozark Plateau as extending from southern Missouri into northern Arkansas. Just south lie the Boston Mountains, then the Arkansas River Valley, and finally the Ouachita Mountains. Both the Boston and Ouachita Mountains extend westward into Oklahoma.

The Ozark region today has one of the most serious and longstanding poverty problems in the Nation. Unfortunately, the continuing adjustment problems of rural populations are not as dramatic and visible as the problem of adjusting to plant shutdowns in industrial urban areas.

During the 1950's, the formerly high-wage auto worker and coal miner drawing unemployment compensation payments attracted more national attention as a problem than the low-income, underemployed farm family.

The rural poverty of the Appalachian region, it is true, was discovered by a shocked Nation in the 1960 election. But this attention was due to previous neglect, rather than to the uniqueness or greater severity of poverty in that region.

A county-by-county map for the Nation of median family incomes in 1959 demonstrates that the Appalachian region does not lay exclusive claim to poverty. The lowest fifth of all counties in terms of median family income is found in the rural cotton-raising areas of the South, especially along the Mississippi River, and in two southern mountain regions—around eastern Kentucky and Tennessee, and around the Ozarks of Arkansas, Missouri, and Oklahoma.

If the various measures of poverty and economic distress presented in "Appalachia: A Report by the President's Appalachian Regional Commission, 1964," were applied to the Ozark region, they would show more deficient levels for the Ozark region.

Readily available figures for the whole State of Arkansas, which includes some metropolitan areas, for example, show the following stairstep comparisons: The implied per capita income was \$1,850 for the United States, \$1,405 for Appalachia, and \$1,125 for Arkansas.

The percentage of families earning less than \$3,000 was 21 percent for the United States, 31 percent for Appalachia, and 48 percent for Arkansas.

Of the 620 counties in the Nation with median family incomes below \$3,000, 73 of these counties lie in the Ozark region, within arbitrarily selected boundaries. Arkansas alone has 51 of these counties, with 32 of them lying in the Ozark portion of the State. Of the latter, 16 had median incomes below \$2,500, and 6 had median incomes below \$2,000.

For illustrative purposes in the remainder of this statement, reference will be made to data from six representative counties in the north central portion of the State. This is simply one subregion for which we have data readily available and is part of a broader regional study of the State.

It does not include all of the poorest counties, and it includes Harrison, one of the largest cities in the mountain area. The six counties are: Baxter, Boone, Carroll, Marion, Newton, and Searcy.

In 1959, the median family income in this subregion averaged \$2,364, or 41.8 percent of the national median family income of \$5,660.

Poverty is closely related to a surplus of labor supply relative to employment opportunities. Recognizing that few rural workers appear to be actively seeking work when they know that job opportunities are limited locally, the report for Appalachia used a measure of the "potential labor force" which reflects the numbers that would be seeking work at national rates of labor force participation.

As a percentage of this potential labor force "hidden unemployment" was 8.4 percent for men and 16.6 percent for women. By the same measure, Arkansas rates were 9 percent for men and 17.1 percent for women.

Even in terms of unemployment rates, however, Arkansas over a long period of years has persistently had higher unemployment rates than is widely recognized. More attention has been accorded to unusually high rates for short periods in industrial areas.

The midmonth unemployment rate in Arkansas, for unemployment covered by insurance, fell below the U.S. average only 1 month in the past 11 years. When the monthly rates are averaged for each year, the rate in Arkansas has been above the United States rate every year of record in the postwar period.

When 48 States are ranked by these yearly averages, Arkansas was among the top 10 States in unemployment rates in 12 out of the past 15 years.

One of the more significant indicators of socioeconomic opportunity is the movement of people into or from various regions of the Nation. Between the 1950 and 1960 censuses, population increased 18.5 percent in the United States. The only two States with population declines were West Virginia with a 7.2 percent decrease, and Arkansas with a 6.5 percent decrease.

The selected six-county area decreased 17 percent, and the largest loss of any county in the group was 31 percent.

This population loss was in spite of higher-than-national birth rates in this region.

The decade migration rate was 22.7 percent of the 1950 population for Arkansas, 27.3 percent for the six counties, and 43.7 percent for the highest county.

The State, incidentally, was able to check its population loss after the middle of the decade when an accelerated industrial development program was launched within the State, and during a period when national job opportunities have expanded slowly.

The effects of low incomes upon both the amount and sources of revenues to support government services have contributed to the developmental lag in the region. In terms of "effort," the people have been spending a higher percentage of their incomes, only to find that

even this was insufficient to equal the per-capita expenditure levels of Government services received by the average citizen elsewhere in the Nation.

In State taxes during 1963, Arkansas paid 17 percent of their income, which amounted to only \$102 per capita. Nationally citizens paid only 5 percent of their income in State taxes, but this amounted to \$118 per capita.

The revenue picture is even worse at the local government level in the mountain region. On a per-capita basis, property tax assessments were \$2,316 in the Nation, \$793 in Arkansas, and \$570 in the six counties.

The poverty of a region also is related to the composition of types of income and of employment by industry. Agriculture is a relatively low-income sector of the economy, but in 1960 the Nation only derived 3.8 percent of personal income from agriculture, compared to 14.8 percent in Arkansas, and 15.8 percent in the six counties.

Manufacturing wages and salaries, on the other hand, provide a higher income source and account for 21.9 percent of personal incomes in the United States, compared to 15.1 percent in Arkansas, and only 10.2 percent in the six counties.

Transfer payments, including pensions and welfare payments, accounted for 7.4 percent of personal income in the United States, 10.7 percent in Arkansas, and 17.8 percent in the six counties.

At this point I will skip the specific comments that I have in this record for forestry, mining, and manufacturing, and go on to the section on recreation.

The accelerated development of recreation industries provides the main hope of the mountain region for developing sufficient employment and income opportunities to raise the living standards of its people closer to national levels.

The potential has been only partly exploited to date, but two trends are rapidly enlarging that potential for the future.

On the one hand, the supply of outdoor recreation facilities—in the form of reservoirs, parks, and recreation areas—is now being enlarged by Federal and State agencies. On the other hand, the national demands of urban populations for outdoor recreation facilities are projected to expand rapidly in the years immediately ahead.

Recreation industries already are an important source of income in the region.

The area has been described as still being in the hunting and fishing stage of recreational development. The facilities and activities in most places do not provide for a wide range of recreation activities for whole families or a diverse type of tourists.

Many unique and outstanding tourist attractions are not yet fully exploited for general development of the region. A wealth of lakes, rapid flowing streams, mountain views, and trails in wilderness areas have not been well advertised and made accessible to tourists.

The area has hot baths, springs, caves, a diamond mine, fossil beds, and historic sites. A unique folk culture also has been researched and preserved by a number of organizations that put on such colorful activities as handicraft fairs, folk festivals, folk singing, square dancing, and archery tournaments.

The average tourist can pass by this region and see few of its natural sights and be completely unaware of its cultural and recreational activities.

The low incomes and limited government revenues of the mountain region have been a barrier to the development of main types of public facilities needed to help raise the income opportunities in the area—highways and community public works.

Both new industries and tourists are concerned about time-distance from main urban centers and about the standards of essential public services—the water supply, sewerage, and hospitals.

In spite of tremendous efforts in recent years to improve public roads, the State and the mountain areas still lag behind national standards. Narrow, two-lane highways crossing the State long have given travelers a poor impression of the State. The new interstate highway system will correct this, but it will leave the mountain areas of Arkansas completely bypassed. The main routes from St. Louis to Dallas always have gone around the Ozark region.

Once a tourist ventures into the mountain region, travel conditions become worse. It takes as long to move around to different tourist attractions within the region as it does to get to the region from distant metropolitan areas.

According to an Arkansas Highway Department report in 1962, on the sufficiency ratings of highways throughout the State, a third to a half of the roads in all of the mountain districts were rated in "critical" condition. See appendix, figure 13.

Substantial increases in public investment and a new approach to coordination of public and private programs are going to be needed to reduce the lag behind national progress in the Ozark region. The need for outside financial assistance is fairly obvious, but more attention needs to be given to the organizational requirements of effective development.

In all Government programs, at the Federal and State levels, there is need for an overall perspective on the economic development potentials and strategic public facility requirements. Each agency has its own "blindness" as to its specific legal and administrative requirements, its own primary mission and criteria, and its own budget limitations and allocation priorities. There is no effective organization or leadership to consider what the economy of the area needs the most, and where the gaps exist.

For a disadvantaged rural region, the normal play of democratic politics and private organization does not take care of the development needs of the area. The area itself is not organized or led effectively to take advantage of opportunities for assistance or pressure public agencies to consider its needs.

There are few major farm or business organizations strongly organized in the area to look after an industry or community.

The main opportunity of development in the region—in the recreation industry—requires newer types of public action and a broader scope of governmental concern than ever before.

Promotion of recreational industries is relatively new in the Nation as a whole, and there is less familiarity with the problems at all government levels. The industry, moreover, in the mountain area is composed of small operators who lack the leadership, the skills, and the financing to organize themselves effectively.

In Arkansas we have learned how to organize ourselves effectively for industrial development. We learned that this was a competitive game, but leadership and technical assistance at the State level was required to promote the whole area and help local communities to organize to do what was needed locally.

Even in this field, however, it is the larger cities that organize and take care of themselves more effectively. Outside agencies must help the rural communities in mountain areas, because they lack the finances to hire full-time staff personnel to work on development problems.

In recreation, the problems are somewhat different. We have less of the easy tasks of simply providing information and services to outside business firms to encourage them to come in and build plants.

Of course, some of this will be important in attracting outside recreational businesses to invest in major resort-type facilities in the region. The harder task is to stimulate, advise, and coordinate local enterprises to invest, modernize, and adapt themselves to a new and expanding market.

In developing the recreation industry, attention must be given to developing strategic centers of attraction and concentrations of multiple activities. Then, these centers need to be interconnected with each other and with the outside. It is as these centers become customer drawing points that multiple opportunities for many small private businesses will expand in nearby areas and intransit locations.

In Arkansas, for example, there is a need to develop a triangle of interconnection between major recreation centers around Beaver Lake in the northwest, the Bull Shoals-Norfolk area, plus the new folk center at Mountain View in the north and northeast, and the Ouachita Mountain and lake region of Hot Springs—with the new reservoirs of the Arkansas River in between.

The heartland of the mountain region then needs to be tied in with the interstate highway routes by high-speed highways.

Arkansas needs to relate its highways and attractions to those in neighboring States, and together the States need to jointly promote and advertise the Ozarks as the lake and mountain playground area of the midcontinent.

To organize public and private organizations effectively, and to focus public attention on the problems, there is need for a regionwide planning and action organization. It is very essential that such an organization have sufficient funds to develop full-time staff and hire qualified consultants from any part of the Nation.

Few effective organizations exist which rely solely upon voluntary committees. Interagency organizations that rely solely upon cooperative assistance of many other organizations also are likely to be handicapped.

It also is important to provide such an organization with adequate funds for research. This is a new field of endeavor, and it is not true that unguided spending of any kind will do the job. It is no problem to get large sums of Government money spent, but it is a problem to see that spending serves to develop the private economy effectively.

Senator HARRIS. Thank you, Dr. Peterson, for a marvelously scholarly presentation on the problems and opportunities of this region.

We are pleased to have the ranking minority member of this committee present.

Senator Cooper, do you have any questions or comments?

Senator COOPER. Yes, Mr. Chairman.

I, too, would like to congratulate Dr. Peterson for his very fine and comprehensive statement of the problems in the Arkansas area. I think it also goes into Oklahoma.

In listening to your testimony, a great deal of it sounds familiar, because I am from Kentucky, and I live in the area of Kentucky which is known as Appalachia. The county I live in is in that area.

Am I correct, though, in saying there is some distinction? That is, our problem in unemployment is also one of rural unemployment. We also have a large unemployment because of miners who are out of work.

Is it correct that your problem of unemployment is chiefly rural unemployment?

Dr. PETERSON. Yes, but the rural unemployment does not show up in unemployment statistics. It is not covered.

I made two points, that we have a high rate of unemployment by the usual figures, in addition we have a high degree of hidden unemployment of people who have no opportunity, and they stay at home, and they do not appear to be looking for work, yet they are unemployed.

Senator COOPER. You don't have any great mining in your area, do you?

Dr. PETERSON. We have two declining industries. One is agriculture, and the other is lumber. Lumbering is a manufacturing industry that has had severe declining employment in the postwar period.

Senator HARRIS. I might add that in the Oklahoma side of this area we do have a badly declining industry in mining of lead and zinc and coal, the mining industries which are in a very depressed state.

Senator COOPER. In looking at your situation in the context of the Appalachia bill, you know the first emphasis in that bill was in the construction of roads, two types of roads, one, so-called corridor roads, which would open up the region, and as you have mentioned in your testimony also, it would connect the main roads from adjoining States.

Has the State built any such types of roads through this area, main roads to open up the area?

Dr. PETERSON. There is a map at the very back of my testimony indicating the State highway flows.² It shows relatively few roads and as far as traffic in the north-central part of the State, and the west-central part of the State, the condition of those roads is poor.

The State has been struggling I would say in the last 10 years to catch up on highway development. It has had to concentrate most of its funds on the most heavily traveled main routes.

Senator COOPER. Of course we know it is much more expensive to build roads in that type of country, but has the State had any program to initiate a systems of road development in this area?

Dr. PETERSON. I don't believe the State has had a conscious program of developing corridor routes for recreation. It has had a good deal of emphasis on paving rural roads, and trying to maintain major routes.

Senator COOPER. Then you would say that thus far the State has not initiated construction of any roads which were of high quality which were designed to penetrate the region and open it up?

² The map referred to is not reproducible. It is on file with the committee.

Dr. PETERSON. That is correct.

Senator COOPER. Again, going to our problems in Appalachia and Kentucky, which I think are very similar to yours, are there any State parks in this area?

Dr. PETERSON. Yes. I don't have a list or can't remember the names, but in recent years we have been investing considerable sums to acquire land and to open up initially a number of State parks. As a result, it is a beginning effort, and very few of the parks are highly developed.

Senator COOPER. Do you have any problems with flood control in that area? Does the Corps of Engineers have any projects in that area, do you know?

Dr. PETERSON. The corps has had major programs building reservoirs largely for power. We have also had the Arkansas River Valley development which is providing navigation and considerable improvement of flood control.

There have also been problems of flood on the White River. Just 2 years ago the city of Harrison that I mentioned had a bad flood in the downtown district of the city.

Senator HARRIS. I might supplement briefly by saying we have in the record, Senator, a statement from two associations, one in Arkansas and one in Oklahoma, interested in the Arkansas River navigation project, and one of our problems under that program, which is to be completed by 1970, is the need for feeder roads into the area, and also for planning, port authority planning, model ordinances, and so forth, to get maximum benefit out of that multipurpose project, which is for flood control, navigation, and other purposes.

Senator COOPER. The reason I asked that, I think in connection with the recreational program, the tourist program, that those States do try to fit their programs in connection with reservoirs built by the Corps of Engineers.

May I ask another question?

Has the State located any community colleges in this area, junior State colleges?

Dr. PETERSON. This legislature this year passed enabling acts to permit the foundation of junior colleges throughout the State. They have to form districts and use local tax funds as well as some State help.

Senator HARRIS. On the Oklahoma side there are State-supported as well as private community and State colleges in the region whose programs might be more directed, perhaps, after study, to particular problems in the area.

Senator COOPER. I asked that, though, because I think in my State we have finally come to recognize that need, and Kentucky has located two junior colleges in the eastern part of our State, and the first one is being constructed.

Dr. PETERSON. I have a list of the State parks, now.

Senator HARRIS. If you would file them for the record, without objection they will be included.

(List referred to follows:)

State parks in the mountain portions of Arkansas are: Devil's Den, Choctaw, Buffalo River, Bull Shoals, Prairie Grove, and Leatherwood-Eureka Springs. There also are national parks at Pea Ridge and at Hot Springs.

Senator COOPER. I will ask one more question.

Looking at the map, I note in that general area, Baxter County, Boone County, Carroll County, Benton County, Washington County show income at about the State average, while the other counties are below. Are those counties in the area? Is there any particular reason why they have a higher income?

Dr. PETERSON. Boone County has the city of Harrison. This is the largest city in the mountain area. I don't have the population offhand.

Senator COOPER. Probably better agricultural land?

Dr. PETERSON. Carroll County had a moderately well developed recreation area in the past. Washington and Benton Counties, of course, are a broad valley region that has long had good agriculture, but it has been changing.

The concentration of our poultry industry has been becoming diversified. It is the area where the university is located, and there is a more diverse income in the two counties.

Senator COOPER. Thank you. Your testimony has been very helpful, and it is helpful to all of us living in similar areas.

Senator HARRIS. Thank you, Senator.

Senator MONTÓYA?

Senator MONTÓYA. I also want to compliment Dr. Peterson for the very splendid statement.

I might say that it is a very well prepared statement.

Dr. Peterson, what is the population of this particular area?

If you don't have the figures, can you approximate the figures?

Dr. PETERSON. We can supply them for the record later.

One problem is I have a six-county area which I can bring in. The State had roughly below 2 million population, about 1,900,000.

Senator MONTÓYA. But you don't know what the population in this particular area might be?

Dr. PETERSON. I don't have it right at hand.

(Subsequently the following information was submitted:)

The population for 1960 was 57,471 in the six counties and 1,786,272 in Arkansas.

Senator MONTÓYA. What is the educational attainment of these people in this particular area? Is lack of education part of the problem?

Dr. PETERSON. Yes. I have in the testimony two figures, one on the percent that have less than fifth grade education. In the comparison with Appalachia, Arkansas had 15 percent of its population with less than fifth grade education.

This region was closer to the national average on that figure, but it was very low when it comes to the percent completing high school.

This is an area that is nearly 100 percent white in racial composition, largely rural. They have small school districts, so that they take care of the low grades and get literate, but they do not complete high school in large numbers.

Senator MONTÓYA. Thanks, Doctor.

Senator HARRIS. Dr. Peterson, I wonder if you would just stay up there, because I might want to add, or we might want to ask you to comment further.

Senator HARRIS. At this time I would like to call Dr. Nelson Peach, professor of economics at the University of Oklahoma.

Dr. Peach, I wonder if before you start your statement if you would give us a general summary of your educational background, and the books that you may have written, and your special attention to this field in the past.

**STATEMENT OF DR. NELSON PEACH, PROFESSOR OF ECONOMICS,
UNIVERSITY OF OKLAHOMA**

Dr. PEACH. I received my Ph. D. degree at Johns Hopkins University in 1939, back in the Neanderthal Period. Then I began teaching at the University of Texas. Then I was assistant manager of the Research and Statistics division of the Federal Reserve Bank in Dallas, Tex.

After the war I went back to the University of Texas, and then to Syracuse University for 2 years, and I have been at the University of Oklahoma since 1949.

Senator MONTGOMERY. May I interject that that is quite a promotion?

Dr. PEACH. I am also associated with the Technology Use Study Center at Southeastern State in Durant, Okla. This is a cooperative undertaking of Southeastern State University, Southeastern State College, the Oklahoma State University in Stillwater, and the University of Oklahoma.

For 3 or 4 years I have been associated with another project involving faculty members at seven universities in six States. They are Oklahoma, Arkansas, Missouri, Iowa, Nebraska, and Kansas, and we had faculty members from the universities in each of those States working with us.

Senator HARRIS. Will you proceed, then, with your statement, Dr. Peach?

Dr. PEACH. I would like to ask permission, Mr. Chairman, to make a couple of minor deviations from the prepared statement.

The common denominator of the tristate area that we are talking about is the generally low income, lack of economic opportunity, and high rates of unemployment and underemployment.

I have arbitrarily selected 27 counties in the eastern part of Oklahoma for illustrative purposes. I wish to emphasize that there is no commitment on anyone's part that they will be the counties involved in a regional development plan, but they have common elements which indicate the nature of the problem and suggest lines of action for improvement.

The counties are Adair, Atoka, Bryan, Cherokee, Chostaw, Coal, Craig, Delaware, Haskell, Hughes, Johnston, Latimer, LeFlore, McCurtain, McIntosh, Marshall, Mayes, Muskogee, Nowata, Okfuskee, Okmulgee, Ottawa, Pittsburgh, Pushmataha, Rogers, Sequoyah, and Wagoner.

This group of counties includes half a million people, about one-fifth the population of the State of Oklahoma. The economy was based on four basic industries supplemented by secondary activities such as wholesale and retail trade, services, finance, transportation, communications, and public utilities. The four basic industries were coal, lead, zinc, and farming.

Serious problems have arisen in each of these industries. Coal production is located mainly in the south and southeastern part of the State. Four or five decades ago this was an important economic activity, but with the discovery of petroleum and the shift from the coal-

burning railroad engine to the diesel engine, coal production declined, and is still declining.

Even during the period 1952-56 coal production averaged something over 2 million tons per year, with a value in excess of \$12 million. In 1961 coal production was less than half the 1952-56 average, and the value also was about one-half.

Lead and zinc production is located mainly in the northeastern part of Oklahoma. The tristate area of southeastern Kansas, southwestern Missouri, and northeastern Oklahoma account for a substantial part of U.S. production of these two metals, but during the past decade or decade and a half, production has fallen off drastically.

During the period 1952-56, average production of lead was about 18,000 tons, with a value in excess of \$3 million. By 1961, production had fallen to 1.3 thousand tons, a decline of more than 90 percent. Production of lead at the present time is only about 5 percent of the 70-year average from 1891 to 1961.

This area was also an important producer of zinc. During the 70-year period from 1891 to 1961, the value of production amounted almost to \$500 million. During the period 1952-56, 75,000 tons of zinc were produced annually. By 1961, production had declined more than 90 percent.

The national trend toward mechanization of farming and the trend toward larger and larger farm units has been followed generally in eastern Oklahoma. The number of farms in the 27-county area has dropped from 80,000 in 1935 to less than 33,000 in 1959.

The number of acres of land in farms has shown a slight increase during this period. This has meant that tens of thousands of farm operators have been forced off the farms, and many of them have been forced into the lowest paying jobs in the retail and service industries, while others have left the State for higher paying jobs.

Hence the collapse of the coal, lead, and zinc industries and the rapid reduction in number of farm units has meant massive out-migration from this area.

The first census of population in Oklahoma was taken in 1907, at the time of statehood. At that time the population of these 27 counties was only slightly smaller than it is at the present time.

Between 1907 and 1920, population poured into this area. It increased almost 60 percent during that 13-year period. In most of these counties population has been declining since 1920, although in a few of them population continued to increase moderately during the prosperous 1920's. In a few counties also there were moderate increases in population during the depression decade of the 1930's.

Since 1920, however, population has declined in 24 of the 27 counties under discussion. Population increased by a fraction of 1 percent in one county, and there was a fairly noticeable population increase in two other counties. For the group of counties as a whole, population declined about one-third between 1920 and 1960.

But this is not all. This loss of one-third of the population occurred during a period when the Nation's population increased 75 percent. Birth rates and death rates in this area are not significantly different from the national average. Hence, if the population in eastern Okla-

homa had followed the national trend, it would be almost three times what it actually is at the present time.

This means that during the past four decades almost a million people have migrated out of eastern Oklahoma. Clearly the main reason for this continuous massive outmigration has been the search for better economic opportunity.

To a considerable extent, those who have migrated out of the area have been the skilled worker and the college graduate. The bulletin boards at the University of Oklahoma have daily noticed that Mr. X from General Electric in New York, or Mr. Y from General Motors in Detroit, or Mr. Z from a large California firm will be on campus to interview upcoming graduates.

I am confident that my colleagues in Arkansas and Missouri have had the same experience.

Nationally, about 40 percent of the total population is in the labor force. If we select somewhat arbitrarily an annual income of \$5,000 per worker, it means that this area of eastern Oklahoma has exported about 400,000 productive workers during the past four decades, and that these people receive an income of about \$2 billion per year.

In this sense, eastern Oklahoma has been subsidizing other parts of the Nation. If economic opportunities had been available in eastern Oklahoma, the income of the area would be four to five times as great as it actually is.

If we had begun to work on this problem during the 1920's and 1930's to provide opportunities for work, there would be no need for a regional development commission in this tristate area.

Most of the families who have stayed in the area have low incomes. More than one-half of all the families in the 27-county area have annual incomes of less than \$3,000. In 10 these counties, more than 60 percent have incomes of less than \$3,000. For the State of Oklahoma as a whole, fewer than one-third of the families have incomes under \$3,000.

Another indication of the difficulties faced by the people in this area is that while total and average incomes are both low, a high percentage of this low income is derived from government in the form of wages and salaries, and public welfare payments from the Federal and State Governments.

In some of these counties more than half of the total income of the entire population is derived from government. For the group of counties as a whole, more than one-third of the total income is derived from government.

This high percentage of total income from government is not mainly because of large military installations in the area. It has only one sizable military installation, the Naval Weapons Depot in McAlester, Okla. Civilian employment at this depot varies considerably from year to year, but a figure of about 900 employees is reasonable.

There is substantial evidence that the problems of low income, high unemployment, and outmigration from this area can be solved. Most of the work will necessarily be done by the people in the area at the local level. It is unrealistic, however, to expect significant growth

and development to come entirely from the efforts of groups in a particular town or county.

Since the problem does not recognize State boundary lines, it means that the individual States cannot do all of it. For this reason, we recommend a relatively small amount of assistance from the Federal Government to help establish a regional development commission.

Without presuming to detail the kind of organization or the precise direction in which such a commission should channel its efforts, it will be based on the combined efforts of the Federal Government, the State governments, local governments, and a variety of private groups concerned with providing better economic opportunity in this area.

We have just heard that Mr. Jim Hamilton is going to discuss some of the efforts by private groups.

I would like to point out also that both houses of both legislatures in Oklahoma and Arkansas have passed resolutions endorsing the concept of a regional development association for this area.

Another indication of the possibility for growth in this area is that the Arkansas River navigation project is scheduled for completion by 1970. This will connect the tristate area to the gulf coast at New Orleans by water.

In the latest year for which data are available, 1963, there were 240 facilities constructed on waterways in the United States. One-third of these were built on the Mississippi River, and an additional one-fourth were built on the Ohio River and the Illinois waterway. More than one-fifth were built on the Gulf Intercoastal Waterway, the Missouri River, and the Tennessee River.

During that year, 10 commodities accounted for the bulk of the ton-miles of goods moved by water. They were petroleum and its products, bituminous coal and lignite, sand, gravel and crushed rocks, logs, grain and grain products, iron and steel products, industrial chemicals, crushed limestone, and building cement.

In general, the commodities moving by water were made up of large shipments consisting of hundreds or thousands of tons. The commodities were mainly bulk and semifinished goods, although automobiles, paper, and pipe fittings were exceptions. These characteristics seem almost certain to continue in the foreseeable future.

With modern techniques, however, and increasing attention to distribution problems, there is evidence that it may be possible to find increased opportunities for shipments as small as 15 to 20 tons of goods having a relatively high value.

The surface of this market has hardly been scratched. My strong personal belief is that the people in this tristate region are ready and anxious to engage in legitimate development planning.

My belief is also that with a relatively small amount of Federal assistance, development planning and action can reverse the downward trends which have so tragically affected this area during the past four decades.

Senator HARRIS. You might go ahead, Dr. Peach, and read the balance, about the attachments, because we do want to get these statistical tables in the record.

Dr. PEACH. Attached is a list of nine statistical tables. Unless otherwise indicated, these tables are taken from a forthcoming publication entitled "County Building Block Data for Regional Analysis: Oklahoma," by W. Nelson Peach, Richard W. Poole, and James D. Tarver.

Some of the material in the testimony was taken from the manuscript for a series of 17 volumes on 17 counties in southeastern Oklahoma to be published in the summer of 1965 by the Technology Use Studies Center at Southeastern State College in Durant, Okla.

Senator HARRIS. Do you have those tables with you?

Dr. PEACH. Yes, sir.

Senator HARRIS. We would like to have them for the record, if we could.

Without objection, they will be made a part of the record of this hearing.

(The tables referred to follow:)

Changes in total population, 27 counties in eastern Oklahoma, selected years, 1907-60

County	Population			Percent change		
	1907	1920	1960	1907 to 1920	1920 to 1960	1907 to 1960
Adair.....	9,115	13,703	13,112	50.3	-4.3	43.8
Atoka.....	12,113	20,862	10,352	72.2	-50.4	-14.5
Bryan.....	27,865	40,700	24,252	46.1	-39.7	-13.0
Cherokee.....	14,274	19,872	17,762	39.2	-11.1	24.4
Choctaw.....	17,340	32,144	15,637	85.4	-51.4	-9.8
Coal.....	15,585	18,406	5,546	18.1	-69.9	-64.4
Craig.....	14,955	19,160	16,303	28.1	-14.9	9.0
Delaware.....	9,876	13,868	13,198	40.4	-4.8	33.6
Haskell.....	16,865	19,397	9,121	15.0	-52.1	-45.9
Hughes.....	19,945	26,045	15,144	30.6	-41.9	-24.1
Johnston.....	18,672	20,125	8,517	7.8	-57.7	-54.4
Latimer.....	9,340	13,866	7,738	48.5	-44.2	-17.1
Le Flore.....	24,678	42,765	29,106	73.3	-31.9	17.9
McCurtain.....	13,198	37,905	25,851	187.2	-31.8	95.9
McIntosh.....	17,975	26,404	12,371	46.9	-53.1	-31.2
Marshall.....	13,144	14,674	7,263	11.6	-50.5	-44.7
Mayes.....	11,064	16,829	20,073	52.1	19.3	81.4
Muskogee.....	37,467	61,710	61,866	64.7	.3	65.1
Nowata.....	10,453	15,899	10,848	52.1	-31.8	3.8
Okfuskee.....	15,595	25,051	11,706	60.6	-53.3	-24.9
Okmulgee.....	14,362	55,072	36,945	283.5	-32.9	157.2
Ottawa.....	12,827	41,108	28,301	220.5	-31.2	120.6
Pittsburg.....	37,677	52,570	34,360	39.5	-34.6	-8.8
Pushmataha.....	8,295	17,514	9,088	111.1	-48.1	9.6
Rogers.....	15,485	17,605	20,614	13.7	17.1	33.1
Sequoyah.....	22,499	26,786	18,001	19.1	-32.8	-20.0
Wagoner.....	19,529	21,371	15,673	9.4	-26.7	-19.7
Total, 27 counties.....	460,193	731,411	498,748	58.9	-31.8	8.4
State total.....	1,414,177	2,028,283	2,328,284	43.4	14.8	64.6

*Percent distribution of the population of 27 counties in eastern Oklahoma,
by age group, 1930 and 1960*

County	Under 9 years		10-24 years		25-44 years		45-65 years		65 and over	
	1930	1960	1930	1960	1930	1960	1930	1960	1930	1960
Adair.....	25.9	20.7	32.5	25.5	22.7	19.4	14.5	21.4	4.4	13.0
Atoka.....	26.9	19.3	31.9	23.9	22.7	19.8	14.6	23.2	3.9	13.9
Bryan.....	24.6	16.8	32.4	24.4	23.7	19.6	15.0	24.0	4.2	15.1
Cherokee.....	27.1	19.5	31.4	30.5	22.1	18.7	14.8	19.5	4.5	11.8
Choctaw.....	25.1	18.3	31.9	22.3	24.2	18.2	14.7	24.3	4.0	16.9
Coal.....	25.3	17.4	32.1	21.6	22.5	17.8	15.0	26.4	5.3	16.9
Craig.....	19.5	15.4	28.6	19.3	25.8	21.9	19.6	27.8	6.5	15.7
Delaware.....	25.8	18.3	31.5	23.0	21.8	19.4	15.6	24.5	5.2	14.8
Haskell.....	27.3	18.0	33.3	24.0	21.9	19.8	14.0	24.5	3.6	13.7
Hughes.....	25.5	16.4	32.2	22.5	25.6	18.7	13.3	25.7	3.4	16.8
Johnston.....	25.6	17.3	32.5	24.8	23.1	18.0	14.6	24.4	4.3	15.5
Latimer.....	26.2	16.8	32.5	25.6	23.0	19.6	14.5	23.6	3.8	14.4
LeFlore.....	27.4	18.6	32.2	24.0	23.7	19.5	13.4	23.0	3.3	14.9
McCurtain.....	26.3	21.0	33.6	24.8	24.2	19.3	12.9	21.9	2.9	12.9
McIntosh.....	27.1	19.0	34.2	24.3	22.1	19.2	13.4	23.2	3.3	14.2
Marshall.....	25.0	16.6	32.6	21.6	23.7	20.6	14.7	26.5	4.1	14.8
Mayes.....	25.2	19.5	32.2	23.8	21.6	22.5	16.1	22.1	4.8	12.0
Muskogee.....	22.1	19.7	30.7	22.9	27.4	22.3	15.9	21.9	4.0	13.2
Nowata.....	22.4	18.0	30.5	22.2	23.9	22.4	17.9	23.4	5.2	14.0
Okfuskee.....	25.5	18.5	33.7	24.1	24.1	18.1	13.2	22.1	3.5	16.2
Okmulgee.....	23.9	19.2	30.9	23.2	27.2	21.4	14.6	22.0	3.4	14.3
Ottawa.....	23.3	18.5	30.3	23.4	27.3	23.7	14.8	21.8	4.3	12.6
Pittsburg.....	23.0	17.0	30.9	22.2	27.1	23.3	15.0	23.3	3.9	14.1
Pushmataha.....	27.1	18.5	32.3	22.3	23.0	17.8	13.9	25.6	3.6	15.7
Rogers.....	23.7	19.9	30.9	23.6	23.7	23.6	16.6	20.8	5.1	12.1
Sequoyah.....	27.3	21.0	32.9	25.9	21.8	20.4	14.1	21.0	3.8	11.7
Wagoner.....	25.1	20.8	33.3	24.8	22.2	14.9	15.2	26.8	4.2	12.7
State total....	23.0	20.5	31.0	23.6	27.5	24.4	14.5	20.8	4.0	10.7

Racial composition of the population of 27 counties in eastern Oklahoma, 1960

County	Population, 1960				Percent of total		
	Total	White	Negro	Indian	White	Negro	Indian
Adair.....	13,112	10,055	1	3,055	76.7	0.01	23.3
Atoka.....	10,352	9,211	662	479	89.0	6.4	4.6
Bryan.....	24,252	23,131	549	563	95.4	2.3	2.3
Cherokee.....	17,762	14,306	281	3,159	80.5	1.6	17.8
Choctaw.....	15,637	11,989	2,875	753	76.7	18.4	4.8
Coal.....	5,546	5,108	113	314	92.1	2.0	5.7
Craig.....	16,303	15,189	503	600	93.2	3.1	3.7
Delaware.....	13,198	11,101	2	2,093	84.1	0.02	15.9
Haskell.....	9,121	8,678	87	343	95.1	1.0	3.8
Hughes.....	15,144	13,043	702	1,397	86.1	4.6	9.2
Johnston.....	8,517	7,605	330	579	89.3	3.9	6.8
Latimer.....	7,738	6,952	120	664	89.8	1.6	8.6
LeFlore.....	29,106	27,127	1,029	943	93.2	3.5	3.2
McCurtain.....	25,851	19,292	4,524	2,019	74.6	17.5	7.8
McIntosh.....	12,371	9,379	1,750	1,241	75.8	14.2	10.0
Marshall.....	7,263	6,790	201	272	93.5	2.8	3.7
Mayes.....	20,073	18,274	105	1,682	91.0	1.0	8.4
Muskogee.....	61,866	48,081	11,842	1,901	77.7	19.1	3.1
Nowata.....	10,848	9,961	733	148	91.8	6.8	1.4
Okfuskee.....	11,706	8,064	2,571	1,067	68.9	22.0	9.1
Okmulgee.....	36,945	29,328	5,965	1,603	79.4	16.2	4.3
Ottawa.....	28,301	27,079	2	1,204	95.7	0.01	4.2
Pittsburg.....	34,360	30,699	2,531	1,078	89.4	7.4	3.1
Pushmataha.....	9,088	8,334	180	573	91.7	2.0	6.3
Rogers.....	20,614	18,398	404	797	94.1	2.0	3.9
Sequoyah.....	18,001	15,995	841	1,195	88.7	4.7	6.6
Wagoner.....	15,673	12,733	2,530	333	81.2	16.5	2.1
Total, 27 counties.....	498,748	426,866	41,483	30,055	85.6	8.3	6.0
State total.....	2,328,284	2,107,900	153,084	64,689	90.5	6.6	2.8

*Proportion of total personal income derived from Government sources,
27 counties in eastern Oklahoma, 1950 and 1962*

[In thousands of dollars]

County	Total personal income		Income derived from government		Percent of total income derived from government	
	1950	1962	1950	1962	1950	1962
Adair.....	4, 597	9, 032	2, 196	4, 624	47.8	51.2
Atoka.....	5, 082	8, 084	2, 088	3, 517	41.1	43.5
Bryan.....	16, 149	27, 660	5, 152	9, 127	31.9	33.0
Cherokee.....	6, 214	14, 449	3, 231	7, 550	52.0	52.3
Choctaw.....	8, 907	14, 543	3, 640	6, 024	40.9	41.4
Coal.....	3, 303	4, 719	1, 396	1, 928	42.3	40.9
Craig.....	10, 795	21, 538	3, 228	6, 598	29.9	30.6
Delaware.....	4, 749	10, 129	2, 145	4, 687	45.2	46.3
Haskell.....	4, 621	7, 308	1, 957	3, 291	42.4	45.0
Hughes.....	11, 413	15, 136	3, 578	5, 516	31.4	36.4
Johnston.....	4, 660	8, 747	2, 007	3, 361	43.1	38.4
Latimer.....	3, 294	6, 405	1, 584	3, 019	48.1	47.1
LeFlore.....	15, 709	26, 907	6, 609	11, 607	42.1	43.1
McCurtain.....	12, 733	21, 765	5, 180	8, 959	40.7	41.2
McIntosh.....	6, 583	10, 771	2, 838	4, 212	43.1	39.1
Marshall.....	5, 253	8, 739	1, 414	2, 874	26.9	32.9
Mayes.....	9, 905	24, 662	3, 985	6, 189	40.2	24.1
Muskogee.....	57, 339	102, 059	14, 664	30, 392	25.6	29.8
Nowata.....	8, 757	15, 499	2, 019	3, 579	23.1	23.1
Okfuskee.....	7, 600	11, 495	2, 374	4, 260	31.2	37.0
Oklmulgee.....	39, 950	55, 375	8, 025	13, 649	20.1	24.6
Ottawa.....	33, 651	49, 172	5, 712	10, 017	17.0	20.4
Pittsburg.....	31, 337	48, 980	12, 428	19, 436	39.7	39.7
Pushmataha.....	4, 159	6, 950	2, 096	3, 663	50.4	52.7
Rogers.....	10, 621	22, 478	3, 229	7, 660	30.4	34.1
Sequoyah.....	5, 649	12, 017	3, 103	6, 242	54.9	51.9
Wagoner.....	6, 517	11, 467	2, 489	4, 773	38.2	41.6
Total, 27 counties.....	339, 547	576, 086	108, 367	196, 754	31.9	34.2
State total.....	2, 514, 000	4, 664, 000	501, 000	1, 150, 000	19.9	24.7

Median family income in 27 counties in eastern Oklahoma, 1960

County	Median income (dollars)	Percent of families with incomes under \$3,000	County	Median income (dollars)	Percent of families with incomes under \$3,000
Adair.....	1, 919	69.3	Marshall.....	3, 202	47.0
Atoka.....	2, 217	62.4	Mayes.....	3, 468	44.4
Bryan.....	2, 802	53.5	Muskogee.....	3, 933	38.2
Cherokee.....	2, 657	55.8	Nowata.....	4, 290	33.6
Choctaw.....	2, 239	64.4	Okfuskee.....	2, 396	58.8
Coal.....	2, 349	60.2	Oklmulgee.....	4, 048	38.3
Craig.....	3, 691	41.3	Ottawa.....	4, 120	36.9
Delaware.....	2, 352	62.3	Pittsburg.....	3, 212	47.4
Haskell.....	2, 247	65.1	Pushmataha.....	1, 987	66.1
Hughes.....	2, 700	55.6	Rogers.....	3, 855	38.6
Johnston.....	2, 439	60.8	Sequoyah.....	2, 492	58.1
Latimer.....	2, 618	56.8	Wagoner.....	3, 271	46.6
LeFlore.....	2, 648	56.5			
McCurtain.....	2, 455	60.3	State median.....	4, 620	31.0
McIntosh.....	2, 066	63.9			

Source: U.S. Census of Population, 1960, Oklahoma, General Social and Economic Characteristics, PC(1), 38C, Oklahoma, U.S. Department of Commerce, Bureau of the Census, table 36, pp. 38-142.

Wages and salaries, by major industrial source, in 27 counties in eastern Oklahoma, 1962

[Thousands of dollars]

County	Total	Farm	Mining	Con- struction	Manufac- turing	Trade	Finance	Public utilities	Services	Government	Other
Adair.....	2,976	239	---	88	53	596	92	218	235	1,447	8
Atoka.....	2,883	249	---	96	106	812	96	130	317	1,070	7
Bryan.....	12,595	683	82	335	1,469	3,967	391	870	1,091	3,679	28
Cherokee.....	6,651	9	34	170	34	208	220	109	626	3,801	10
Choctaw.....	6,477	179	34	365	975	1,466	194	1,011	324	1,711	18
Coal.....	1,471	225	8	21	51	240	28	16	206	672	4
Craig.....	10,132	422	103	267	780	2,156	400	1,745	667	3,570	22
Delaware.....	3,394	342	8	56	20	540	332	71	367	1,654	4
Haskell.....	2,620	229	105	88	89	612	68	142	142	1,013	4
Hughes.....	7,044	285	610	548	578	1,331	260	538	125	1,924	8
Johnston.....	4,391	313	2,160	16	14	264	68	82	142	1,342	3
Latimer.....	2,519	253	150	120	18	320	80	186	113	1,278	5
LeFlore.....	12,859	520	1,840	377	946	2,194	323	1,529	574	4,532	24
McCurtain.....	10,347	286	---	246	4,023	1,719	277	251	448	3,062	28
McIntosh.....	3,754	641	---	324	55	788	120	82	224	1,486	34
Marshall.....	3,272	193	20	44	44	700	168	495	349	1,246	13
Mayes.....	13,400	410	---	1,107	5,568	2,447	358	495	516	1,998	41
Muskogee.....	62,959	875	549	4,409	14,921	12,408	2,921	4,748	5,450	16,507	171
Nowata.....	7,155	247	2,161	399	404	1,364	288	490	466	1,316	20
Oklfuskee.....	5,081	288	462	73	346	906	239	901	171	1,704	11
Oklmulgee.....	32,842	241	1,729	1,331	13,747	5,681	893	1,973	1,958	5,177	112
Ottawa.....	31,506	460	1,510	1,401	13,360	5,077	1,076	2,405	1,976	101	101
Pittsburg.....	28,240	394	863	2,259	2,887	5,056	862	1,635	3,114	11,114	56
Pushmataha.....	2,677	120	175	124	77	472	72	66	94	1,473	4
Rogers.....	11,837	357	1,214	1,933	730	1,773	371	1,186	683	3,565	25
Sequoyah.....	4,542	409	1,70	189	59	612	116	657	276	2,140	14
Wagoner.....	3,923	333	16	64	85	832	116	224	596	1,651	6
Total.....	297,547	9,637	13,878	16,450	61,439	55,541	10,423	22,400	22,702	84,279	792
State total.....	2,880,000	37,000	264,000	178,000	440,000	539,000	127,000	266,000	291,000	729,000	8,000

Bituminous coal production in Oklahoma, selected years 1952-61

Year	Quantity (thousand short tons)	Value (thousand dollars)
1952 to 1956 (average).....	2, 089	\$12, 438
1961.....	1, 032	6, 784

Source: "Minerals Yearbook," 1961, vol. III, "Area Reports"; U.S. Bureau of Mines, Regional Divisions of Mineral Resources; U.S. Government Printing Office, Washington, 1962; table 3, p. 826.

Production of lead and zinc in Oklahoma, selected years 1952-61 and total production 1891-1961

Year	Lead concentrate		Zinc concentrate	
	Short tons	Value (thousands)	Short tons	Value (thousands)
1952 to 1956 (average).....	17, 843	\$3, 162	75, 957	\$6, 441
1961.....	1, 333	130	5, 936	405
Total 1891 to 1961.....	1, 676, 731	162, 964	9, 744, 301	483, 015

Source: "Minerals Yearbook," 1961, vol. III, "Area Reports"; U.S. Bureau of Mines, Regional Divisions of Mineral Resources; U.S. Government Printing Office, Washington, 1962, table 17, p. 839.

Number of farms and land in farms in 27 counties in eastern Oklahoma, 1935 and 1959

County	Number of farms		Land in farms (thousands of acres)	
	1935	1959	1935	1959
Adair.....	2, 409	1, 231	174	169
Atoka.....	2, 348	1, 053	293	414
Bryan.....	4, 132	1, 518	455	443
Cherokee.....	2, 793	1, 422	191	266
Choctaw.....	3, 472	1, 151	304	330
Coal.....	1, 769	620	249	279
Craig.....	2, 482	1, 336	415	420
Delaware.....	2, 711	1, 546	263	274
Haskell.....	2, 433	896	246	295
Hughes.....	3, 004	1, 133	352	378
Johnston.....	1, 795	680	313	312
Latimer.....	1, 386	709	140	221
LeFlore.....	4, 971	1, 991	390	440
McCurtain.....	5, 092	1, 947	313	351
McIntosh.....	3, 410	1, 156	330	320
Marshall.....	1, 476	433	206	237
Mayes.....	2, 810	1, 580	327	313
Muskogee.....	4, 480	1, 814	398	376
Nowata.....	1, 605	824	275	281
Oklfuskee.....	3, 520	905	335	268
Okmulgee.....	3, 534	1, 180	308	291
Ottawa.....	1, 999	1, 198	221	229
Pittsburg.....	4, 291	1, 556	489	610
Pushmataha.....	2, 253	977	225	396
Rogers.....	2, 634	1, 517	363	352
Sequoyah.....	3, 151	1, 362	232	268
Wagoner.....	3, 252	1, 218	306	286
Total, 27 countries.....	79, 212	32, 953	8, 113	8, 823
State total.....	213, 325	94, 676	35, 335	35, 801

Senator HARRIS. I think you have made it clear that while your data is available by counties, theretofore there has not been any data made available for the entire region that we have under consideration this morning.

Is that so?

Dr. PEACH. Not very much data.

Senator HARRIS. The idea is that if we establish this commission, we could pool the resources of all those who are now working in some parts of the area, and attack the problems on a regional basis.

Dr. PEACH. Yes, sir.

Senator HARRIS. I wonder if you would also stay, Dr. Peach, until the conclusion of the hearing.

I want to say personally and for the committee how much we appreciate your appearing here today, and we are very impressed by your testimony and the work you have already been doing in this field, and in the general region which is covered by your testimony in this hearing.

Senator HARRIS. I would now like to call the administrative assistant to Gov. Warren E. Hearnes of Missouri, Mr. Phillip V. Maher, who I believe is here.

Mr. Maher, I believe you have some associates who are here also, and I wonder if you would identify them also for the record, so that all of our colleagues will know of their attendance and interest in this matter.

I want to say on behalf of myself personally and on behalf of the committee, we appreciate your interest.

Senator HARRIS. You may proceed, Mr. Maher.

STATEMENT OF PHILLIP V. MAHER, ADMINISTRATIVE ASSISTANT TO GOVERNOR HEARNES OF MISSOURI, ACCOMPANIED BY JOSEPH M. ROWLEY, DEPUTY ADMINISTRATOR FOR URBAN AFFAIRS, STATE OF MISSOURI, AND HUGH DENNEY, PROJECT LEADER FOR COMMUNITY DEVELOPMENT, UNIVERSITY OF MISSOURI, COLUMBIA, MO.

Mr. MAHER. Thank you, Mr. Chairman.

We appreciate the opportunity to testify before this committee.

I would like to introduce Hugh Denney, project leader for community development at the University of Missouri, sitting on my right, and the gentleman on his right is the deputy administrator for urban affairs, Mr. Rowley.

I have a very short statement, and with the help of these two gentlemen will be glad to try to answer any questions.

I would like to read the statement at this time.

The State of Missouri is in general agreement with the aims and purposes outlined in bill S. 1648, Public Works and Economic Development Act of 1965.

We are gratified to note that some features of the Area Redevelopment Act and the Accelerated Public Works program have been strengthened and others expanded.

We favor, for instance, the inclusion of working capital guarantees, as a most significant addition to the work of economic and commercial development. With a few exceptions, the inability of new or expanding industry to secure operating capital at reasonable rates and terms is the greatest single restriction to their development.

Clearly, the rapidly growing "service industry" can now be encouraged to accelerate its expansion activities in the direction of these designated areas of economic retardation.

We enthusiastically favor the broad approach to economic development as characterized by the district and regional concept under titles IV and V of this bill. The provision for growth centers offers opportunities to many redevelopment areas far beyond those that have previously been opened to them.

We have long recognized the apparent inconsistency in attempting to develop certain types of industry outside the natural habitat of such a growth center. While encouraging the development of industry where industry most naturally belongs, we can still extend employment benefits to those areas where they are most needed.

We favor the public works authority, of grants under title I and loans under title II, section 201. These sections enable communities not only to eliminate those deficiencies that have discouraged industry expansion in the past, but also provides the public facilities which encourage future industrial development.

Under the Accelerated Public Works program in Missouri, 215 projects with a total cost of \$27,723,000 were authorized. Additionally, 49 projects with a total cost of \$12,915,000 had been approved, but not funded. We anticipate that this total will be increased by 400 percent in the next 2 years.

We do have certain reservations. It appears to us that although "area" is identified as "a labor area as defined by the Secretary of Labor," we are in practice, if not theory, faced with a limitation of "county" designation.

In Missouri, with few exceptions, the Department of Labor accumulates data on a county basis, and the counties form the labor areas.

We feel, therefore, that the Secretary of Commerce should be extended discretionary authority to recognize and designate those smaller areas or communities within counties that meet this criteria, although that county does not.

We are unable to determine if it is the intention of Congress to make all the territory of a district eligible in this bill, or if eligibility is limited to the redevelopment areas and the growth center.

We are concerned that a single isolated redevelopment area would be unable to attach itself to a growth center in the event that a growth center was not contained within its own boundaries, since growth centers are provided for only in section 403, "Economic Development."

Since the growth center is of key import in this effort, we believe that the above should be broadened to allow for the association of a single redevelopment area, and a growth center, when it is impossible to include such an area in the economic development district.

We have reservations concerning the criterion for determining the eligibility of redevelopment areas suffering from underemployment. We do not believe that a median family income of 40 percent of the national average is truly reflective of those areas in our State that have been bypassed by our generally vigorous industrial development.

We are concerned by the many counties in Missouri which are experiencing a tremendous outmigration and rising median age. Ironically, these two factors have the effect of increasing the median family income. These counties, although generally in need of the benefits in this bill, are not eligible.

We feel that some consideration should be given to the factor of outmigration in making these eligibility determinations.

We further recommend that the median family income formula be adjusted to 50 percent of the national average.

We have included three maps as part of this testimony. The shaded areas in map A reflect the existing Area Redevelopment Act areas in the State, plus three counties which we would add under the new eligibility criteria.

Map C reflects the areas eligible under this criteria, and the extent of the eligible areas after 1 year, at which time the Area Redevelopment Act areas that did not comply with this criteria would be eliminated.

Although map C may provide the basis for economic development districts, it does not augur well for the establishment of regions.

Map B is a projection of the eligible areas if the criteria for median family incomes is increased to 50 percent of the national average, which is still below the poverty figure of \$3,000.

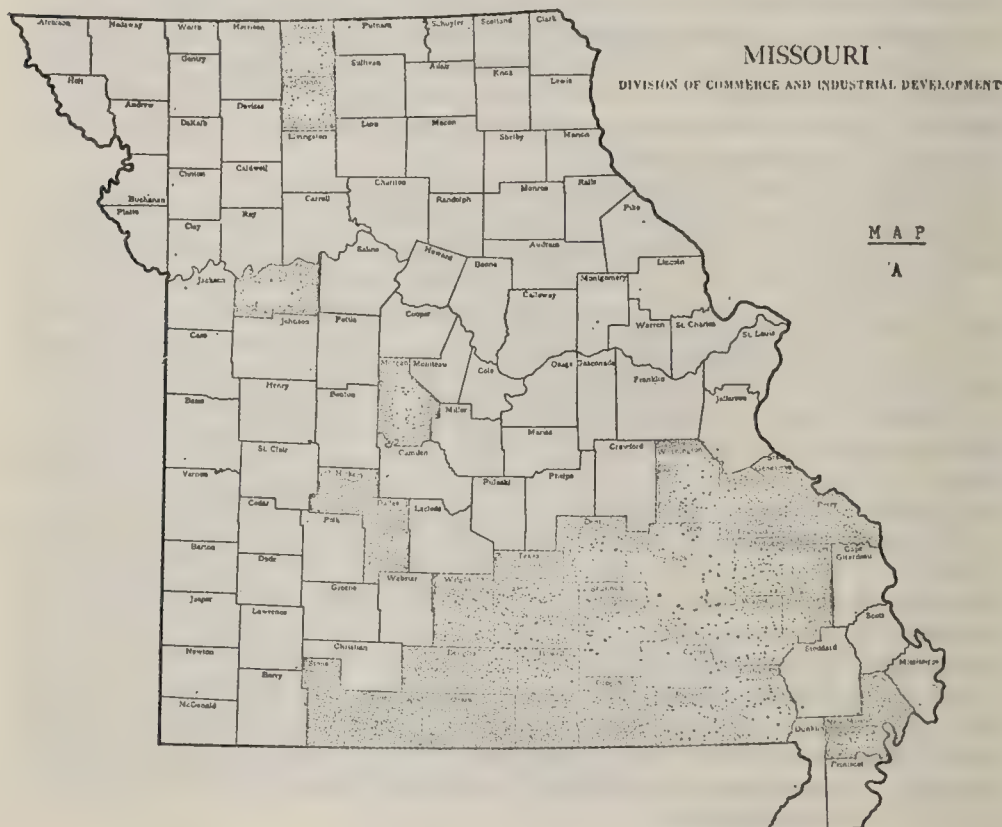
Mr. Chairman, at this time, I also would like to ask that the three maps and an additional map that is not referred to in the testimony, which is a map of Missouri laid out accordingly to growth centers as projected by Mr. Denney, here, of the University of Missouri, be included in the record.

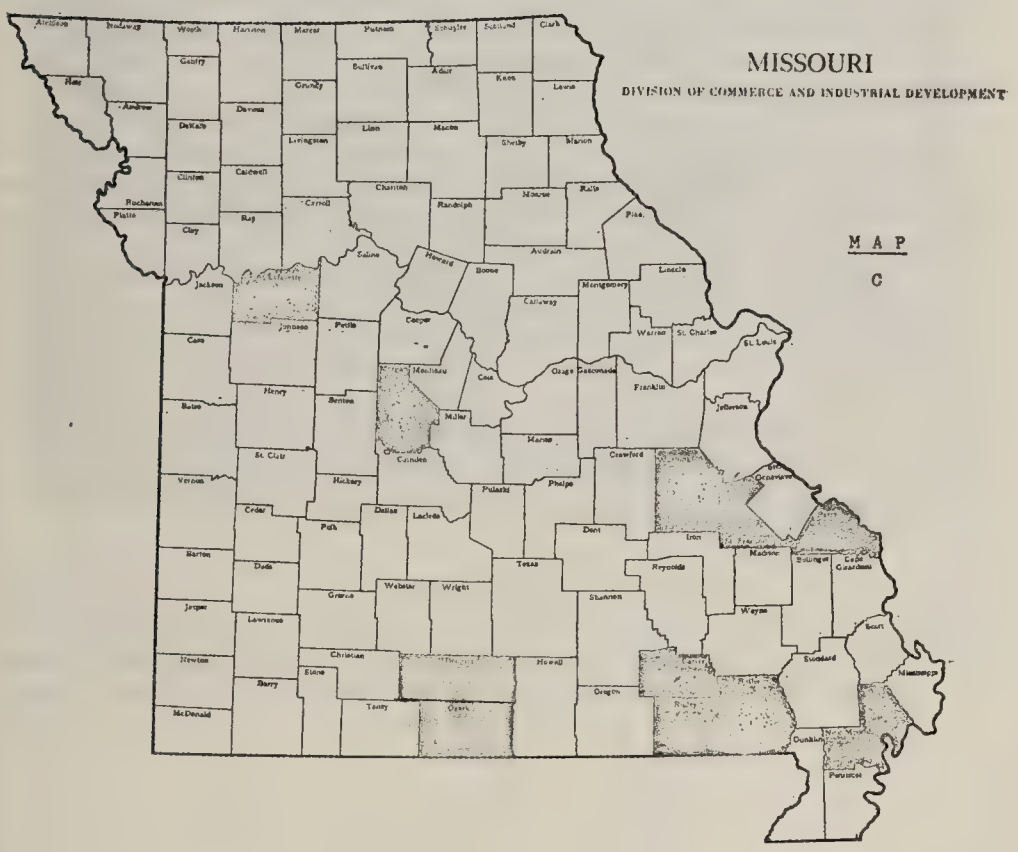
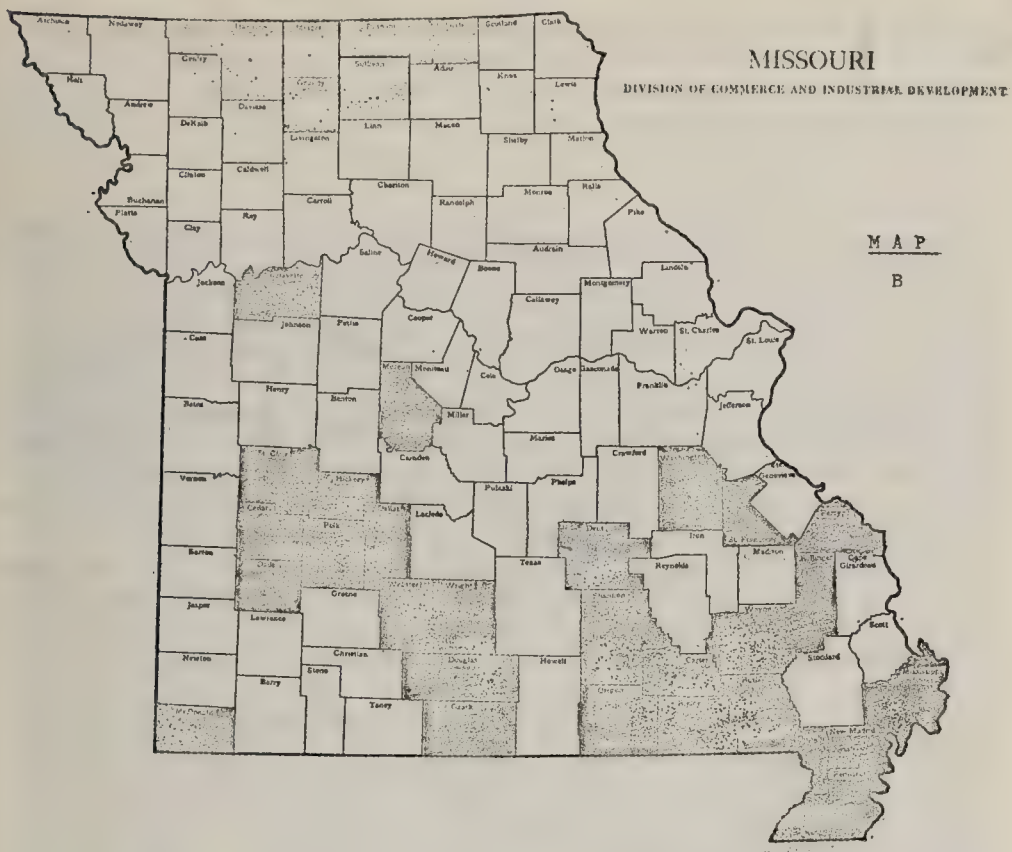
It has been the subject of his pending doctoral thesis, and has been the basis for quite a bit of work in Missouri.

I would like to have that included with our testimony.

Senator HARRIS. Without objection, it is so ordered.

(Maps referred to follow :)







Mr. MAHER. I would like to state at this time that our testimony was not limited to the title V portion of this act. We did want to make these other comments on the other sections in view of the analysis which we made of the entire act that would affect the State of Missouri.

We are particularly happy to join with the neighboring States in a regional district, and feel that with perhaps some highways opening up certain areas in southern Missouri to new recreation and transportation for industry that it would offer a great economic benefit to the southern portion Missouri.

Thank you.

Senator HARRIS. Thank you, Mr. Maher. We appreciate your presence.

The Chair noted, as you stated, that your testimony is outside the scope somewhat of this hearing, which is primarily on title V, the regional action planning commission, but I am certain the committee will be happy to have your testimony.

But I might comment on this by saying that I trust you know that the proposed regional commission authority on the Ozarks regional area would not be restricted to the currently designated redevelopment areas, nor to the particular criteria that you mentioned, as to median income and so forth, but would be regional in scope, and not limited by counties.

You did understand that?

Mr. MAHER. Yes, sir.

Senator HARRIS. I think that is one of the great assets of the regional planning concept, as was pointed out by the chairman in that we are not limited by counties, but that we can attack problems by areas, and multistate areas.

You are here appearing in an official capacity, representing the Governor of Missouri. Is that so?

Mr. MAHER. Yes, sir, Senator. I am the administrative assistant for urban affairs for the Governor of Missouri.

Senator HARRIS. I think that is very significant, also, because we not only have a great local and private support for the establishment of an Ozarks region, which is indicated in the record by the testimony of Jim Hamilton, president of the newly formed private organization in the area, and the statements or presentations of every Member of the Senate from the three-State area here in support of the regional commission, but we also have the actions by the State legislatures of Arkansas and Oklahoma, and your own official representation from the State of Missouri.

I think that is very significant, and we really appreciate it.

Senator Cooper, do you have any comments or questions?

Senator COOPER. Yes.

I think we are indebted to you for making several suggestions regarding the labor market areas. I know from experience that in the operation of the Area Redevelopment Act, and also the Emergency Public Works Act, from time to time we ran into problems over the sometimes inflexible concept about labor market area which militated against assisting counties or areas of counties which needed help very badly.

And I believe the suggestions will be given full consideration by the committee.

Senator HARRIS. Than you, Senator Cooper.

I take it from your testimony that if an Ozarks regional commission is established, southern Missouri would want to be included in the commission and its activities.

Mr. MAHER. I think that is quite clearly the position of the Governor of Missouri; yes, sir.

Senator HARRIS. I wonder if either of the gentlemen with you have any further comment they would want to make on the regional aspects of this bill.

Mr. ROWLEY. Observing the testimony this morning, I am impressed with the absence of reference to a very important thing which we feel in this act, and that is the permissibility that would be available to citizens in these areas to join together across county and State lines, so that they could exercise their citizens' rights to attack a problem that is bigger than their present political subdivisions.

I have not brought with me economic data. I know that my colleagues from adjoining States have covered the picture well. It is available.

But I think the emphasis I would like to place is, we welcome any additional larger unit of Government service that can attack the problem that is bigger than the service problems we have at any time.

Senator HARRIS. Mr. Denney?

Mr. DENNEY. No comments.

Senator HARRIS. Neither Dr. Peterson nor Dr. Peach commented on a very special problem, and that is the infestation of ticks. We have a proposal submitted by the Oklahoma State University pointing up what a great deterrent this great infestation is to the recreational and tourism potential of this region, some of the most beautiful area of the world.

I think that that type of research can clearly be done under section 501(a)(3) of the bill, but I wonder if either of you would care to comment on what sort of problem that is, or whether it is a problem for the area.

Dr. Peach?

Dr. PEACH. I know almost nothing about it as a problem, except what I have heard from you. I do know that it exists, and I know it is a big problem.

We also know that it can be solved, if we are willing to spend a little money to do the necessary research, and I hope it would be done.

That would be the kind of work that would be done at Oklahoma State rather than the University of Oklahoma.

Senator HARRIS. Dr. Peterson, would you care to comment on that?

Dr. PETERSON. No.

Senator HARRIS. Do any of you have further comments on the regional commission itself, or any related problem?

I might say again how much we appreciate your presence, and conclude by saying that I think we have put together clearly the scholarly statistics which indicate the common problems and oppor-

tunities in the region which have been presented here, the private and individual demand for some kind of multistate study, and action, represented by the two associations having to do with the Arkansas River Basin and the navigation project on it, their statements being in the record: the statement of Jim Hamilton from the private association formed to boost this area of America, statements from the Senators involved, and the actions of the two State legislatures, as well as the statement made just now by Mr. Maher representing the Governor of Missouri.

This concludes our portion of the hearing on the Ozarks Regional Development Commission, and I thank each of you for your presence.

The committee will be in recess until 9 o'clock tomorrow.

(Whereupon, at 11:50 a.m., the committee recessed, to reconvene at 9 a.m., Thursday, April 29, 1965.)

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

THURSDAY, APRIL 29, 1965

UNITED STATES SENATE,
COMMITTEE ON PUBLIC WORKS,
Washington, D.C.

The committee met at 9 a.m., pursuant to recess, in room 4200, New Senate Office Building, Senator Frank E. Moss presiding.

Present: Senators Randolph, Young, Moss, Montoya, and Cooper. Senator Moss. The committee will come to order.

I want to welcome this morning the representatives of the Inter-mountain area to this hearing.

This is the fourth day in which the Public Works Committee has been receiving testimony on S. 1648, "The Public Works and Economic Development Act of 1965."

This is a landmark bill. It would allow us to broaden considerably our efforts to remedy unemployment and underdevelopment in all economically disadvantaged regions of the Nation. It draws from the experience we gained under the Area Redevelopment and Accelerated Public Works programs, and improves on both.

This bill recognizes the necessity of coordinating and implementing long-range economic programs on a regional basis, and it makes possible the establishment of Federal-State regional commissions to undertake such planning.

It is also based on the very solid assumption that we cannot establish new industry in an area which does not have the necessary public works and development facilities to support industrial growth.

We shall hear two types of testimony here today: that concerned with the titles of the bill dealing with regional planning and development, and that offered in behalf of those sections of the bill dealing with public works.

The tremendous impact which the ARA and APW programs have made on my State of Utah in the past, and the need for their extension to meet the backlog of applications now pending, will be discussed by Gen. Max Rich, executive secretary of the Salt Lake City Chamber of Commerce, and the representative of Gov. Calvin L. Rampton at these hearings. So I will not duplicate what General Rich has to report.

I do want to say briefly, however, that Utah will welcome the continuation of the tested programs of ARA and APW, on a more flexible basis, and will find satisfaction in the increased emphasis this bill places on planning for permanent industrial development through these two programs.

I shall devote a few moments, in opening these hearings, to the opportunity this bill offers the four corner States—Colorado, New Mexico, Arizona, and Utah—to develop a regional approach for economic expansion.

For sometime I have urged the establishment of a regional commission to plan and implement long-range economic programs. On February 8 I joined with Senator Montoya to introduce S. 1033 which would provide the same type of public works planning and economic development programs in the intermountain area as does this measure before us today.

I have long felt that regional cooperation is the best answer to our specialized problems.

The economy of the Intermountain region, and most particularly of the plateau area which spreads out for several hundred miles in each direction from the four corners area, has a similar type of mixed economy.

Its problems are reasonably uniform—a water shortage, low incomes, lack of new opportunities, general underdevelopment, and, as a result, high outmigration.

For income, the people depend mostly on natural resource development, as opposed to a manufacturing or processing type of economy. This tends to produce instability—and even periods of serious decline.

This four corners area is generally sparsely settled, with but a few small growing centers. It is separated by mountain ranges from the metropolitan centers to the east and west, and from the natural markets east and west.

Because of the lack of roads, particularly north and south routes, there is a reduced flow of goods from supply sources to markets, and the consequent reduced income for the region.

The area is preponderantly public land—both State and Federal—and there is a great need for overall planning to develop the long-range potential of these lands, and to coordinate their development with other economic factors.

There is a great potential in this area in the increased interest in outdoor recreation. Within what we call the “Golden Circle,” which extends into all four States, there are 17 national parks and monuments, and just outside and within easy drive there are 8 others.

The area is open most of the year, but has some limitations in the higher altitudes in the winter months. The tourist income is, therefore, somewhat seasonal.

To develop fully the recreation resources of the area will require a heavy load on capital improvements—such as tourist facilities—and on a labor force which will require some winter season alternatives.

A general plan for the intermountain area could do certain things which have been long neglected. It could coordinate the long-range possibilities of our various public lands, our water resource development, including NAWAPA, and our oil shale industry, including the implications of this industry for water consumption.

It could help us work out our peculiar problems of transportation and communications, and our outdoor recreation potential, including the relation of this to all resources. In other words, it would enable us to examine the peculiar circumstances and unique opportunities of the intermountain region for and of itself.

The regional approach offered in this bill gives us the opportunity to analyze intensely our joint problems and seek their unique and fitting solutions. We shall hear more about these problems, and what should be done about them here this morning, as well as more about the importance of extending APW and ARA.

Senator Montoya, a member of this panel, will be heard first, to be followed by Mr. John Flynn, director of the New Mexico Economic Development Agency; Mr. Hope Wiley, representing the New Mexico Highway Commission; Gen. Maxwell E. Rich of Utah, and Mr. Joe Herrera, secretary of the All Pueblo Council in New Mexico.

Before introducing these witnesses, I would like to place in the record a letter from Senator Hayden of Arizona, and a letter which he has received from Mayor R. W. Wheeler of Flagstaff, endorsing an extension of the Area Redevelopment Act. I have received also a letter and statement from Mr. Bennie Schmiett, executive director of the Utah Municipal League, Salt Lake City, Utah, supporting extension of the ARA program, and a letter I have from Mr. S. K. Droubay, vice president and general manager of the United Park City Mines Co., which has developed a recreation area in the Park City area of Utah with an ARA loan. It is a most successful venture, and one that we always point to as a prime example of what might be done with the financing of ARA to build a new industry and provide jobs for people on a permanent basis in an area that was very depressed—in fact it had become almost a ghost town.

(The communications referred to follow:)

UNITED STATES SENATE,
COMMITTEE ON APPROPRIATIONS,
April 27, 1965.

HON. FRANK E. MOSS,
*Senate Committee on Public Works,
New Senate Office Building,
Washington, D.C.*

DEAR FRANK: I am enclosing for consideration by your subcommittee, during its hearing on S. 1648, the Public Works and Economic Development Act of 1965, a letter sent to me by Mayor R. W. Wheeler, of Flagstaff, Ariz., explaining how his community would have been aided by an extension of the Area Redevelopment Act, or will be assisted by the enactment of the pending bill.

With kind personal regards, I am

Yours very sincerely,

CARL HAYDEN, *U.S. Senator.*

CITY OF FLAGSTAFF,
Flagstaff, Ariz., April 23, 1965.

HON. CARL HAYDEN,
U.S. Senator, Washington, D.C.

DEAR SENATOR HAYDEN: Thank you for your telegram of April 20, concerning Area Redevelopment Act. We would like to offer the following justification for the extension of said act.

In 1963 the citizens of our city authorized the sale of \$3,500,000 for water revenue bonds for expanding the city's treatment plant, water mains, fire plugs to provide adequate water for the city.

Due to financial condition of the city, bonds were sold for \$2,300,000. Application was made to the HHFA Community Facilities Administration for \$1,500,000, in order to accomplish this work. HHFA assigned a number of APW-ARIZ-34G, October 14, 1963. We were advised that funds were not available.

Bids were opened and a portion of the work was awarded. In view of the lack of funds, all fire hydrants, a majority of mains were deleted from the work planned. The 36-inch line between the lakes and the 27-inch line from the lakes to the treatment plant thence into the city are at present being completed.

Bids were opened on February 26, 1965, for enlarging the treatment plant. The plant at present will process 1,800,000 gallons of water per day. The expansion will allow the plant to process an additional 6,300,000 gallons per day. The expansion of the plant is needed to process the water which can be furnished through the 27-inch line at a rate of 8,100,000 gallons per day. The city's peak daily usage last year was over 5½ million gallons. This required the City to use fire protection reserve water replacing same when the usage fell to a lower rate. On the 27th of April, 1965, the city will let a contract to Del Webb Construction Co. to expand the water treatment plant at a cost of \$1,347,500. The city has on hand \$1,002,000 for this project. Arizona Public Service has agreed to provide temporary funding in the amount of \$345,500 upon completion of the work in April 1966. In order to provide water for our city it is a must that we accept this offer.

In the letting of this contract in the obligating of the city's resources for the \$345,500 the city will not be able to complete well No. 6 which will require \$90,750, nor provide any additional pipelines, mains, extensions and fire hydrants, which will cost \$903,861, as previously planned when the ARA grant was originally requested.

The water treatment plant was originally estimated at \$1,025,000, but due to increase in wages, costs of materials, the bid price was \$1,225,000 plus engineering, or a total price of \$1,347,500. This additional \$200,000 placed the city in the position of requiring more than the original \$2,300,000 which included the treatment plant.

Flagstaff is a growing community with a population of 18,214 in 1960 and with an estimated population of 23,500 in 1965. Our water system serves users inside and outside the city limits.

Flagstaff has encountered many difficulties in the supplying of water for the community. The cost of water exploration and production is extremely high. For example, the drilling of a well which will produce 720,000 gallons a day, if not a dry hole, costs approximately \$250,000. This does not include any cost for distribution mains into the city water system.

Due to better than 70 percent of the land in and out of the city limits belonging to the U.S. Government and State of Arizona, our tax base is small compared to other communities in the eastern part of the United States.

If consideration cannot be given for the total amount as originally requested, \$1,500,000, the city could through the reduction of fire hydrants, some mains and extensions, get by with \$596,139. This is a minimum requirement and does not help the city in providing necessary fire protection and water services to its expanding community.

We realize that due to floods, earthquakes, and other major disasters that funds might be limited; however, we sincerely and respectfully request that consideration be given our city, and that extension of the Area Redevelopment Act be granted.

Respectfully yours,

R. W. WHEELER,
Mayor, City of Flagstaff.

UTAH MUNICIPAL LEAGUE,
Salt Lake City, Utah, April 23, 1965.

Hon. FRANK E. MOSS,
U.S. Senator,
Senate Office Building, Washington, D.C.

DEAR SENATOR MOSS: Mr. Wayne Owens of your staff contacted our office last Tuesday regarding a policy statement to be submitted to you for consideration at the hearings in Washington next week. We are happy to submit the enclosed statement with some factual information regarding the public water systems in the State of Utah and the waste-water systems, and reasons why the Accelerated Public Works Act should be continued. We hope this information will be helpful.

We regret that we are unable to appear in person to testify because of our regional schools that are scheduled in the southern part of the State at this time. Our best wishes for a very successful hearing and a continuation of this worthwhile program.

On behalf of the officers and directors of the Utah Municipal League, we wish to thank you for your untiring efforts in securing the many projects for the great State of Utah.

Sincerely,

BENNIE SCHMIETT, Executive Director.

STATEMENT OF MR. BENNIE SCHMIETT, EXECUTIVE DIRECTOR, UTAH MUNICIPAL LEAGUE, SALT LAKE CITY, UTAH

In Utah we are engaged in two major efforts to develop our economic growth. First, we are creating and encouraging the creation of industrial development in all parts of the State. In particular, we are seeking to bring industrial development into the remote areas of Utah which are steadily losing in population and in economic importance. Secondly, we are doing all in our power to encourage tourism throughout the State. Many of our greatest natural attractions are situated in the remote areas or in the vicinity of extremely small communities. Both of these objectives require, above all, purity of culinary water, and secondarily, adequate sewage disposal facilities which will protect the employees of new industries, as well as the tourists, from unnecessary health hazards.

Of the 321 public water systems in the State of Utah, only 51 percent are fully approved or about to be fully approved as safe and acceptable sources of culinary water. These serve our populated areas, but 49 percent of our public water systems are on the unapproved list. These, in general, serve the more remote areas of the State, but are serving the areas where tourism and industrial development may have the greatest impact.

In Utah we have 102 waste water systems, of which 60 are considered adequate and as reasonably safeguarding the health of our citizens. Again, these approved systems, comprising 59 percent of our sewer systems, serve the great bulk of the population, but the fact remains that there are 41 percent of our waste water systems, again serving primarily remote areas, which are in need of further development in order to constitute safe sewer systems.

Most of the municipalities in need of further construction and development of their water and sewer systems are of such small size that they are normally unable to borrow on the public market enough money to carry out the necessary construction projects. In many instances, these municipalities are at their bond limits as far as their general obligation bonds are concerned and cannot market strictly revenue bonds because of size, remoteness, and stagnant economic circumstances. Increased mobility of the people of both the State of Utah and of the other States of the Union, make the above-mentioned community facilities, as well as many others, extremely critical.

It is the consensus of the members of the Utah Municipal League that a continuation of the Accelerated Public Works Act comprises one of the only ways in which these remote municipalities will ever be able to provide safe drinking water and healthful conditions. We support a program of continued Federal financial assistance to aid in this much needed public improvements area, and recommend that the Accelerated Public Works Act be continued and necessary funds authorized and appropriated.

UNITED PARK CITY MINES Co.,
Salt Lake City, Utah, April 26, 1965.

HON. PAT McNAMARA,
U.S. Senate, Washington, D.C.

DEAR SENATOR McNAMARA: Kindly refer to your letter of April 21, 1965, inviting me to testify before your Public Works Committee on S. 1648, which will be heard April 29, 1965. Since this is the first knowledge I have received regarding the hearings, it would be impractical for me to prepare testimony and arrive in Washington in time for the hearings.

I note that Senator Moss of Utah is on your committee, and it may be through him that my name was presented for possible interest in the hearings. I will try to get in touch with Senator Moss, and since he is very familiar with the rehabilitation of Park City, he may be in a position to make a statement in our behalf.

Your letter infers that I was requested at an earlier date to testify. However, somewhere along the line the message must have been missent or lost, since your letter of April 21 is the first knowledge that I received of your hearings.

Sincerely yours,

S. K. DROUBAY,
Vice President and General Manager.

Senator Moss. With those insertions in the record, I will now ask my colleague, a member of this committee and a cosponsor with me of a similar bill that has to do specifically with the Four Corners and western regions, Senator Montoya, of New Mexico, to speak on this subject.

Senator MONTOLYA. Thank you, Senator Moss.

I want to say by way of preface that it was indeed an honor for me to join you in the introduction of S. 2033, which provided a regional planning approach to the Four Corners area comprising New Mexico, Utah, Arizona, and Colorado.

I know that you have been in the lead in trying to develop this area of the West, and it is certainly a pleasure to serve with you on this committee, and to testify before this committee now that you are its chairman.

I want to thank the committee for this privilege of appearing on this very worthwhile piece of legislation.

With me today from New Mexico are John W. Flynn, State planning officer; Hope Wiley, planning director of the State highway department; and Joe Herrera, director of Indian education of the State department of education, and secretary of the All Indian Federal Council, who will also testify in behalf of this legislation this morning.

This bill is of great importance to New Mexico, where drought, depressed commodity prices, and unemployment have combined to render local communities unable to make the public improvements which are essential to the restoration of a healthy and viable economy.

S. 1648 combines the best features of the Area Redevelopment Act and the Accelerated Public Works Act, which have proved their worth to New Mexico, and to the country, I might add. In addition, this bill provides for regional development as outlined in legislation enacted this year for the Appalachian region.

Senator Moss and I introduced an Appalachian-type bill to develop the Four Corners area of New Mexico, Utah, Arizona, and Colorado. S. 1648 replaces our bill by providing for regional development of all areas where economics and geography indicate that an interstate approach is a sound one.

The Four Corners region is ideally adaptable to the regional approach. This high plateau country, which is rich in natural beauty and natural resources, is seriously hampered by an inadequate road system.

The area is sparsely populated and lacks the assets to develop the road system so vitally needed. By opening this area through an adequate highway system, many new job opportunities would be created and the overall economy of the area would be vastly improved.

The most striking example of the potential of the Four Corners area is the immense coal deposits on the Navajo Reservation in northwestern New Mexico and northeastern Arizona. Geologists believe this area has the largest strippable coal deposits in the world.

Raymond Nakai, Chairman of the Navajo Tribal Council, recently sent me a petition requesting Federal assistance in the construction of a bridge over Chaco Wash. He mentioned the benefits which would be derived from this comparatively simple project. "At least 220 miles will be saved by crossing this wash to Window Rock and back to

Burnham," and "oil field workers and other agencies working on this part of the reservation will also benefit."

"The Navajo Tribe is seriously hampered in the development of over 1 billion tons of coal because of the lack of an access road to the coal field area," Mr. Nakai advised.

I might add that there are other mineral resources, such as molybdenum and lumber in this area which could also be economically transported.

As in the case of Appalachia, the biggest brake on the development of the Four Corners region is proper highways—not just for resource exploitation, but for access by tourists to some of the most strikingly beautiful and historic territory in the entire Nation.

Chaco Canyon National Monument at Pueblo Bonito can be reached by a primitive dirt road that few tourists are willing to use. With little more than minor realignment and blacktopping, this area could become a prime tourist attraction.

In summary, Mr. Chairman, the Four Corners region will benefit tremendously from the establishment of a commission which would take an overall view of regional and interstate problems.

S. 1648 adequately sets forth the framework for this approach, and, in addition, provides for collateral subregional and multicounty groupings, rather than the large regional approach. This legislation is flexible, so that the approach can be tailored to the need. Coupled with the philosophy of concentrating Federal assistance on public works and capital projects which will contribute to long-range economic growth, we also are making strides toward solving our persistent employment problem.

Federal aid is needed to begin, but with this help I believe the Four Corners region will become a self-supporting economic unit and make its full contribution to the economic health of the Southwest.

Economic growth and development of the Four Corners region will do much to relieve the other economic ills of New Mexico.

There are nine counties in New Mexico which are classified by the Department of Labor as areas of "substantial and persistent" unemployment. These were eligible for assistance under the Area Redevelopment Act, and will remain so under the provision of S. 1648.

An additional seven counties and every Indian reservation in New Mexico are eligible for ARA and S. 1648 assistance, because they suffer from excessively low family income.

Incomes in these areas range from \$1,400 to \$2,000, according to the 1960 census figures, which are the latest available.

Unemployment in the first group of nine counties mentioned is, in some instances, four times higher than the national average of 4.7 percent.

The highest median income among these counties is \$4,325, and the lowest, as I stated earlier, is \$1,400. The United Pueblos in 1962 had family incomes that ranged from \$700 to \$1,400. The Ramah Navajos averaged \$700 a year in cash income, and the Mescalero Apaches \$1,023. The Zunis had \$1,762, and the Jicarillos \$1,675.

We all realize that it is impossible to provide for a family on a yearly income of \$700, \$1,762, or even the high of \$4,325.

Poverty is apparent, and is reflected in the heavy welfare load. In Mora County, 17 percent of the population was receiving public assistance last year.

Last year, the total welfare cost to the taxpayers in the area was \$12,743,000. If, through a sound and permanent public works program, we can get even a fraction of our recipients off the welfare rolls, the program should pay for itself.

Although unemployment is far too high and far too many of our citizens are on welfare, this area has great potential and has shown improvements since the Area Redevelopment Act began its work in 1961.

For example, in Taos County, the unemployment rate was 16.8 percent of the work force in 1961, compared to 13.3 percent last year.

In Torrance County, the rate declined from 12.1 to 9.1 in the same period of time.

Only in Rio Arriba County has the unemployment rate increased. Last year it was 19.5 percent, compared to 18.4 in 1961.

This recovery can be attributed directly to Federal funds expended by the Area Redevelopment Administration and the accelerated public works program.

A good example of what the Area Redevelopment Act has done for many communities in New Mexico is the development of a pickle processing plant on the Isleta Indian Reservation near Albuquerque.

Funds in the amount of \$195,000 were loaned to the C. & S. Packing Company to establish this plant, which will provide jobs of 46 people.

Accelerated public works was also of tremendous value to our State, and although the "accelerated" concept will not be continued under the provisions of S. 1648, many types of projects formerly financed by accelerated public works will be eligible.

Only last week, I participated in the dedication of a new natural gas line to serve three small communities in the Estancia Valley east of Albuquerque. This valley has suffered from severe drought for years, and the consequent agricultural depression has had an adverse effect on the economy. Ranchers are now using new pumps powered with natural gas to greatly increase their water supply and irrigate the valley. I am also advised that the valley has a good chance of attracting alfalfa dehydrating plants and other feed mills which depend upon low-cost fuel.

Now, thanks to the assistance received from the accelerated public works program, I believe this valley is on the way back to economic health.

Several studies have been sponsored by the Area Redevelopment Act to determine the best way to develop the tremendous tourist potential on Indian reservations.

A new soft drink bottling plant was financed in Socorro County. In Valencia County, a sawmill to produce pine millwork items was established.

To date, the Area Redevelopment Act has invested \$1,662,000 in industrial and commercial loans, grants and loans for public facilities, and job training.

When Accelerated Public Works funds were exhausted over a year ago, an excess of \$14 million had been invested in New Mexico.

Unfortunately, vital projects amounting to \$6,700,000 could not be implemented because of the lack of funds. Many of these projects will be eligible under the new criteria of S. 1648.

Initially, S. 1648 proposes an appropriation of \$250 million for direct community grants under title I, and under title II, \$170 million

for the Area Redevelopment Act loan program for long-term capital improvements.

Those figures are certainly modest, in view of the national need for capital improvements and direct community grants.

The Commerce Department has estimated that this Nation must invest \$20 billion every year through 1970 to meet the need for State and local public works projects.

It is also estimated that State and local governments will be able to finance only \$15 billion a year, which would leave an annual deficit of \$5 billion. Using these estimates, we will have fallen \$40 billion behind our total needs by the end of this decade.

As I pointed out, an initial appropriation totaling \$420 million is not excessive.

This bill is an excellent beginning, Mr. Chairman, and I strongly urge favorable committee action.

Thank you very much.

Added to my remarks here is some additional data on the counties to which I have referred, which I think will be of benefit to the committee in its deliberations.

Thank you, Mr. Chairman.

Senator Moss. Without objection, that data will be included in the record at this point.

(Data referred to follows:)

Selected data for New Mexico areas of substantial and persistent unemployment

County	Annual average unemployment rates ¹				Factors and industries primarily responsible for unemployment problem	Median family income ²
	1961	1962	1963	1964		
Sandoval.....	10.7	8.5	6.5	8.9	Lumber, agriculture, lack of year-round jobs.	\$2,409
Rio Arriba.....	18.4	16.9	20.2	19.5	Agriculture, lumber, mining.....	2,984
San Miguel.....	16.0	14.2	9.2	12.3	Railroads, textiles, lumber.....	2,905
Torrance.....	12.1	7.4	9.1	9.1	Agricultural decline, lack of year-round jobs.	3,568
Colfax.....	7.9	6.7	6.6	6.0	Lumber, racing, tourism.....	4,325
Guadalupe.....	11.7	11.1	7.6	7.0	Agriculture, tourism, lack of industrial jobs.	3,289
Taos.....	16.8	13.4	13.3	13.3	Lumber, agriculture, mining (man-ganese), lumber.	2,204
Socorro.....	11.4	8.8	6.1	6.1	Lumbering, agriculture.....	3,529
Mora.....	19.3	16.7	13.6	16.5		2,094
U.S. average..	6.7	5.6	5.7	5.2		5,660

¹ Unemployment as a percent of work force.

² 1959 data.

Source: New Mexico Employment Security Commission.

County	Population		Percent change	Welfare recipients		Percent total population		Amount	
	1950	1960		1963	1964	1963	1964	1963	1964
Sandoval.....	12,438	14,201	+14	1,079	1,054	7.2	7.1	\$518,295	\$533,817
Rio Arriba.....	24,997	24,193	-3.2	3,006	2,985	12.0	11.8	1,681,020	1,728,135
San Miguel.....	26,512	23,468	-11.5	3,270	3,390	14.2	14.4	2,086,966	2,152,923
Torrance.....	8,012	6,497	-18.9	580	565	9.2	8.7	311,477	326,072
Colfax.....	16,761	13,806	-17.6	892	1,002	6.6	7.4	478,119	483,424
Guadalupe.....	6,772	5,610	-17	706	658	12.0	11.8	393,671	365,025
Socorro.....	9,670	10,168	+5.1	813	851	7.7	8.4	431,474	466,205
Taos.....	17,146	15,934	-7.1	2,206	2,402	13.6	13.8	1,146,856	1,212,627
Mora.....	8,720	6,028	-30.9	954	970	16.7	16.7	516,241	498,226
United States (approximate).....						4.16	4.16	7,563,525	7,766,454

The following counties and Indian reservations in New Mexico are also eligible for Area Redevelopment Act programs, as areas of low average family income, under section 5B of the Area Redevelopment Act (section 401a of S. 1648). Family income in these areas ranges between \$1,400 and \$2,000.

Counties:

Catron
Grants
McKinley

San Juan
Santa Fe
Valencia

Reservations:¹

Acoma
Isleta
Laguna
Jemez
Jicarilla
Mescalero

Ramah
Santo Domingo
Zuni
Santa Clara
Navajo

¹ All Indian reservations in New Mexico are in this category.

Senator Moss. Thank you very much, Senator Montoya, for a very comprehensive and clear statement on the bill that is now before us, and with particular attention to the problems that apply in New Mexico.

I reiterate what I said before about the need for regional approach. What applies in New Mexico I am sure applies in all of our States in the Four Corners area.

We, too, have profited from ARA and APW funds, and we, too, in Utah had many projects that had been worked up and were approved, ready to go, but the funds ran out, and it is time that we had a replenishment of funds, perhaps more than this bill would authorize.

Senator Moss. Congressman E. S. Johnny Walker from New Mexico wanted to be present this morning to present his statement, but was not able to come.

Without objection, his statement will be included in the record at this point.

(The statement referred to follows:)

STATEMENT BY HON. E. S. JOHNNY WALKER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW MEXICO.

I feel that this bill is of the utmost importance to my own State of New Mexico where we have been beset for some time with the effects of a prolonged drought and a high rate of unemployment. Much progress had been accomplished under the Area Redevelopment Act and the accelerated public works program.

In addition to providing needed employment for hundreds of persons, the accelerated public works program helped to provide vitally needed improvements to both our towns and rural areas. Over \$14 million was expended in New Mexico before the funds were exhausted. But there is still much that needs to be accomplished. Under the prior program, all of the funds that were expended were spent in severely depressed areas. In many instances these funds made the difference in whether a whole community could survive and enabled a new state of economy to be developed.

In addition to the benefits derived by individuals from the construction of a new sewage system, or another such public utility, the money that was brought into the community in connection with the construction was spent locally and enabled merchants to improve their economic stability.

I believe that is the overall objective of the entire project. The money itself is not being doled out as charity, but has an overall effect of aiding the community on a long-range basis, and helps to alleviate the critical situations that evolve because of continued poverty in any one area.

If this bill is passed, the counties that will benefit have an unemployment problem, in some cases, four times the national average of 5.2 percent. The median income in most of these counties is between \$2,000 and \$4,325. This

compares with the national median of \$5,600. This alone points out the critical situation of the economy which is affecting not only the persons directly involved in the unemployment but the tradesmen in the areas.

The need for gainful employment is imminent. The involved counties required public assistance payments of over seven and one-half million dollars last year alone. As bad as this situation is at the present time, it has improved since the 1961 enactment date of the public works program. Unemployment, for instance, in Taos County has dropped from 16.8 in 1961 to 13.3 at the present time. Only one county, Rio Arriba, has increased unemployment. In 1964, the unemployment rate in this county increased from 18.4 to 19.5 percent.

The long range planning involved in the accelerated public works program would have continued to improve the living conditions of the unemployed, and would have enhanced the whole economy had it been able to continue. There are some six and one-half million dollars of projects that were anticipated under this program in conjunction with State planning that would have been completed. If this present bill is enacted, these programs can be continued. One such project is in the Gallup area where a \$2.4 million project for water system improvement is vitally needed. The planning and other necessary items involved in such projects were coordinated with and through the Area Redevelopment Administration. If this bill is passed, ARA will continue to do this.

New Mexico has at least 52 projects which have been proposed, and can be immediately activated to carry out the initial programs. Many of these are under \$100,000 in scope, but will aid the communities involved immeasurably.

The development of recreational facilities and of the access to these areas will greatly aid the entire economic structure of the area and State. Tourism is one of the major industries of New Mexico but many places are either inaccessible or difficult to reach. Planning and development of these areas or projects can and will draw many more vacationers and thus develop a more stable economy for all persons involved and for the surrounding area which benefits from the influx of tourist money.

New Mexico is still in dire need of many road improvements which could be handled through such projects.

In view of the expressed needs of over \$20-billion dollars in capital improvements for our cities and towns, the amounts proposed in this new bill are certainly modest in scope. The local governments will be able to finance only about three-fourths of this amount. The \$5-billion dollars annual deficit will not be accomplished by this bill but it will be a step in that direction.

The proposed bill is designed to be flexible and fulfill the needs of the individual areas. It can be adapted to the specific needs of individual areas.

In addition to our towns and rural areas that will be benefited by this bill, we have a large population of Indians who will be helped. The accelerated public works program aides worked very closely with the Bureau of Indian Affairs in providing jobs for these people. A whole new way of life—dependent upon achievements in their work and money to provide a living for their families—was begun. I think it should be continued.

I urge your committee to report this bill favorably at the earliest possible date.

Senator Moss. We have these gentlemen that I announced before, Mr. Flynn, General Rich, Mr. Wiley, and Mr. Herrera. We will hear from each of them.

I don't suppose the order is too important, but my list shows Mr. John Flynn, director of the New Mexico Planning Agency, will be the first we will hear from.

Mr. Flynn, may we hear from you now?

STATEMENT OF JOHN FLYNN, DIRECTOR, NEW MEXICO PLANNING AGENCY

Mr. FLYNN. Thank you, Mr. Chairman.

Gov. Jack M. Campbell sends his regrets that he could not personally be here to make this presentation for the State of New Mexico which he has asked me to do as his representative.

I am John W. Flynn, State planning officer, and a member of the Governor's staff.

Governor Campbell wishes to thank the members of the Public Works Committee, many of you who worked under the chairmanship of our beloved former Senator Dennis Chavez, late Senator from New Mexico.

Governor Campbell realizes the great importance of your continuing efforts in behalf of the Nation, and particularly in this instance, in behalf of Senate bill 1648, known as the Public Works and Economic Development Act of 1965.

First, I would like to talk about the accomplishments under the Accelerated Public Works Act of 1962, which produced a total of \$14,363,000 in public works for the State of New Mexico.

The favorable impact which this funding produced reduced unemployment and need in some counties from 27 percent to 15 percent. Of course, this still leaves many of our New Mexico counties with unemployment or underemployment figures 10 or more percent higher than the average for the United States.

Naturally, no single program can be expected to exterminate poverty nor fulfill the many urgent needs of all the communities of the people of the Nation or any given State.

Returning to the benefits received under the Accelerated Public Works Act of 1962, I would like to point out that of the total shown above, 74 percent of the \$14,363,000 was expended on projects supervised and carried out (1) by the Bureau of Indian Affairs, 34 percent, and (2) other Federal agencies, such as the Bureau of Land Management and U.S. Forest Service and Bureau of Public Roads, 40 percent.

Community facilities type projects from the same funds amounted to 24 percent of the total of all APW funds for projects allocated to New Mexico. These APW projects are reflected percentagewise as follows:

Department of Health, Education, and Welfare Public Health Service, 3 percent, or \$500,300; DHEW in combination with the water pollution control PHS funding, 2 percent, or \$234,000; and Housing and Home Finance Agency Community Facilities Administration projects amounting to 21 percent of the total figure for an amount of \$3,130,000.

A breakdown of the total of all the APW project funds will be available as appendix II and by counties in appendix III, in the copies which have been furnished to the members of this Senate committee.

I shall not take your valuable time to read through this compilation, but do request that it be made a part of the record of this hearing.

The county-by-county breakdown will demonstrate that water, sewer, and street improvement projects were given the highest possible priority for accomplishment in the first phase of the Accelerated Public Works Act of 1962.

We appreciate that the agencies involved, particularly the Housing and Home Finance Agency Community Facilities Administration and the Department of Health, Education, and Welfare Public Health Service, cooperated to make this important contribution in allocating these funds for these high priority projects.

Water, of course, is essential to all communities and States. In New Mexico, water spells the difference between life and death.

At the time that Accelerated Public Works project funds became exhausted early in 1964, about 75 APW projects in New Mexico for which applications had been submitted remained pending.

We consider that these, then, are presently the pending projects for which applications will be submitted, and which plans generally exist for early implementation.

A recapitulation of these projects, which is included and which it is hoped will be included as part of the testimony and hearings as appendix II of this report, indicates that the 75 APW projects for which applications were submitted but which were not funded totaled \$7,420,111 of requested Federal grants.

These would have produced projects which together with community participation funds would have totaled \$11,432,321 worth of additional community facility type projects.

These projects include additional water projects, electrical substation, drainage, parking lot, swimming pool, fire station, courthouse, bridge, community ditch, chapter house and fairgrounds, youth camps, recreation centers, and street and sewage projects.

Applications for community-type facilities have been discouraged since early in 1964, due to the lack of funding. However, during meetings held in about 27 of the 32 counties in New Mexico, representatives of unincorporated villages, towns, and cities have indicated that a great need exists for community-type facilities, ranging from water projects to youth and aged recreation centers, libraries, gas systems, and the entire range of community facilities necessary to make life more decent and dignified in the smaller communities of the State.

Plans have not been submitted for projects in these 200-odd communities. However, a very rough estimate of funds that would be required to implement the most necessary of the community facilities which are considered necessary in today's living standards, and which are taken for granted by most of us in our present metropolitan areas, would cost well above \$22 million in Federal funds, on the basis of proposed Federal participating shares, as outlined in Senate bill 1648.

Governor Campbell wishes to stress the extreme need which exists in this group of communities for grants for public works and development facilities.

Many of these communities are 20 or more miles distant from any paved highways. Paved access roads are practically unknown in four-fifths of the State. Schoolbus routes are not even passable during the good weather days of the year, and become completely impassable during the infrequent rainy periods and the fairly lengthy winter.

This causes a loss of up to 50 schooldays annually for a large percentage of the rural school population in too many areas of the State.

A greatly accelerated program of farm-to-market roads could beneficially affect not only the schoolchildren, but new roads would also increase the capabilities of farmers and ranchers in the outlined areas and towns to improve their economic lot.

Section 8 grants under the PW and EDA which would provide grants up to 100 percent of project costs for public facilities related to new industrial or commercial employment is another section which would produce great benefits to New Mexico, and Governor Camp-

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Section 8 grants under the PW and EDA which would provide grants up to 100 percent of project costs for public facilities related to new industrial or commercial employment is another section which would produce great benefits to New Mexico, and Governor Camp-

bell has instructed me to give the fullest support of the State of New Mexico to inclusion of this section of the bill.

Section 3 of the new act, which would provide supplementary grants from 50 to 75 percent of project costs for the accelerated construction of essential public works authorized under Federal programs would make a tremendous contribution in the State of New Mexico.

Section 214 of the bill, which provides supplementary grants of up to 80 percent of project cost to enable States and communities to take advantage of grants under other Federal programs for which they could not otherwise supply the matching share, would also be an essential ingredient for successful utilization of numerous current Federal programs.

New Mexico is also interested in passage of sections 101, 201, and 202, which would provide direct loans up to 65 percent of the average cost of land, buildings, machinery, and equipment where projects could create new long-term employment within designated redevelopment areas.

In fact, gentlemen, there is no single section of S. 1648 which could not be used to benefit large segments of the citizens of the State of New Mexico.

In connection with title V, which provides for the establishment and coordination of regional action planning commissions, we wish especially to give the greatest support possible for this title of the bill.

New Mexico has 14 counties which were given 5-B designation by the ARA. These counties provide a large area which had indicated underemployment, and underemployment characteristics of the most chronic and stubborn variety. This area in New Mexico contains 14 counties, 2 large Indian reservations and 19 Indian pueblos.

Together with this large area, plus large pockets of poverty scattered throughout the States, New Mexico borders on other areas in Arizona, Colorado, and Utah, which comprises one of the largest land masses of chronic unemployment and underemployment in the United States.

To point up some of the benefits that were brought about to the State by the Area Redevelopment Administration, I would like to include a short summary of project accomplishments of the ARA, since 1961 until the present time.

There have been five section 6, industrial-type assistance loans in the State for a total of \$926,000.

In section 11, which provided technical assistance for study projects, 9 grants were made in the amount of \$233,000, and in the field of training under section 16 of the Area Redevelopment Act, 874 trainees completed training in 20 separate projects, for a total cost of \$765,500.

Eighty-six percent of these trainees were placed in permanent jobs. This is considerably higher than the national average for placement.

Mr. Chairman, members of the committee, on behalf of Governor Campbell and myself, I want to thank you for the privilege of appearing before you in support of Senate bill 1648.

Thank you.

Senator Moss. Thank you, Mr. Flynn, for a very fine statement.

The appendixes to your statement will be placed in the record at this point because they provide very valuable data for the record of this committee.

(The appendixes referred to follow:)

APPENDIX I

STATE PLANNING OFFICE

Pending accelerated public works projects for New Mexico, June 30, 1964

Applicant	County	No.	Agency	Requested amount of grant	Estimated total cost	Project
Gallup-----	McKinley--	20G	CFA-----	\$12,000	\$14,000	Electric substation.
Do-----	do-----	21G	-----	28,900	57,800	Drainage.
Do-----	do-----	22G	-----	10,200	20,400	Parking lot.
Los Lunas-----	do-----	23G	-----	99,000	105,410	Swimming pool.
Reserve-----	Catron-----	-----	WPC-61-----	5,180	-----	-----
Las Vegas-----	San Miguel--	27G	CFA-----	22,481	46,806	Memorial and museum.
Valencia County Fair-----	Valencia-----	32G	CFA-----	245,000	490,000	Fairgrounds.
Gallup-----	McKinley-----	33G	-----	1,193,000	1,193,000	Water.
Do-----	do-----	34G	-----	77,500	155,000	Do.
Grants-----	Valencia-----	37G	CFA-----	28,500	57,000	Fire station.
Catron-----	Catron-----	43G	CFA-----	19,725	26,300	Swimming pool.
Do-----	do-----	44G	CFA-----	100,000	200,000	Courthouse and demolition of building.
Estancia-----	Torrance-----	45G	-----	108,250	220,000	Streets and drainage.
Espanola-----	Rio Arriba-----	46G	CFA-----	197,500	395,000	Streets.
Mora, City Board of Commissioners.	Mora-----	50G	CFA-----	30,000	40,000	Courthouse.
Espanola-----	Rio Arriba-----	51G	CFA-----	339,200	523,100	Bridge.
Torrance-----	Torrance-----	56G	CFA-----	245,100	490,300	City courthouse.
Jemez Springs-----	Sandoval-----	58G	CFA-----	150,000	335,000	Community building.
East Anton Chico-----	Guadalupe-----	60G	-----	7,000	14,000	Ditch.
Vado de Juan Paiz-----	do-----	61G	-----	7,000	14,000	Do.
East Puerto de Luna-----	do-----	62G	-----	7,000	14,000	Do.
West Puerto de Luna-----	do-----	63G	-----	7,000	14,000	Do.
Santa Rosa-----	do-----	64G	-----	7,000	14,000	Do.
Pecos East Ditch-----	San Miguel-----	66G	-----	11,600	23,200	Do.
Pecos, Pres. W-----	do-----	67G	-----	14,600	29,200	Do.
El Molino-----	do-----	68G	-----	700	1,400	Do.
San Juan-----	do-----	69G	-----	2,700	5,400	Do.
El Llano de la Presa W-----	do-----	70G	-----	2,700	5,400	Do.
San Jose Acequia del Agua Caliente East.	do-----	71G	-----	3,900	7,800	Do.
Pueblo, El Gerambullo-----	do-----	72G	-----	1,700	3,400	Do.
S. Villaneuva E-----	do-----	73G	-----	4,100	8,200	Do.
N. Villaneuva W-----	do-----	74G	-----	4,000	8,000	Do.
Bernalillo-----	Sandoval-----	76G	-----	108,950	217,900	Paving.
Rito de la Loma Irrigation Co.	Taos-----	77G	-----	1,200	1,800	Ditch.
South Rio Pueblo Ditch--Community.	do-----	78G	-----	1,600	2,400	Do.
Cabresto-----	do-----	79G	-----	8,000	12,000	Do.
Citizens Ditch-----	do-----	80G	-----	6,000	9,000	Do.
Rio Costilla Cooperative Lovestock Ditch Association.	do-----	81G	-----	8,000	12,000	Do.
Talpha Water Users Association.	do-----	82G	-----	4,000	6,000	Do.
Acequia Madre del Rio Lucero.	do-----	83G	-----	4,000	6,000	Do.
Mutual Protection & Benefit Association of Cerro de Guadalupe Corp.	do-----	84G	-----	20,000	30,000	Do.
Acequia de Abajo La Loma.	do-----	85G	-----	4,000	6,000	Do.
J. M. Barela-----	do-----	86G	-----	4,000	6,000	Do.
Finado Francisco Martinez.	do-----	87G	-----	6,600	9,900	Do.
San Cristobal Water Users Association.	do-----	88G	-----	6,600	9,900	Do.
Acequia Madre del Pueblo.	do-----	89G	-----	8,000	12,000	Do.
El Saucito Ditch-----	do-----	90G	-----	6,000	9,000	Do.

Pending accelerated public works projects for New Mexico, June 30, 1964—Con.

Applicant	County	No.	Agency	Requested amount of grant	Estimated total cost	Project
Chamisal-Ojito Community Ditch Association.	Taos	91G		\$4,000	\$6,000	Ditch
Acequia Madre del Rio Grande-Chiquito.	do	92G		4,000	6,000	
Acequia Madre del Prado.	do	93G		8,000	12,000	Do.
Llano Irrigation Co.	do	94G		12,000	18,000	Do.
Jicarilla Reservation	Rio Arriba	95G		487,500	650,000	Center.
Do	do	96G		253,500	338,000	Streets.
Do	do	97G		119,250	159,000	Municipal building.
Taos	Taos	98G		780,550	1,561,000	Gas system.
Tierra Amarilla	Rio Arriba	99G	CFA	650,000	975,000	Courthouse.
Espanola	do	100G	CFA	420,000	630,000	Do.
Navajo Reservation:						
Church Rock	McKinley	101G		55,350	73,900	Chapter house.
Iyanbito	do	102G		55,350	73,800	Do.
Alamo	Socorro	103G		25,800	34,400	Do.
Burnham	San Juan	104G		25,800	34,400	Do.
Mariano Lake	McKinley	105G		25,800	34,400	Do.
Twin Lakes	do	106G		25,800	34,400	Do.
Sheep Springs	San Juan	107G		25,800	34,400	Do.
Smith Lake	McKinley	108G		25,800	34,400	Do.
Naschitti	San Juan	109G		25,800	34,400	Do.
Shiprock	do	110G		243,300	312,400	Community center, bowling alley.
Tohatchi	McKinley	111G		235,000	314,400	Community center and swimming pool.
Shiprock	San Juan	112G		304,275	405,700	Water, gas, streets, sewage.
Do	do	113G		12,075	16,100	Ranger Station and visitors' center.
Jemez	Sandoval	114G		12,602	25,205	Community and recreation center.
Shiprock	San Juan	115G		214,575	286,100	Fairgrounds and rodeo reconditioning.
Todeilto Park	do	116G		106,425	141,900	All services at youth camp.
Chama	Rio Arriba	120G		80,315		Sewage system.
Total				7,420,111	11,432,321	

APPENDIX II

Accelerated public works expenditures approved for New Mexico, Oct. 1, 1962, to Jan. 1, 1964

[In thousands of dollars]

Type, area, County	Accelerated public works	Others (Federal)	Local	Total
5B, Catron:				
USDA-FS.....	\$256			\$256
Com.-BPR.....	375			375
Int.-BLM.....	25			25
Quemado DHEW-PHS.....	4	\$6	\$10	20
Total, catron.....	660	6	10	676
5B, Colfax:				
USDA-FS.....	1		1	2
Int.-SFW.....	12		12	24
Cimarron DHEW-PHS.....	9	13	21	43
HHFA-CFA.....	137		180	317
Raton, DHEW-PHS.....	11	16	26	53
HHFA-CFA.....	283		283	566
Total, Colfax.....	453	29	523	1,005
5B, Grant:				
USDA-FS.....	191			191
Int.-BLM.....	122			122
Central DHEW-PHS.....	21	46	86	153
Total, Grant.....	334	46	86	466
5B, Guadalupe: Santa Rosa, HHFA-CFA (total).....	332		332	664
5B, McKinley:				
USDA-FS.....	187			187
USDA-SCS.....	5			5
Int.-BLM.....	139			139
Gallup:				
GSA.....	158			158
HHFA-CFA.....	291		249	540
Ramah: DHEW-PHS.....	4	5	9	18
Thoreau: DHEW-PHS.....	4	5	9	18
Total, McKinley.....	788	10	267	1,065
Mora:				
USDA-FS.....	137			137
Int.-SFW.....	16		16	32
Cleveland: DHEW-PHS.....	90		30	120
Mora Tn: DHEW-PHS.....	43	15	20	78
Wagon Mound:				
DHEW-PHS.....	12	21	36	69
HHFA-CFA.....	269		91	360
Total, Mora.....	567	36	193	796
5B, Rio Arriba:				
USDA-FS.....	352		1	353
Int.-BLM.....	50			50
Int.-BIA.....	55			55
Int.-SFW.....	59		41	100
Espanola:				
HHFA-CFA.....	241		252	493
DHEW-PHS.....	53	80	191	324
Total, Rio Arriba.....	810	80	485	1,375
5B, Sandoval:				
USDA-FS.....	317			317
Int.-NPS.....	90			90
Bernalillo:				
HHFA-CFA.....	6		7	13
DHEW-PHS.....	31	46	76	153
Total, Sandoval.....	444	46	83	573

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Accelerated public works expenditures approved for New Mexico, Oct. 1, 1962, to Jan. 1, 1964—Continued

[In thousands of dollars]

Type, area, County	Accelerated public works	Others (Federal)	Local	Total
5B, Santa Fe:				
USDA-FS.....	\$363			\$363
DHEW-PHS.....	222			222
Int.-BIA.....	505			505
Int.-SFW.....	17		\$17	34
Santa Fe Tn., HHFA-CFA.....	134		148	282
Total, Santa Fe.....	1,241		165	1,406
5B, San Juan:				
Int.-BLM.....	400			400
Int.-SFW.....	7		7	14
Aztec, HHFA-CFA.....	74		75	149
Bloomfield, HHFA-CFA.....	17		17	34
Farmington, HHFA-CFA.....	489		499	988
Total, San Juan.....	987		598	1,585
5B, San Miguel:				
USDA-FS.....	408		1	409
Army-CE.....	223			223
Int.-SFW.....	11		11	22
Las Vegas, HHFA-CFA.....	58		60	118
Total, San Miguel.....	700		72	772
5B, Socorro:				
USDA-FS.....	95			95
Magdalena, HHFA-CFA.....	28		28	56
Socorro Tn., USDA-FS.....	209			209
DHEW-PHS.....	113		113	226
Total, Socorro.....	445		141	586
5B, Taos:				
USDA-FS.....	394			394
Int.-BLM.....	399			399
Int.-BIA.....	100			100
Int.-SFW.....	27		19	46
Taos Tn., DHEW-PHS.....	20	\$18	37	75
Picuris, Int.-BIA.....	32			32
Total, Taos.....	972	18	56	1,046
5B, Torrance:				
USDA-FS.....	160			160
Int.-BIA.....	75			75
Estancia, HHFA-CFA.....	363		363	726
Mountainair, HHFA-CFA.....	92		92	184
Total, Torrance.....	690		455	1,145
5B, Valencia:				
USDA-FS.....	180			180
USDA-ARS.....	26			26
Com.-BPR.....	260			260
Int.-BLM.....	25			25
Int.-SFW.....	37		37	74
Belen:				
DHEW-PHS.....	34	51	85	170
HHFA-CFA.....	58		59	117
Grants:				
HHFA-CFA.....	71		70	141
Los Lunas:				
DHEW-PHS.....	42	38	80	160
HHFA-CFA.....	87		105	192
Milan:				
HHFA-CFA.....	30		30	60
Seboyeta:				
DHEW-PHS.....	4	8	14	26
Total, Valencia.....	854	97	480	1,431

*Accelerated public works expenditures approved for Indian reservations in
New Mexico*

Type, area, and county	Accelerated public works	Others, Federal	Local	Total
Acoma, Valencia County, Int.-BIA	\$513,000			\$513,000
Isleta, Bernalillo County, Int.-BIA	65,000			65,000
Valencia County, Int.-BIA	5,000			5,000
Laguna, Valencia County, Int.-BIA	156,000			156,000
Paraje-Casa Blanca, DHEW-PHS	78,000		\$35,000	113,000
Seama, DHEW-PHS	75,000		75,000	150,000
Jemez Reservation, Sandoval County, Int.-BIA	107,000			107,000
Jicarilla, Sandoval County, Int.-BIA	107,000			107,000
Rio Arriba County, Int.-BIA	79,000			79,000
Dulce, DHEW-PHS	152,000			152,000
Mescalero, Otero County: DHEW-PHS	65,000		15,000	80,000
Int.-BIA	250,000			250,000
Navajo Reservation, McKinley County, Int.-BIA	1,100,000			1,100,000
Crownpoint, DHE-PHS	280,000		280,000	560,000
San Juan County, Int.-BIA	35,000			35,000
Shiprock, DHEW-PHS	380,000		380,000	760,000
Santo Domingo, Rio Arriba County, Int.-BIA	4,000			4,000
Sandoval County, Int.-BIA	130,000			130,000
Santa Fe County, Int.-BIA	3,000			3,000
Ramah Reservation, Int.-BIA	30,000			30,000
Zuni Reservation, McKinley Co., Int.-BIA	357,000			357,000
Total, Indian reservations	3,971,000		785,000	4,756,000
Total, 5B counties	10,277,000	\$368,000	3,946,000	14,591,000
Total Indian reservations	3,971,000		785,000	4,756,000
Total, State	14,248,000	368,000	4,731,000	19,347,000

APPENDIX III

DISTRIBUTION OF ACCELERATED PUBLIC WORKS FUNDS FOR NEW MEXICO TO DEC. 31, 1963

*Public Health Service, Community Facilities Administration, and Public
Health Service—Water pollution control projects*

County	Department of Health, Educa- tion, and Welfare—Public Health Service	Department of Health, Educa- tion, and Welfare—water pollution control Public Health Service	Housing and Home Finance Agency—Com- munity Facilities Administration	Total by counties
Catron		\$4,000		\$4,000
Colfax		20,000	\$420,000	440,000
Grant		21,000		21,000
Guadalupe			332,000	332,000
McKinley		8,000	291,000	299,000
Mora	\$102,000	43,000	269,000	414,000
Rio Arriba		53,000	241,000	294,000
Sandoval		31,000	6,000	37,000
San Juan			580,000	580,000
San Miguel			58,000	58,000
Santa Fe	222,000		134,000	356,000
Socorro	113,000		28,000	141,000
Taos		20,000		20,000
Torrance			455,000	455,000
Valencia	46,000	34,000	246,000	326,000
Total	483,000	234,000	3,060,000	3,777,000

Summary

County	DHEW- PHS	HHFA- CFA	DHEW, WPC- PHS	Bureau of Indian Affairs		BIA	Bureau of Indian Affairs		Other agencies	Totals
				Reservations and Pueblos	BIA-PHS		Reservations and Pueblos	BIA-PHS		
Bernalillo.....				{Isleta, \$70,000. Laguna, \$156,000.	Laguna: \$78,000 ¹ 75,000 ¹					379,000
Catron.....			\$4,000						\$656,000	660,000
Colfax.....		\$420,000	20,000						13,000	453,000
Grant.....			21,000						313,000	334,000
Guadalupe.....		332,000								332,000
McKinley.....		291,000	8,000				{Ramah, \$30,000 ² Zuni, \$367,000 ³		489,000	1,175,000
Mora.....	\$102,000	269,000	43,000				Mescalero, \$250,000		153,000	567,000
Otero.....							Jicarilla, \$186,000 ⁴	65,000 ⁴		315,000
Rio Arriba.....		241,000	53,000			\$55,000	{Santo Domingo, \$137,000 ⁷ Jemez, \$107,000	152,000 ⁶	461,000	1,285,000
Sandoval.....		6,000	31,000				Mavajo, \$1,135,000	660,000 ⁸	407,000	551,000
San Juan.....		580,000							407,000	2,782,000
San Miguel.....		58,000							642,000	700,000
Santa Fe.....	222,000	134,000				505,000			380,000	1,241,000
Socorro.....	113,000	28,000							304,000	445,000
Torrance.....		455,000				75,000			160,000	690,000
Taos.....			20,000			132,000			820,000	972,000
Valencia.....		246,000	34,000				Acoma, \$513,000		528,000	1,367,000
Total.....	483,000	3,060,000	234,000			767,000	\$2,941,000	1,030,000	5,733,000	14,248,000
Percentages.....	3	22	2			5	21	7	40	

¹ Bernalillo: \$78,000, Paraje Casa Blanca (water and sewerage); \$75,000 Seama (water facilities).
² Ramah Reservation is located in McKinley and Valencia Counties.
³ Zuni Reservation is located in McKinley and Valencia Counties.
⁴ Otero: \$65,000 Mescalero Reservation (water facilities).
⁵ Jicarilla Reservation is located in Rio Arriba and Sandoval Counties.
⁶ Rio Arriba: \$152,000 Jicarilla Reservation, Dulce (water and sewer facilities).
⁷ Santo Domingo Reservation is located in Rio Arriba, Sandoval, and Santa Fe Counties.
⁸ San Juan: \$660,000, Navajo Reservation (\$280,000 Crownpoint, water facilities), (\$380,000 Shiprock, water facilities).

Senator Moss. I appreciate having your comments on behalf of your Governor on the accomplishments that ARA and APW projects have made in the State of New Mexico.

If I understand you, the Governor very strongly urges this bill in order to continue some of this type of work that you have pending.

Mr. FLYNN. Yes, sir.

Senator Moss. I don't think you have devoted very much of your statement to the regional planning aspect. Do you have any comment to make on that?

Mr. FLYNN. Yes, Mr. Chairman. We strongly favor the regional planning aspect as proposed in this bill. We share, particularly our northern counties, with southern Colorado a great similarity of problems. In the cooperative vein we can solve these problems much easier, rather than working as one State alone.

The same thing is true in our eastern border in some of our water problems, which are very similar with Texas, the same thing being true again on our western border with Arizona. So we strongly favor this regional approach, which will enable us to cooperate more effectively with our surrounding States.

Senator Moss. Thank you, Mr. Flynn.

Do you have any questions, Senator?

Senator MONTAYA. I, too, Mr. Flynn, want to compliment you for your very comprehensive statement which you have submitted to the committee.

I know how hard you have worked in the State of New Mexico to try to bring about proper planning for economic development, but will you tell the committee briefly what efforts the State of New Mexico has made in this respect; namely, economic planning, in the last few years?

Mr. FLYNN. Yes, sir, Senator Montoya.

The State of New Mexico, through our office, which is the staff agency to the Governor, has concerned itself in the last 2 years with a State resources development plan which is an attempt to inventory all of the State's resources, so we can find what we have, and finding the gaps that we have, so we can make plans to offset these gaps.

I would point out we have some very interesting information about some of our distressed areas. We find that transportation is one of our big problems. Federal spending is our main industry in New Mexico. This accounts for something like \$1.2 million a year.

Our second biggest industry is the tourist and recreation industry, which accounts for something like \$400 million a year.

We feel that in the event this bill is passed into legislation, and we have help in developing our highways, and particularly access roads, that we can reasonably expect to increase our tourist and dollar income by something like 25 percent.

We have great mineral wealth in the northern part of the State. We have great resources in our forests which are undeveloped at the present time.

If this bill were passed into law, we would feel this would help us open up these areas of large mineral wealth that are largely untapped in the State, and at the same time the forestry resources could be developed.

We are planning on using State resources. Mr. Wiley, my colleague, will testify more of some things we are doing on the State

level, opening up a route across the northern part of the State, using State funds, and I don't want to impinge on his testimony, but this will give you an idea.

Senator MONTTOYA. Mr. Flynn, the great portion of this depressed area is in the high mountain country of New Mexico. Is that correct?

Mr. FLYNN. Yes, sir; it is.

Senator MONTTOYA. And that is one of the most beautiful and most scenic parts of America?

Mr. FLYNN. I believe this to be an absolute statement of fact, sir.

Senator MONTTOYA. Our problem has been lack of economic development because of inaccessibility to the area. Is that correct?

Mr. FLYNN. This has been one of the major reasons hampering its development, sir.

Senator MONTTOYA. What is the area in miles involved in this depressed part of the State?

Mr. FLYNN. It would be an area, sir—I hesitate to give you a specific figure—of several thousand square miles. It is roughly in the northern half of the State, and particularly the seven core counties of the northeast and north-central regions.

Senator MONTTOYA. The particularly isolated area that needs some type of an access road system—what would you say that constitutes in area?

Mr. FLYNN. Well, it is very definitely a seven-county area, sir.

Senator MONTTOYA. Do you agree with my figures that the area is about 40 by 60 miles?

Mr. FLYNN. Yes, sir; the hard core area would be something like this.

Senator MONTTOYA. Which is about 2,400 square miles?

Mr. FLYNN. Yes, sir.

Senator MONTTOYA. And it is in this particular area where we sorely need some access roads onto the main highways?

Mr. FLYNN. Yes, sir. I would point out the area you have reference to is largely virgin country, and there is nothing but trails there now.

Senator MONTTOYA. You could classify it as a wilderness area?

Mr. FLYNN. Yes, sir.

Senator MONTTOYA. What is the particular attraction of this particular area, if it should be opened?

Mr. FLYNN. This is through the vast mountain area of northern New Mexico. It has great scenic resources. It is possible to develop recreation areas. There are lakes in this area, and hunting and fishing, and this sort of thing that offers tremendous resources to the tourist, the vacation industry.

There are tremendous forest resources in this very area, and also mining, such things as lead and zinc and copper and perlite and mica and other resources of this nature to be found in this area.

Senator MONTTOYA. Do we have snow in the winter in this particular area?

Mr. FLYNN. Yes, sir; we have great amounts of snow in the winter-time.

Senator MONTTOYA. The reason I mention this is because many people in Washington have the impression that it doesn't snow in New Mexico.

Mr. FLYNN. Six months of the year, sir. I think they would find it different in this area.

Senator MONTROYA. In fact, this part of New Mexico claims to have one of the best ski areas in the country.

Mr. FLYNN. Yes, sir; and if I might point out, one of the largest ski seasons is in New Mexico.

Senator MONTROYA. Are you still skiing in Sante Fe?

Mr. FLYNN. We stopped on Easter weekend, sir.

Senator MONTROYA. This area lends itself for the establishment of ski resorts?

Mr. FLYNN. Yes, sir; it does.

Senator MONTROYA. And it is a wonderful area for this type of sport. Isn't that correct?

Mr. FLYNN. Yes, sir.

Senator MONTROYA. And in addition to recreation, do you feel that there is an opportunity for economic development of this particular area in mining and timber or lumber, and other related industries?

Mr. FLYNN. Yes, sir. We feel very strongly that this is the case.

Senator MONTROYA. What significant attack has the State of New Mexico made upon the isolation of this particular region?

Mr. FLYNN. Using State funds, sir, we built a bridge, as my colleague will indicate in his testimony, in the Rio Grande Gorge immediately west of Taos, which will cost \$2 million, which I believe, next to the Royal Gorge, is the highest span in the country.

We are also cooperating with the Federal Government and Forest Service and using funds to create an east-west highway across the State, which is again virgin land from Tres Piedras west to Tierra Amarilla.

Senator MONTROYA. In other words, you had to build this bridge, and you did it with State funds because you didn't qualify under the secondary or primary aid system?

Mr. FLYNN. That is correct, sir.

Senator MONTROYA. When you built this bridge, you made the start which will make possible traversing this particular area right through the heart?

Mr. FLYNN. Right through the core, sir.

Senator MONTROYA. Thus making one part of the State accessible to the other?

Mr. FLYNN. Yes, sir.

Senator MONTROYA. This is your start in trying to develop this particular area?

Mr. FLYNN. Yes, sir, it is.

Senator MONTROYA. And in addition to this, you need some help for access roads?

Mr. FLYNN. Very definitely, sir.

Senator MONTROYA. You built this bridge, and then you started building the road. Is that correct?

Mr. FLYNN. Yes, sir.

Senator MONTROYA. That involves State funds?

Mr. FLYNN. Yes, sir, it does.

Senator MONTROYA. And because of the good faith of the State of New Mexico, it became a part of the secondary system. Is that correct?

Mr. FLYNN. Yes, sir it did.

Senator MONTROYA. And then we were able to induce the Forest Service to do its share of the construction, and as a result of this com-

bined effort, we are going to tackle that problem successfully. Is that correct?

Mr FLYNN. Yes, sir.

I believe Mr. Wiley has indicated this will be completed by 1968.

Senator MONTOKA. In addition to that, you need some other arterial access roads?

Mr. FLYNN. Yes, sir. This is a vast area, and we need to open it up to the recreation areas, to the timbering areas, to the mining areas.

Senator MONTOKA. Would you say that this particular area of New Mexico is more or less bigger in area than New England?

Mr. FLYNN. I would say so. Certainly the northern area would encompass a great deal of New England.

Senator MONTOKA. In fact, we could put many States of New England in one of those counties, couldn't we?

Mr. FLYNN. Yes, sir, we surely could.

Senator MONTOKA. I don't mean to be facetious, but I am trying to convey the enormity of our problem in New Mexico.

What particular studies have you made through your agency towards economic development or expansion of our State?

Mr. FLYNN. As I indicated earlier, sir, we are doing a State resources development plan, in cooperation with 26 State agencies, and 4 of our State colleges and universities, in which we are doing this inventory of all of the State resources, and we are developing plans as best we can.

I would point out very gratefully that we have received help, using section 701, by way of funds of the HHFA. This is one of the major projects we have under way at this time, sir.

Senator MONTOKA. What action has been initiated under your auspices or direction under the Economic Opportunity Act?

Mr. FLYNN. Under the Economic Opportunity Act, sir, the State of New Mexico has submitted applications under the community action program, under the Job Corps program, and under the Neighborhood Youth Corps.

The latest figures I have, we received \$4 million in grants either for Job Corps camps or programs under the Neighborhood Youth Corps, and we are waiting our first community action approval now.

Senator MONTOKA. Are more applications being processed and readied by the different communities?

Mr. FLYNN. Yes, sir. We are in the process of working closely with our communities in New Mexico to submit applications under the various titles of the bill.

Senator MONTOKA. And are you also stressing ways and means of attacking the economic problems in those communities?

Mr. FLYNN. Yes, sir, and we are using the tools provided by the Economic Opportunity Act to the fullest, under the instructions of our Governor.

Senator MONTOKA. Mr. Flynn, you were a professor at Highland University, and you have been an administrative official at the El Rito State Normal School?

Mr. FLYNN. Yes, sir.

Senator MONTOKA. You are acquainted with this particular area, its composition, and so forth. What would you say the educational level or accomplishment is in this particular area, vis-a-vis the rest of the State?

Mr. FLYNN. This, of course, sir, is one of our great areas, and great problems. Though our public schools do a tremendous job, they labor under severe handicaps of shortage of funds, particularly for facilities.

The State provides funds for teachers' salaries, and this sort of thing, but we have, as you know, Senator, the great problem of the two languages in this area.

Many of our young people are underprivileged in the sense that they come to school with a very definite language handicap, which they strive very heartily to overcome.

The dropout problem is very high in this area. We lose many of our students. Educationally, the northern part of our State, this seven-county core area, has many problems, and is considerably behind the rest of the country.

Senator MONTOKA. Would you say that the educational level has more or less impeded the progress of this particular area?

Mr. FLYNN. Yes, sir.

Senator MONTOKA. And isn't that true of all of the poverty-stricken regions of the country, like Appalachia?

Mr. FLYNN. Yes, sir, and we are very similar to Appalachia except we have a Spanish accent.

Senator MONTOKA. Some recent studies have disclosed that it would be wise and indeed urgent that these Spanish-speaking children have language training in the prekindergarten training of their lives, so that they can be ready to compete with the children who speak and understand the English language when they go into school. Is that correct?

Mr. FLYNN. Yes, sir. And we are taking advantage of the Project Headstart of the Economic Opportunity Act this year.

Senator MONTOKA. You are doing something about that, too?

Mr. FLYNN. Yes, sir.

Senator MONTOKA. Thank you, Mr. Flynn.

Mr. FLYNN. Thank you.

Senator Moss. Thank you, Mr. Flynn. It was most interesting to have you respond to the questions of Senator Montoya.

You have filled out our record very richly. We appreciate your testimony on behalf of your Governor.

Our next witness comes from Utah, General Rich, a distinguished citizen of our State.

He is vice president and executive secretary of the Salt Lake City Chamber of Commerce. He was the adjutant general of our State for many years. He has done an exceptionally fine job in both of these jobs.

He has been asked to come here by our Governor to represent the Governor before our committee this morning.

We will now hear from General Rich.

STATEMENT OF GEN. MAX RICH, VICE PRESIDENT AND SECRETARY, SALT LAKE CITY CHAMBER OF COMMERCE

General RICH. Thank you, Mr. Chairman.

As you have said, I am Gen. Maxwell E. Rich, vice president and executive secretary of the Salt Lake City Chamber of Commerce. I also represent today Gov. Calvin L. Rampton, who asked me to express

his regrets that he could not join with you, due to the press of State business.

The Governor asked me to assure you that the people of Utah are strongly in favor of the multiple facets of the legislation before you today.

While I am from Salt Lake City, where about two-fifths of Utah's population resides, we realize long ago that the entire State must grow and prosper uniformly. Depressed counties and regions within Utah are retarding to the overall economy and will cripple the entire State's growth and potential.

Our task is compounded when we try to build the economy by the fact that Utah's land area is 70-percent owned by the Federal Government. This factor alone represents locked up revenue which we should have to build our schools and public facilities.

Utah, as in many other States of the West, is faced with an impending critical situation which has three faces.

First, we have rapidly growing and expanding metropolitan areas. In fact, we really have one major metropolitan center, but it stretches about 60 miles, from Ogden to Provo, through Salt Lake City.

More than half of our population is in this small region bounded by the Great Salt Lake and Utah Lake on the west, and the Wasatch Mountains on the east.

This region has seen phenomenal growth during the fifties and sixties.

Major industries connected with the aerospace field have grown quickly, providing jobs for thousands of workers.

The economy of this bustling region has slipped somewhat recently, however, because defense developments have declined on several missile systems.

Another face to Utah's economy is a decline in the importance of our rural regions. Farming income has dropped drastically in many parts of Utah. At the same time, a lack of facilities has not brought about the great influx of tourists which we hope to greet in the near future.

Thirdly, an economic upheaval has occurred in Utah. We find that in order to obtain, and keep, a high standard of living, many of our young people leave the rural areas of the State in search of city life and city convenience. The loss of this highly important resource has been exceptionally detrimental to the rural economy.

We have been successful on a small scale in establishing small, local industries, dealing with the manufacture of canvas goods, clothing, and sporting goods. These industries have added to the local economies, not by providing growth, but by taking up the slack of unemployed.

Young people generally are not going to work for the local businesses, because the communities still lack the modern, on-going atmosphere needed to become and remain vital.

The somewhat brighter economic conditions in these few communities have not brought the desired cultural, recreational, and total life to hold the young people and make them want to build their community.

Utah has 11 counties, and the Uintah-Ouray Indian Reservation, which are eligible for grants under the accelerated public works

program. These counties have already had some benefits under this program.

Many water systems have been modernized and extended, sewer systems have been constructed where none existed, and other public facilities have been raised to acceptable standards or created anew.

A serious lack of public facilities still denotes critical conditions, however.

For instance, Utah has 321 public water systems. Only 51 percent are found to be approved as safe and acceptable sources of culinary water.

Utah has 102 waste water systems, of which only 60 are considered adequate.

We need other public utilities and buildings, but we haven't the tax base necessary to handle the financing. Too many communities have been bonded to their near maximum, leaving no flexibility for emergencies.

We ask for additional help under the accelerated public works program, so that we might build in our communities acceptable standards of living. These public facilities are basic to the growth of any community.

Several hundred thousand dollars worth of specific Utah project applications have been submitted, but funds have expired.

I ask that there be carried, at the close of my statement, two charts. The first chart shows net approvals in the State of Utah for accelerated public works grants by the Community Facilities Administration, Housing and Home Finance Agency, as of February 26 of this year, and the backlog of pending applications upon which no action has been taken because of lack of funds.

This chart shows total grants of \$2,793,603 already made, and applications totaling \$3,664,400 still pending.

The second chart shows accelerated public works grants made to Utah by the Public Health Service as of March 11 for sewage treatment works, and the list of applications from Utah communities returned to the Public Health Service regional office because of lack of funds.

This chart shows a total of \$248,250 granted to Utah under this program, and applications for grants totaling \$1,623,297 still pending.

The people of Utah understand and accept the conditions of assistance under accelerated public works. The construction made possible, and the planning assistance we receive, will be repaid fully over the years through newly vitalized local economies taking a rightful place in the economic mainstream of Utah and America.

We have a backlog of progress which must be satisfied.

Another section of the legislation which your committee is studying today deals directly with the work of a chamber of commerce.

The impact of area redevelopment has been strongly felt in many Utah localities. The best example is the first major loan under Area Redevelopment Act in Utah. I speak of Park City's Treasure Mountains resort. Four seasons of recreation can be found in a 25-minute drive east from Salt Lake City on a major transcontinental highway.

An ARA loan has provided one of America's newest and most complete ski resorts. A 2-mile long gondola lift carries hundreds of

skiers daily to the top of a peak in the Wasatch Mountains. Double chair lifts open up additional runs for the skier of any ability.

A fine restaurant sits on top of that mountain peak; 2,500 vertical feet below lies a bustling valley, newly emerging from a long-ago, roaring mining camp with a lode of history and drama, to a modern tourist center offering recreation and relaxation for thousands.

The resort itself was made possible through ARA. Private capital, however, has moved quickly to provide condominium dwellings, restaurants, service facilities, and, most important, hundreds of new jobs and a firm tax foundation.

In Utah, we have seen the power and benefits of ARA. In Carbon County, a depressed mining area, ARA loans have aided local business. The bolstering effect on the community provides more than new jobs and income. It provides hope for the future.

Further need for ARA lies in the expanding tourist business. Utah has the attractions. To mention a few: Canyonlands National Park, which officially opens for the first time in a few days; Glen Canyon National Recreation area, surrounding the 1,800 miles of shoreline of newly-formed Lake Powell; Great Salt Lake, the briny body of water with millions of dollars in mineral and tourist potential; our northern canyons and wilderness areas; lakes and streams for fishing; Bonneville Salt Flats, where man has achieved miraculous land speed records; and many more unique, fascinating, and mostly unseen attractions in a State with some 50 million square acres.

The attractions are there. The commercial development is too far behind.

The spirit of a tourist based economy lies in getting the visitor to spend more than 1 day in a given area or State. We have the attractions to visit, but we don't have the complex of accommodations and services which are necessary to give the visitor total access to the deep beauty and history of Utah.

ARA grants and loans under President Johnson's proposal, as outlined in his message to Congress this year, seem tailored to Utah's needs.

We will take the lead in utilizing whatever assistance is offered, however.

Governor Rampton has given high priority to the completion of a master plan of development for Utah. Industrial growth, tourism, fishing and hunting, transportation, and cultural needs—all are included in the master plan.

Our history is rich and complete in showing where we have been since Brigham Young and his Mormon pioneers first entered the Valley of the Great Salt Lake.

While any picture of the future is not quite so clear, we intend to build on our heritage of industriousness, as symbolized by the beehive, and become the leading State of the new West—the West that remembers the few decades of its glorious past—but constantly looks to its future with a flexibility of achievement and a firmness of purpose.

Mr. Chairman, I thank you on behalf of the Governor of Utah, and the people of my State, for the opportunity to appear before this committee today.

Senator Moss. Thank you, General Rich. We appreciate that comprehensive and I might say rather eloquent statement made on behalf of the Governor.

The charts that you mentioned in your statement will be included in the record at this point.

(The charts referred to follow :)

CHART NO. I.—HOUSING AND HOME FINANCE AGENCY, COMMUNITY FACILITIES ADMINISTRATION

Accelerated Public Works program, net approvals in State of Utah as of Feb. 26, 1965

City	County	Project No.	Type of project	Amount of grant	Estimated cost of project
American Fork.....	Utah.....	17	Sewer collection system.....	\$122,000	\$244,000
Blanding.....	San Juan.....	40	Improved water distribution system.....	118,000	287,000
Castle Dale.....	Emery.....	31	Water distribution system.....	118,000	276,600
Coalville.....	Summit.....	42	Sewer collection system.....	173,050	350,100
Duchesne.....	Duchesne.....	11	Water distribution system.....	174,500	351,735
Ephraim.....	Sanpete.....	4	Sewer collection system.....	76,750	154,650
Escalante.....	Garfield.....	62	Water distribution system.....	115,000	230,090
Ferron.....	Emery.....	30	do.....	128,500	258,400
Francis.....	Summit.....	37	do.....	59,500	137,000
Green River.....	Emery.....	60	Sewer collection system.....	60,900	127,300
La Verkin.....	Washington.....	43	Improvement water distribution system.....	50,000	102,437
Lehi.....	Utah.....	20	Water distribution system.....	267,000	551,000
Levan.....	Joab.....	54	Improved water distribution system.....	28,800	57,600
Midway.....	Wasatch.....	12	Water distribution system.....	75,000	168,000
Minersville.....	Beaver.....	34	do.....	59,832	119,664
Do.....	do.....	38	Municipal building.....	6,753	13,506
Mona.....	Juab.....	22	Water distribution system.....	42,000	87,700
Mount Pleasant.....	Sanpete.....	47	Improved water system.....	17,500	35,000
Orem.....	Utah.....	14	Sewer collection system.....	296,500	620,804
Panguitch.....	Garfield.....	46	Improved water distribution system.....	18,977	37,955
Pleasant Gove.....	Utah.....	26	Water distribution system.....	15,000	34,323
Provo.....	do.....	6	Sewer collection system.....	91,000	233,148
Do.....	do.....	28	Water distribution system.....	121,500	265,866
Salem.....	do.....	23	Sewer collection system.....	147,000	294,800
Santaquim.....	do.....	41	Improved water distribution system.....	30,000	65,000
Ute Indian Tribe of Fort Duchesne.....	Uintah.....	39	Water distribution system.....	343,000	686,000
Wellington.....	Carbon.....	3	do.....	37,540	76,398
Total, 27.....				2,793,603	5,866,076

Prepared by: Statistics and Reports Division, Office of Management Control.

296 PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT, 1965

Accelerated public works program, pending projects in State of Utah as of Feb. 20, 1965

City	County	Project No.	Type of project	Amount of grant	Estimated cost of project
Alpine.....	Utah.....	18	Water distribution system.....	\$55,000	\$110,000
Altamont.....	Duchesne.....	69	Sewer collection system.....	20,000	40,000
American Fork City.....	Utah.....	9	Road construction.....	225,000	450,000
Do.....	do.....	10	Water distribution system.....	136,000	272,000
Blanding.....	San Juan.....	74	Water storage.....	16,250	65,000
Cleveland.....	Emery.....	67	Improved water distribution system.....	50,000	101,000
Fairview.....	Sanpete.....	75	Electric distribution system.....	80,000	161,000
Fountain Green.....	do.....	66	Gas distribution system.....	8,000	17,000
Genola.....	Utah.....	63	Improvement water storage.....	26,000	51,000
Goshen.....	do.....	64	Improvement water distribution system.....	37,000	73,000
Green River.....	Emery.....	59	Water distribution system.....	204,000	410,000
Gunnison.....	Sanpete.....	8	do.....	162,000	325,000
Heber.....	Wasatch.....	57	Gas distribution system.....	114,000	227,000
Do.....	do.....	58	Road construction.....	108,000	215,000
Do.....	do.....	71	Courthouse, new.....	147,700	295,500
Helper.....	Carbon.....	48	Sewer collection system.....	290,000	573,000
Kamas.....	Summit.....	19	do.....	197,000	510,000
Lehi.....	Utah.....	21	do.....	120,000	242,000
Lindon.....	do.....	33	Water distribution system.....	30,000	60,000
Manti.....	Sanpete.....	66	Gas distribution system.....	10,250	20,000
Milford.....	Beaver.....	27	Municipal building.....	30,000	60,000
Monticello.....	San Juan.....	51	Water distribution system.....	172,000	347,000
Oakley.....	Summit.....	44	do.....	59,000	118,000
Orem.....	Utah.....	13	Sewer collection system.....	82,000	164,000
Orem metropolitan water district.....	do.....	15	do.....	297,000	855,000
Panguitch.....	Garfield.....	45	Municipal bldg.....	7,000	14,000
Do.....	do.....	55	Recreation park.....	46,000	91,000
Payson.....	Utah.....	29	Sewer collection system.....	42,000	84,000
Pleasant Grove.....	do.....	24	do.....	170,000	340,000
Do.....	do.....	25	Road construction.....	250,000	500,000
Do.....	do.....	56	Harbor facilities.....	8,000	9,000
Spanish Fork City.....	do.....	16	Municipal building.....	65,700	132,000
Do.....	do.....	32	Road construction.....	212,000	425,000
Do.....	do.....	61	Water distribution system.....	23,000	46,000
Springville.....	do.....	35	do.....	47,000	94,200
Do.....	do.....	36	Gas distribution system.....	15,000	29,000
Tropic.....	Garfield.....	50	Road construction.....	2,600	5,000
Do.....	do.....	70	Sewer collection.....	49,900	99,000
Wellington.....	Carbon.....	7	Municipal building.....	30,000	63,000
Total, 39.....	.....	.....	.....	3,644,400	7,692,700

CHART NO. II.—DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Accelerated public works grants made to the State of Utah

Congressional district and county	Location	Project No.	Date approved	Eligible cost	WPC grant	APW grant
2, Utah.....	Salem City.....	WPC-APW-30.....	1-63	\$139,826	\$5,913	\$64,000
1, Sanpete.....	Ephraim.....	WPC-APW-34.....	8-63	131,780	22,890	43,000
1, Summit.....	Coalville.....	WPC-APW-36.....	11-63	154,400	14,180	63,000
2, Utah.....	American Fork.....	WPC-APW-37.....	12-63	58,708	8,853	20,500
1, Emery.....	Green River.....	WPC-APW-40.....	4-64	185,500	30,000	57,750
Total.....	.....	.....	.....	670,214	81,836	248,250

Applications returned to regional office because of lack of funds

Congressional district and county	Location	Project No.	Eligible cost	APW grant requested
1, Duchesne.....	Altamont.....	APW-42.....	\$52,000	\$26,000
1, Sanpete.....	Gunnison.....	APW-32.....	120,000	60,000
1, Summit.....	Kamas.....	APW-31.....	114,500	57,250
1, Beaver.....	Milford.....	APW-29.....	162,000	81,000
1, Carbon.....	Price River.....	APW-28.....	1,728,295	864,147
1, Garfield.....	Tropic.....	APW-44.....	65,400	32,700
1, Washington.....	St. George ¹	APW-38.....	455,602	227,800
2, Utah.....	Payson.....	APW-33.....	550,000	275,000
Total.....	.....	.....	3,247,797	1,623,897

¹ Washington County deleted from list of eligible areas June 12, 1964. WPC grant in the amount of \$139,265 made to the city of St. George October 1964.

Senator Moss. I might ask: You indicated the potential with the new Canyonlands Park and the Glen Canyon National Recreation Area. What is the principal problem that now confronts us concerning these two new recreation areas?

General RICH. I think there are two problems. The communities that are there have to develop, as I mentioned, good water and sewer systems.

Then they must develop the accommodations necessary to handle the people that we know are going to go through our Canyonlands and the other areas mentioned. We have to have motels and hotels and other facilities where we can handle them and accommodate them.

Senator Moss. Our road system is almost totally lacking in that area, isn't it?

General RICH. That is right. In some cases we have fine facilities being built on the lake, and no way to get into it, so the road system is most important.

Senator Moss. That plateau area that we have talked about encompasses nearly half of our State, the south and eastern part of Utah, that is so spectacular in scenery and has a potential in mineral development, but is almost wholly lacking in roads.

General RICH. The communication system in getting in is almost wholly lacking, other than the mainstream that we have already developed.

You cannot see the area that way, and you cannot get in to utilize, as you mentioned, the mineral potential without it. This would certainly tie in.

Senator Moss. In fact, had it not been for the uranium boom we had 10 years ago, we probably would not have found some of that country yet. Isn't that true?

General RICH. No, we would not have been able to get in.

Senator Moss. It is very isolated.

I was very interested in listening to the testimony of Mr. Flynn about the isolated area in New Mexico. I could not help but relate that to some of our very isolated country in Utah that suffers from some of the same things that he pointed out in New Mexico, and therefore we are very similar.

General RICH. That is right.

Senator Moss. I appreciate your testimony. I know that you, particularly in your assignment now, with the chamber, are working diligently from the local level to do all within your power to remedy

these deficiencies, but because of our very limited tax base out there, we simply have to have some outside assistance to be able to accomplish what needs to be done in this remote area, but only the plateau area, but all areas of our State outlying this very busy metropolitan area.

General RICH. This is true. I have always felt in my job that we have to have a strong, healthy economy outside of the metropolitan area, or some day we will become what they are now.

And, as I mentioned, with 70 percent of the State of Utah being owned by the Federal Government, your tax base gets a little skimpy.

This is one way, and I think it is the best way, because it is a partnership again between the community and the Government, and that is the best kind.

Senator MOSS. I am pleased to note that Senator Randolph from West Virginia is now here.

Do you have any questions or comments to make at this point, Senator Randolph?

Senator RANDOLPH. Thank you, Senator MOSS.

I have attempted each day to attend these hearings, even though the witnesses were not from the section of the country that I am most familiar with that would be affected by the continuing programs expanded in degree and strengthened by the pending legislation, if it becomes law.

I would like, Senator MOSS, to have the record indicate, while your fellow Utahan is testifying, with reference to the portion of his statement in which he states that he wishes to see Utah become the leading State, and of course qualifies it as to a certain type of leadership, that Utah had the highest voter participation of any State in the presidential election of 1964.

This is not new for Utah, a State which has an exceptionally high degree of civic consciousness.

I happen to know the figures, 76.9 for Utah, because West Virginia is fourth in the Nation, and I am watching those figures very carefully, hoping that we can come near to the leadership of Utah.

We were sixth in 1960, and now the position I have indicated 4 years later.

I was particularly interested in what General Rich said about the need for the facilities to adequately accommodate those persons who come to Utah. We have in a sense the same problem, General Rich, in West Virginia.

We have the scenic beauty, and we have the historic appeal, but we have not had the facilities for the people who want to come to West Virginia and enjoy the outdoors, the recreation, and all that we have to offer.

It has very, very much in tradition, and also promise. There is a corollary here between Utah and West Virginia, and certain other States.

The reason I mention this, General Rich, is that in our State we have placed an emphasis on ARA projects which had a great effect on the development of tourism. We have now in the beginning stages a complex of four tourism developments made possible by the Area Redevelopment Administration. These have an estimated cost of about \$24 million.

There we are developing lakes and ski runs, airports for charter and private planes, and housing and restaurant facilities.

We know that in so doing, these expenditures are going to strengthen the economy of West Virginia.

Sometimes I think we are inclined to look with some disfavor on government assistance for recreational projects. We know that today our people are a mobile people, and distances are becoming less and less because of our improved transportation and communications.

I wish to compliment you, and certainly Senator Moss, who so diligently represents Utah, on the realization that the development of facilities for tourism, is a sound expenditure of public funds.

And in this partnership between Utah and the Federal Government and your people, I think we find an excellent example of something that will be a benefit to your people and the generations to come of the State of Utah.

I have had the privilege of knowing only briefly your Governor Rampton, and I am sure that he typifies the strength of the modern Utah, the Utah that is proud, of course, of its heritage, of the decades of which you have spoken, but a Utah which is conscious of its responsibility to participate in this challenging future.

I think that from the chamber of commerce witness the testimony today, Senator Moss and Senator Montoya, is very heartening. Not that we do not expect this from chamber of commerce representatives, but sometimes there is a feeling that they are less than enthusiastic about participation in these programs.

Again, I compliment you, General Rich.

I am very happy to have the privilege to come by this morning and join with my colleagues. I regret that other duties prevent my being here during all of this testimony at these hearings. However, I shall study the transcripts of the hearings closely because I think we are receiving valued information which will help us to draft a bill which I think will have the approval of the Senate and ultimately the Congress, and become law.

Thank you, Senator Moss.

* Senator Moss. Thank you, Senator Randolph for your very excellent comments.

Senator Randolph, of course, is the leader in the Congress in pioneering in this area of development of our areas of the country which have fallen behind for one reason or another, isolation or other reasons, and is largely responsible for the bill on Appalachia which we all recognize is the model we are following herein trying to expand this idea to other regions of the country.

And the citizens of his State and all of the States, the seven or eight that are included in Appalachia, are grateful indeed to Senator Randolph for the vision and energy he had in bringing this idea into legislation, which is now on the books, and a part of the law of this country.

We appreciate very much your coming to be with us, Senator Randolph. We know how extremely busy you are, and appreciate that you came to sit for a while in our regional discussion we are having here on the bill before us.

Senator RANDOLPH. Senator Moss, may I make one further comment that will be very brief?

We promised, when we were considering the Appalachian bill, there would be no delay in considering the needs of the other regions. If

those regions could document their needs, could spell out the programs in which they could constructively participate, it would be the purpose of the members of this committee to consider legislation and hope to bring it to a speedy passage.

I don't want to labor the record, but we are keeping that pledge. We want to do this.

Senator Moss. Thank you, Senator Randolph. We do appreciate your support in this matter.

Senator Montoya, do you have any comment?

Senator MONTOKA. Yes.

I, too, want to compliment General Rich for his very fine statement.

I want to say to Senator Randolph before he leaves the room that we from the Western region are trying to ask the Congress to help us in trying to "Randolphize" the Rocky Mountain region like he did his. I am sure that his sympathies are with us, and he will give us the right help.

I do want to say, General Rich, that I also want to commend your chamber of commerce for having the vision to be represented here in this hearing, and to become involved in this very worthwhile piece of legislation.

I would like to ask you just one brief question.

Does the State of Utah have any planning commission for economic development?

General RICH. Yes. It works out of the Governor's office. That has been expanded in the last session of the legislature. They appropriated a half million dollars for an industrial commission in this particular field to work in industry.

Senator MONTOKA. Did it have any appropriation before?

General RICH. No. There has been one man in the Governor's office that has worked on the overall State plan.

Senator MONTOKA. But actually this is the first time that it has been imbued with legislative and monetary energy. Is that correct?

General RICH. Yes, sir. *

Senator MONTOKA. I certainly want to commend your Governor for having this foresight, and certainly want to thank you for appearing before this committee.

General RICH. Thank you, Senator.

Senator Moss. Thank you very much, General Rich.

Before I call the next witness, I do have a letter that I would like to insert in the record that is signed by the president of the Utah State Association of Counties, endorsing this legislation before us. The letter is signed by Gordon R. Hall, and will appear in the record at this point.

(The letter referred to follows:)

UTAH ASSOCIATION OF COUNTIES,
Tooele, Utah, April 28, 1965.

HON. FRANK E. MOSS,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: The Utah State Association of Counties notes with pleasure your cosponsorship of the Public Works Economic Development Act of 1965.

The proposed legislation is deemed of prime importance to the counties of the State of Utah and this association wholeheartedly supports your sponsorship of the bill and urges its enactment.

We know from the experience with the Area Redevelopment Administration in the State of Utah that such legislation is indeed necessary. In this regard I specifically make mention of the tremendous recreational advantages that have been afforded in Summit County, Utah, in connection with the Treasure Mountains Recreation Area. This was of course made possible by the Area Redevelopment Administration. There are of course other areas in the State of Utah that are actively working in this field such as Wasatch County, Juab County and San Juan County. Wasatch County in fact has prepared and overall economic development program which was admitted to the Area Redevelopment Administration during 1963; however, no projects have actually been started since funds were not readily available.

Time and distance prevents a personal appearance during the hearings concerning this bill; however, this association stands ready and willing to furnish all possible assistance to the passage of this act.

GORDON R. HALL, *President.*

Senator Moss. Our next witness will be Mr. Hope Wiley, who is the Highway Commissioner for New Mexico, who has come here to testify for us today.

We are pleased to have you, Mr. Wiley, and look forward to hearing you.

I think you are the planning director for the highway commission.

STATEMENT OF HOPE WILEY, PLANNING DIRECTOR, NEW MEXICO STATE HISTORY COMMISSION

Mr. WILEY. Thank you, Mr. Chairman and gentlemen of the committee.

My name is H. S. Wiley, planning director of the New Mexico State Highway Commission. I am substituting for Mr. John F. Sudderth, whose commitments prevented his attendance at this time.

The invitation to appear here today and to present our views regarding the special help needed in developing economic conditions and the economic climate of our area is sincerely appreciated.

New Mexico is the 5th largest State in the Union, but ranks only 37th in respect to population. This gives you an immediate clue to the difficulty of serving all our citizens with adequate transportation facilities.

It is quite true that in the 1950-60 decade, our population grew at rate that was more than double the National average. But even with a population of 1.2 million, which is the figure predicted for 1970, New Mexico will have a population density of only 9.9 persons per square mile.

As of 1960, only four States—Alaska, Montana, Nevada, and Wyoming—had populations more thinly scattered than ours.

About two-thirds of our citizens live in 85 incorporated places, with the number of their inhabitants ranging from 55 to 201,000. The remaining third of the population is scattered over the State in small villages or on isolated farms and ranches.

When you add to this uneven distribution of the population the problems attached to vast areas of difficult terrain and the extremes of climatic conditions, you get a glimmer of the job we face in trying to provide adequate highways for all New Mexicans.

We have in New Mexico about 63,350 miles of public road. The State system, which is that road mileage for which the State highway commission has assumed responsibility, amounts to 12,000 miles.

This mileage represents only 19 percent of the total, but it serves 85 percent of the motor vehicle travel in the State. It is therefore justifiable for us to concentrate our efforts on the State system.

Let me assure you that if we could develop just these 12,000 miles to full adequacy and maintain them, we would feel that we were doing our job well.

Unfortunately, we have no such cheering prospect. We expect the 1,000 mile interstate system in New Mexico to be completed by 1972. But when we compare our estimates of need with what we can expect in the way of revenue for our primary system, it looks as if we will be able to do only half of what should be done.

The outlook for the secondary system is even drearier. It appears that only a third of the needs of that system can be met.

In other words, with so large a State and so small a population, our funds for doing the highway job that ought to be done are severely limited.

In the light of this situation, the careful programing of highway construction in New Mexico is not only desirable, it is absolutely essential.

If an annual operating budget of \$65 million doesn't sound exactly "limited," let me give you a quick rundown on what can be done with that sum.

For instance, on the primary system, exclusive of the interstate, there are some 1,100 miles rated critically deficient and in need of immediate improvement. With our Federal aid allotment plus our State matching funds, it will take us 12 to 14 years to do only the work that is urgent today, to say nothing of all the mileage that will become critically deficient during this period.

We have today some 2,100 miles of secondary highways which we consider critically deficient. On an average, we are able to take care of about 130 miles a year. So, discounting any new deficiencies, it will take us 16 years to get the secondary system into satisfactory shape.

You can see what I mean by "limited" funds.

Improvement needs on these two systems are not a matter of guess-work. The rural mileage of each system is subject to an annual road-condition inventory. Every section of road is rated on the basis of structural adequacy, traffic-volume capacity, and safety.

An adjusted rating is then calculated to show the relative need for improvement of each section in terms of the entire system.

State highway-user taxes provide the money for matching funds, for all non-Federal-aid highway construction, and all maintenance work. And in addition to Federal aid and State construction in urban areas, the State tries to help our cities by participating in the cost of improving municipal arterial streets.

You can see that our revenue for highway work has to cover a lot of ground—figuratively as well as literally.

We mention these matters simply to point out that the requirements of our existing road network demand every bit of efficiency and economy, which we can apply. Nevertheless, we have vast areas which cannot achieve their potential for development unless adequate or improved access may be provided.

Unfortunately, it is roads of this type which return revenue for roadbuilding in small measure as compared to the general economic benefits which may be anticipated.

As an expression of our State's faith in the potential of its undeveloped areas, the State highway commission is moving to the best of its ability toward the completion of a through route across the northern half of New Mexico.

A key link in this development is a high-level bridge across the Rio Grande gorge west of Taos. Now nearly complete at a cost of about \$2 million in State funds, the bridge deck will be 650 feet above the river, second in height only to the Royal Gorge Bridge near Canon City, Colo.

Work is proceeding on further links in this route, which will open to travel areas of unexcelled scenic value and with great industrial and commercial opportunity.

New Mexico is therefore extending its resources to the utmost to provide the access which is vital to development. Our abilities in this respect are limited, however, and we earnestly solicit the assistance which may be made available through S. 1648.

Again, may we express our appreciation for the privilege of appearing here.

Thank you.

Senator MONTOKA (presiding). Mr. Wiley, thank you for your statement. I believe that you are the first witness who has presented comprehensive testimony on the highway needs that are encompassed in the provisions of this bill.

Now what additional mileage do you feel is urgently needed by New Mexico in order to open up these new areas for development?

Mr. WILEY. Senator, as I said earlier, we have some 36,000 miles of roads in our State now in all categories. Unfortunately a great amount of this is nothing better than primitive trail. Although we do need some brand new roads, one of the most urgent needs is development of better standards of these primitive or unimproved roads.

I have a couple of figures here that might interest you. A number of these roads that are still unimproved are designated as State highways and several are on our Federal systems. On our Federal aid secondary highway system we have 682 such miles at present and on other State highways which are not on any Federal system we have 1,010 miles which are still primitive or unimproved.

This gives us some 1,692 miles which we are responsible for but that we have not been able to do any construction on, and many of these are not even maintained.

Senator MONTOKA. But in addition to these particular roads which have been designated as either secondary or State highways, there is an extreme need for access roads which might require new construction and new designations; is that correct?

Mr. WILEY. Yes, sir; there would be a certain mileage there also as well as these.

Senator MONTOKA. Is the great need concentrated more particularly in what we call the northern depressed area of New Mexico?

Mr. WILEY. Yes, sir; this is true.

Senator MONTOKA. And it is in this area where you feel there would be a considerable return to the taxpayers if that area becomes accessible to tourism and other fields of economic endeavor.

Mr. WILEY. We believe this to be true, Senator.

Senator MONTTOYA. You have made a great start in opening up this area by this project which has been mentioned here in the testimony by Mr. Flynn and by you emanating from the bridge at the Rio Grande Gorge near Taos.

Mr. WILEY. Yes, sir.

Senator MONTTOYA. Do you expect this traversing road to be completed in the very near future?

Mr. WILEY. May I give a little rundown on the programing of it, Senator?

Senator MONTTOYA. Yes, if you will and will you also tell us how you were able to make a start on this type of cross-region road.

Mr. WILEY. Yes, sir; as has been pointed out earlier in this testimony there was a vast area in New Mexico between Taos and a little town known as Tierra Amarilla some distance west that was impossible. In fact there were no roads at all between Tres Piedras and Tierra Amarilla.

Senator MONTTOYA. What distance would that be from the river gorge to Tierra Amarilla, more or less?

Mr. WILEY. I could make a wild guess. I am sorry I have no maps before me, but it must be a good 80 or 100 miles.

Senator MONTTOYA. This area was entirely isolated; is that correct?

Mr. WILEY. Yes, sir; take the part west of Tierra Amarilla, there were no roads there at all.

Senator MONTTOYA. All right, continue.

Mr. WILEY. As has been mentioned we have practically completed a high-level bridge over the Rio Grande at a cost of about \$2 million. There is this project at either end of this bridge which is now complete.

There is one coming up from Taos to the bridge approach on the east and then a connection from the bridge on to another paved highway which we had west of Tres Piedras. When the bridge is opened that portion of the highway will be ready for use.

There remains to be built that part of the road from Tres Piedras to Tierra Amarilla.

Senator MONTTOYA. What distance is that?

Mr. WILEY. That, I should think, is around 45 to 50 miles.

Senator MONTTOYA. And what is contemplated on that?

Mr. WILEY. We have now one project under construction immediately on the east end and another project under construction on the west end. The forest service has committed, in argeement with the Bureau of Public Roads and State highway department, to put 3 projects in that total \$1,700,000, which will bring us almost to the west boundary.

There will be 3 or 4 projects from that boundary west tying into that construction and these are all promised with Federal secondary road funds through the fiscal year 1968.

Senator MONTTOYA. Most of this is an entirely new road program; is that correct?

Mr. WILEY. Yes.

Senator MONTTOYA. It was not designated prior to initiation of construction as either secondary or State highway?

Mr. WILEY. That is correct.

Senator MONTTOYA. How were you able to bring it into the Federal program?

Mr. WILEY. Senator, I believe the fact that the State went ahead with its own funds to initiate this sizable portion of the construction was evidence to the Bureau of Public Roads that we meant business. After that work was started we made application to the Bureau of Public Roads on the second portion, that portion between Tres Piedras and Tierra Amarilla and we were successful in getting that approved so we can build that portion.

Senator MONTÓYA. So with Federal funds and State funds you were able to realize a dream of many years standing?

Mr. WILEY. Yes, sir.

Senator MONTÓYA. In dollars and cents, what is the estimated need on the State highway system exclusive of Interstate?

Mr. WILEY. We make very detailed studies on the Federal aid primary and secondary aid systems as to the roads and their conditions. These figures, which I am about to give you are based on the cost to bring to adequacy all sections now rated critically deficient.

On the Federal aid primary system where we need to spend money today, that comes to \$182 million. On our Federal aid secondary system this same figure representing the need existing today would be \$177 million. Now on other State highways that are not under any Federal system at the present time we don't have such an active figure.

As a matter of fact we are now engaged in a study to determine that but we know it would be at least \$100 million or probably somewhat more. So this would give us a figure of around \$459 million existing need today, exclusive of Interstate.

Senator MONTÓYA. Now exclusive of Interstate again, how much construction could New Mexico accomplish per year with the Federal highway program under present legislation?

Mr. WILEY. This is extremely small in the light of the need. I have figures here which we received in our 1966 fiscal year apportionment of Federal aid. This doesn't include Interstate, as you said. For Federal aid primary purpose New Mexico received \$6.8 million. For Federal aid secondary, \$4.6 million, and for their urban extensions, \$1.2 million, making a total for fiscal 1966 in Federal aid, exclusive of Interstate, \$12,600,000.

It takes a round \$6.3 million to match this. So this would give us a total that we are able to use for Federal aid construction for a single year of around \$18.9 million.

Senator MONTÓYA. Over and above the Federal aid projects, is New Mexico able to carry on a sizable program of construction with 100 percent State funds?

Mr. WILEY. No, sir; unfortunately, we can't. As a matter of fact, our projection of the funds that we expect to have available from State revenue sources through 1972 would be insufficient even to match Federal aid. The legislature just adjourned. The 1965 legislature passed enabling legislation to allow the sale of \$20 million of debentures so that we might be able to carry on our program.

Senator MONTÓYA. Your matching program?

Mr. WILEY. Yes, sir; through 1972. This would enable us to finish our Interstate program on time.

Senator MONTÓYA. Does this hold true with respect to other States?

Mr. WILEY. Although I can't speak for many of the States, I do feel reasonably sure that it is true in a number of the States.

Senator MONTTOYA. So the different States have to face the problem that they cannot build the access roads with State funds because they need those revenues to match Federal funds into the Federal highway system?

Mr. WILEY. I believe we could find this generally true in that portion of the country.

Senator MONTTOYA. And unless Congress does something about this and other supplementary legislation the access roads will just be in the talking stage?

Mr. WILEY. That is right, Senator.

Senator MONTTOYA. Thank you, Mr. Wiley.

The next witness will be Mr. Joe Herrera, who is the secretary of the All-Pueblo Council of New Mexico, comprised of the Indian pueblos within the State of New Mexico.

Mr. Herrera is one of our fine citizens in the State and is very active with respect to Indian problems and as an employee of the State department of education.

I certainly want to welcome him here and I know that he will speak with great knowledge of Indian problems. We certainly need his testimony before this committee, because the bill encompasses the problem of our Indian population in this country as well as to others.

Mr. Herrera, you are most welcome here this morning and you may proceed with your testimony.

STATEMENT OF JOE HERRERA, SECRETARY OF THE ALL-PUEBLO COUNCIL AND ASSISTANT DIRECTOR, DIVISION OF EDUCATION OF THE NEW MEXICO STATE DEPARTMENT OF EDUCATION

Mr. HERRERA. Thank you, Senator Montoya. With your permission I would also like to insert an organization that I represent which is known as the Governor's Interstate Indian Council where 23 States participate in this and, of course, represented by the Governor's offices of the respective States.

Senator MONTTOYA. In what capacity do you participate in that council?

Mr. HERRERA. I am chairman of the Governor's Interstate Indian Council. And we hope this year, in anticipation of two States, North Carolina and Michigan, that they will join this organization, bringing this organization to 23 States that will be participating.

Senator MONTTOYA. You have had studies made and seminars held under the auspices of this council with respect to economic planning for the Indians; is that correct?

Mr. HERRERA. Yes, sir.

Senator MONTTOYA. You may proceed, Mr. Herrera.

Mr. HERRERA. Thank you, Senator Montoya and members of the committee. In view of the limitation of time, I should like to address myself to the provisions of title V of this bill, "Establishment and coordination of regional planning commissions," with particular reference to the importance which this measure has for the Indian people.

The regional action planning commissions will play an important part in the economic development of the Indian reservations.

Purpose of Senate bill 1648, as stated in section 2 thereof, is reassuring, for Indian tribes, no less than other disadvantaged Amer-

icans, suffer from substantial and persistent unemployment and underemployment.

The rate of Indian unemployment is 10 times that of the national average, and on some reservations it is almost total. Lack of opportunity, lack of sufficient education to take job training, and the lack of training so essential in these days of increasing technological advancement, cause the Indian to be unemployed and underemployed and result in a very low annual income.

Federal financial assistance, including grants for the development of reservation facilities, establishing of industries and enterprises, particularly where there are self-help features, should do much to alleviate poverty and to help the Indian people become self-sufficient.

It will, indeed, as section 2 states,

enable such areas to help themselves achieve lasting improvement and enhance the domestic prosperity by the establishment of stable and diversified local economies and improved local conditions * * *

We wholeheartedly support the view that—

such assistance should be preceded by and consistent with sound, long-range economic planning; and that under the provisions of this act new employment opportunities should be created by developing and expanding new and existing public works and other facilities and resources rather than by merely transferring jobs from one area of the United States to another.

Under the prior program of the Federal Public Works Administration, sufficient thought was not given to planning; it was a crash program, under which insufficient funds were granted for a project that had to be completed by a certain date. It was a case of too little too hurriedly, and because of this, comparatively few Indians were employed.

Contractors had to get the job done, and they brought in their own crews in the interests of speed.

That program, when it was before the Congress, at first didn't even include Indian tribes; it was amended later so that Indians could participate. We hope that in this bill, due attention will be paid and consideration given to the needs of the impoverished Indians, who, the President has said, are the neediest of all this Nation's minorities.

What is needed, therefore, is not stopgap legislation, but a law that will make it possible to recognize the economic needs of the tribes and put into effect a program that will not only develop the reservation economy, but enable the Indians to do things for themselves, to be trained so that they can take jobs on their reservations, so that they are not deprived of the very valuable experience gained from actual participation in the program, not only in the physical work involved but also in the planning.

For too long it has been the practice to do the planning without consulting the Indians, who are the ones most vitally concerned, and in too many cases, do the work for them and then hand it to them.

We realize that it is much easier to do a job yourself than to teach someone else how to do it, especially if that "someone else" is not fluent in the English language and has not had the type of work experience required on the project. Nevertheless, this holds little of value to the Indian, who must be equipped to learn a job and enabled to do a job, otherwise it becomes a stopgap and of little lasting value.

It is difficult for the Indian, whose education averages only half that of the rest of the population, whose health is only two-thirds as

good, and whose economy is only one-fourth that of the Nation at large, to bring to a job the comprehension and understanding of those who are more familiar with the English language.

There are some 550,000 Indians in the United States, but they are an important minority. They have a love for their country which is unsurpassed by any segment of our population, because this is or was their land, and they venerate it as a gift from the Great Spirit and from the Mother of all Creation.

You find no subversives, no Communists, among the Indians; their record of service to their country in time of war is one to be proud of, and just as they were numbered among those who were immortalized in the raising of the flag on Iwo Jima, so they are numbered among the great ones in American history.

Too little is known of what the Indian has meant to this great Nation. And yet, they have suffered more than any others at the hands of their Government in the past.

Under recent programs, such as provided under the Economic Opportunity Act, they are demonstrating their eagerness to obtain the help they need. I would remind you that of the seven community action programs under OEO funded in New Mexico, all of them are for Indian tribes, showing that all the Indian needs is an opportunity to improve conditions.

This Senate bill 1648 makes us proud of our country, proud of its evident intention to improve the lot of its impoverished minorities, and we are grateful to the Congress for this consideration of the needy ones in America.

Section 502(5) provides that "the prospects that the project, on a continuing"—please note the word "continued," rather than a temporary—"basis, will improve the opportunities for employment, the average level of income, or the economic and social development of the area served by the project."

We applaud that provision.

We hope that the Congress, in its wisdom, will provide for the needy areas in the Nation the opportunities possible under this bill. And we thank the committee, those enlightened gentlemen who introduced this bill, and all who will work together to implement it and make it a shining page in American history.

Thank you very much.

Senator MONTÓYA. Thank you, Mr. Herrera, you made a very fine statement. I want to ask you what is the educational level of the Indian compared with the rest of the population.

Mr. HERRERA. On a national level, sir, the educational level of the Indian people is little better than 6th grade compared to 10th grade of non-Indians.

Senator MONTÓYA. Do they have any trouble communicating in the English language?

Mr. HERRERA. Yes. We have many Indian communities where children are raised and come to school with no knowledge of English at all.

Senator MONTÓYA. Is there anything being done at the present time to try to alleviate that situation?

Mr. HERRERA. In our State of New Mexico we are making some effort with our language arts program in the various public schools.

Senator MONTTOYA. Are you making any effort to teach these children at the preschool level?

Mr. HERRERA. Yes, sir. As an example the Indian people have gone to work in submitting applications for the headstart program starting this summer.

Senator MONTTOYA. As a matter of fact until recently the Indian children had to go to strictly Indian schools in New Mexico; is that correct?

Mr. HERRERA. Yes, sir. And, of course, that didn't help as much as we had hoped, with regard to the language barrier which our young Indian children encounter, in that many of the parents are quite satisfied with the integrated atmosphere in the public schools where they are beginning to rub elbows with their young peers.

Senator MONTTOYA. As a matter of fact it has been only in recent years that the Indian population had made an effort to sort of integrate their school system with the local school systems throughout the State; isn't that correct?

Mr. HERRERA. Yes, sir.

Senator MONTTOYA. And as a result of that system the Indian children are picking up the English language on a more permanent basis rather than just in the classroom, is that correct?

Mr. HERRERA. Yes, sir.

Senator MONTTOYA. This gives them an opportunity, the fact that many of our young children after graduating from high school have to integrate into the non-Indian society and certainly because there is no assurance of employment on the reservation many of them will have to leave and certainly this helps a great deal with the respect to the English language which they will have to use in their various jobs or wherever they go.

You mentioned that in some cases most of the Indians in the different pueblos were unemployed. Is that a general situation or are those isolated situations?

Mr. HERRERA. These are isolated situations and because the fact that there are no industries in the adjacent areas certainly we need them a lot because of the fact that we do have this unemployment situation there and also because of the salable skills that we are encountering among the Indian people. They certainly need to be trained in some vocational and technical skill.

Senator MONTTOYA. As a matter of fact, some of your Indians do have great skills in the making of jewelry, but they don't have the kind of organization to market the jewelry with reasonable profit to themselves, is that correct?

Mr. HERRERA. This is correct. There are no outlets whatsoever.

Senator MONTTOYA. Is it your contention that the provisions of this bill lend themselves to the economic planning by the Indian communities themselves in such a manner as to uplift the welfare of these Indians?

Mr. HERRERA. Yes, sir. If you give them the opportunity to participate in any kind of a program planning, certainly you will see, as has already been demonstrated by the Indian people in the community action programs, a lot of employment.

Senator MONTTOYA. I noticed that you placed a great deal of emphasis upon the idea of allowing the Indians, themselves, to participate in the planning stages under this program.

Mr. HERRERA. Yes, sir.

Senator MONTOKA. Rather than to be told just what to do.

Mr. HERRERA. Exactly. I think it has been too long under the Bureau of Indian Affairs. Certainly things have been done for them and they need to be given an opportunity and a chance to participate in some of these things and do for themselves.

Senator MONTOKA. Mr. Herrera, we have been trying to emphasize that particular approach on a national basis that the people afflicted by poverty should be allowed to participate in this kind of planning too. I think that is a very salutary suggestion on your part.

Do you have anything else to add to your statement, Mr. Herrera?

Mr. HERRERA. No, except the fact that the importance of this bill, Senate bill 1648, certainly is going to help to improve the lot and conditions of the Indian people not only in New Mexico but certainly in those States where we are concerned with respect to employment of their living conditions, education, and economic conditions. And when this is done you will see that the Indian people will participate as any other citizens in the United States as being part of the local and State administration.

You are seeing this in New Mexico where people are beginning to take advantage of the voting privileges and other privileges which belong to them.

Senator MONTOKA. As a matter of fact in New Mexico we encourage the Indians to register, do we not?

Mr. HERRERA. Yes, sir. In my own community of some 500 Pueblo Indians you will find that 100 percent of the eligible Indian voters are registered.

Senator MONTOKA. In fact, that was the first Indian Pueblo to register; is that correct?

Mr. HERRERA. Yes, sir.

Senator MONTOKA. Mr. Herrera, your interest in the field of education certainly as equipped you with a great knowledge about the Indians in New Mexico.

What do you suggest by way of education and further training along those lines in order to help the uplift of the American Indian?

Mr. HERRERA. Ever since the policy of public school education, set down by the Bureau of Indian Affairs, certainly has been very satisfactory. The fact that eventually, as many of us have done in the past several years, we have gone out and looked for employment off the reservations, because there is no assurance of employment, as indicated previously, back on the reservation.

And certainly with the educational opportunities provided by the public schools and other private schools, that is, mission and parochial schools, and even the Bureau of Indian Affairs, certainly it is going to help.

We do have a problem of a high attrition rate among the Indian people not necessarily only at the high school level but also the college level and we hope that this is being corrected by the local public schools in training them so that perhaps the adjustment of the young Indian people on the college campus will not be as difficult as they are encountering now.

Senator MONTOKA. Will you say that the dropout rate among Indians is higher than any other segment of our population?

Mr. HERRERA. Yes, sir; it is very high.

Senator MONTROYA. And because they fail to finish high school you feel that they are economically deprived people under our economic system?

Mr. HERRERA. Yes, sir.

Senator MONTROYA. And that training and economic opportunity in education and under the provisions of this bill will help the Indian population generally?

Mr. HERRERA. It most certainly will, sir.

Senator MONTROYA. There is another thing that I want to clarify, Mr. Herrera. Is it true that the provisions of the proposed legislation specifically mentioned Indian pueblos and reservations and then in another part of the bill there is a requirement of 1,500 population? I don't know whether that would apply to the specific requirement, but there is a debate going on within the committee about that.

But merely for laying a proper premise for further argument, would you elucidate to the committee as to whether or not there are any pueblos which have a population of 1,500 or less in New Mexico and then extend it naturally to ascertain whether you are aware whether there are other Indian reservations throughout the Nation with less than 1,500 in population.

Mr. HERRERA. Unless you are to consider the respective tribes as a whole or communities, certainly some of the communities in New Mexico are less than 1,500, sir. All except the pueblo of Laguna. Laguna has a population of some 4,000 and this is about the same number in the Zuni pueblo.

Senator MONTROYA. Thank you, Mr. Herrera.

Mr. HERRERA. Yes, sir; thank you, sir.

Senator YOUNG. I have no questions, Mr. Chairman, thank you.

Senator MONTROYA. I will place in the record a statement of my colleague from the State of New Mexico, Senator Anderson he, too, supports the bill.

(The statement is as follows:)

STATEMENT OF HON. CLINTON P. ANDERSON, A U.S. SENATOR FROM
THE STATE OF NEW MEXICO IN SUPPORT OF S. 1648

Mr. Chairman, I appreciate the opportunity to submit a statement to your committee in support of S. 1648, the Public Works and Economic Development Act of 1965.

Mr. Chairman, I know that the intent of this bill is to assist in reducing unemployment wherever it is found. However, I believe that this legislation will be especially helpful for small rural communities, unincorporated towns and villages and Indian groups. The people in my State needing help the most are those in these small communities and the Indian groups. Therefore, I support the bill.

It appears to me that if this bill is enacted, it will provide a means of combining the good parts of a public works program with community and regional development programs, which along with the help under the Economic Opportunity Act and the new Education Act, will help stabilize the economy in these areas of high unemployment, as well as help provide new business opportunities and provide new jobs to people in these areas on a permanent basis.

One of the major problems in underdeveloped areas and areas of high unemployment is the shift of population from these areas in search of employment. Most of these people become transient and have little education or training that would qualify them for jobs in new communities. Thus, they add to the relief load and unemployment in other areas and their own community is further depressed by loss of population. The real need is to stabilize the economy of these underdeveloped areas and develop employment opportunities. Many of these communities have all kinds of resources and desirable qualities

but they lack trained leadership and have had little attention from State and Federal agencies looking toward training of the people for jobs and development of their local resources.

The northern part of my home State of New Mexico is ideally adapted to programs that could be initiated under this legislation if it is enacted into law. We have many small, irrigated farming areas that are well adapted to the growing of specialty crops not in surplus, and great recreation potentials. Very little progress has been made in developing this farming industry because there has been a lack of technical advice, lack of trained leaders, and such obstacles as clouded land titles that have prevented borrowing of funds for financing some of the worthy operations. Some of these small farms individually or collectively could also develop recreational facilities that would attract additional family income.

The greatest need in our economically depressed towns and rural areas is for land improvement, water conservation, recreation development, improved access, development of rural industries, such as farm product processing plants, marketing cooperatives, and small industries that will utilize the natural resources in these areas. Along with this must come better educational facilities and a good vocational training program.

We have underway in the north central part of the State along the Rio Grande and tributaries a pilot rural redevelopment project and this is now beginning to make progress, but it would be greatly accelerated by assistance from programs provided under S. 1648.

The ARA and public works programs under the existing laws have done much for several communities in my State and these areas will reap lasting benefits from some of these projects. Some of our communities were able to construct water facilities that would be of permanent benefit; some have obtained natural gas for use on the farms and in homes; some have constructed recreation facilities that will produce income. The Mescalero Indians have had considerable assistance under these programs in developing outdoor recreation facilities on the reservation which will attract hundreds of visitors and provide jobs for Indians. This would not have been possible without the ARA and public works programs.

Under previous programs, the assistance has been limited mostly to individual communities which, in some instances, has not permitted a regional development of all areas where economics and geography indicate that an interstate or regional plan of cooperation would be the best approach. One good feature of this bill is that the authority for this sort of planning and implementation of projects on an interstate or regional basis will make possible development of areas that could not participate on their own. This legislation also provides some technical assistance, but in the planning and implementation of the projects there is a responsibility for some local contribution. I believe that this is good because when the local people have some of their own resources at stake, as a rule, a great deal more effort is put forth to make the project succeed.

A good feature of this legislation is the loan guarantee provision to assist in the purchase and development of land and facilities for industrial and commercial usage and to guarantee loans for working capital made by private lending institutions in connection with projects under this program. The provisions of the bill place limits and safeguards on the loans or grants and include obligations on the part of the recipients to insure that any such loans are made on a sound basis. This is good because the assistance does not come as a complete government handout and the individuals or firms receiving the loans would usually be tied in with local commercial establishments on a participating basis.

The criteria for eligibility of areas, regions, firms or individuals are all subject to periodic review; and sound criteria are provided which must be met before an applicant for assistance can participate in the program.

If this legislation can be enacted and properly coordinated with the present Economic Opportunity Act, the Manpower Training Act, and the new Education Act, I believe that we will have a combination of strong programs that will go a long way toward helping the depressed and backward areas of the country pull themselves out of their depressed condition and develop prosperous communities.

I, therefore, urge that early favorable action be taken on the bill by your committee. Thank you.

Senator MONTÓYA. I want to present Senator Stephen Young here, who is a very distinguished Member of Congress and a recent victor

in his great State and a recipient of a great vote of confidence. Welcome to the committee, Senator Young.

Senator YOUNG. Thank you; you make me feel good.

Senator MONTONA. That terminates the case for New Mexico.

The next witness is Dr. Vernon Alden, president of Ohio University, Athens, Ohio.

Senator Young, would you like to make some introductory remarks?

Senator YOUNG. I hope Dr. Alden will come forward with his associates.

May I say that Dr. Alden needs no introduction anywhere in the Nation. He is one of the noted educators of our country. He is President of Ohio University, at Athens, Ohio. That is one of the great institutions of the "Buckeye State."

The only thing that I have ever heard against Dr. Alden is that recently he has been mentioned as a possible Democratic candidate for Governor of Ohio next year. I suspect it is not necessary for Dr. Alden to disavow that intent. He is here in his capacity as an educator and as president of a great university.

But I merely mention that to indicate with what respect and great affection people of Ohio hold Dr. Alden. It has been my privilege to know him for a number of years and I hold him in the highest admiration.

We are glad to welcome you, Doctor, as a witness before us today. It just happens that the Committee on Armed Services and the Committee on Finance and practically every committee of the Senate is in session this morning, but I assure you your testimony will be read by all of the members of this committee.

Senator MONTONA. Thank you, Senator Young.

Dr. Alden, will you identify those people who are with you and after such identification will you give us your educational and other background for the record?

STATEMENT OF DR. VERNON R. ALDEN, PRESIDENT, OHIO UNIVERSITY; ACCOMPANIED BY WILLIAM J. SHEEHAN, DIRECTOR, INSTITUTE FOR REGIONAL DEVELOPMENT; AND MARTIN L. HECHT, EXECUTIVE ASSISTANT TO DR. ALDEN

Dr. ALDEN. Thank you, Mr. Chairman, and Senator Young, our distinguished Senator from Ohio. We are very pleased to be here today.

I would like to introduce my executive assistant, Mr. Martin L. Hecht, from Athens, and our director of the institute for regional development, Mr. William J. Sheehan. In my testimony I will say more about them.

I was born in Illinois, but because my father was a minister and moved to the east coast I had most of my college and graduate work on the east coast. I did my undergraduate work at Brown University in Providence, R.I., and my graduate work at Harvard.

I worked at Harvard from 1950 until 1962 at which time the board of trustees of Ohio University invited me there to be the president.

Mr. Chairman and members of the committee, I am pleased to appear before you at this time to discuss the proposed legislation on the Public Works and Economic Development Act of 1965. I will

confine my remarks to title III and IV of the act—those sections concerning technical assistance, economic development district, and regional planning commissions—as these are the areas in which I feel most qualified to speak.

DECLINE AND FALL

A brief review of the economic history of southeastern Ohio will establish the framework for our discussion. Half a century ago, this region was humming with industrial activity. Its communities were prosperous and growing; prospects for the future seemed bright. But there was a latent danger in this prosperity.

Nearly everything revolved around a single industry, deep-shaft coal mining, with a limited amount of diversification in the clay, timber and agricultural industries.

In the 1930's, with the exploitation of larger and more profitable coal deposits in other areas of the country, southeastern Ohio felt the first tremors of economic instability. Following World War II, the home heating market shifted rapidly to oil and gas.

The deep-shaft mining industry collapsed, while the operations of the area's railroad industry were substantially curtailed.

The blow to the area's economic activity was crippling—in some communities, fatal. Entire towns disappeared completely. Others became ghost towns as residents struggled for a time to find employment, then gave up and moved away. Young people fortunate enough to obtain college educations left the area in annual migrations.

With more fertile land in other areas of the State providing increasingly bountiful yields, farming in southeastern Ohio became proportionately more futile. The decline in agriculture matched, and in some cases exceeded, the decline in those industries mentioned above.

As a result, in only two of the area's counties are more than 20 percent of the population now employed in farming. Employment in industry has fallen by more than 50 percent. In several counties, the 1950 census indicated a decrease in population from the level of the 1920's.

In general, the counties and communities of southeastern Ohio have been characterized, until quite recently, by chronic and persistent unemployment, a high proportion of persons aged 65 and over, low government expenditures for needed public services and facilities, inadequate schools and health facilities, and a high outlay of Federal and State funds for welfare, relief, and retirement.

Family incomes are low, with a marked tendency to become lower. The counties of this area contain many of Ohio's poorest roads. The value of commercial bank loans, the volume of wholesale and retail transactions, and the level of property tax valuations are the lowest in the State.

Moreover, the loss of employment opportunities in southeastern Ohio has resulted in an outmigration of the educated citizens of the area—the business, professional, and technical personnel whose knowledge, ability, and capacity for leadership is essential to the economic revitalization of the region.

This erosion in human sector has stripped the area's communities of those persons who could make development evaluations, plan regional facilities, and implement programs geared to economic growth.

RENAISSANCE

It should be clear, from the picture I have sketched above, that southeastern Ohio is in the midst of a critical economic and social crisis. In 1962, Ohio University joined with the area redevelopment administration in taking the first step toward the resolution of the crisis.

A systematic assessment was made of the region's problems, potentials, and specific needs. The purpose of the program was to forge an economic development program in cooperation with the 500-member Southeastern Ohio Regional Council.

On May 7, 1964, speaking on the campus of Ohio University, President Johnson announced a substantial grant for the establishment of a technical assistance facility to be known as the Institute for Regional Development.

On March 25 of this year, in his message to Congress on area and regional economic development, President Johnson made specific reference to Ohio University as one of those universities leading the way toward the economic revitalization of depressed areas of the country.

THE ROLE OF THE UNIVERSITY IN REGIONAL DEVELOPMENT

Leadership is the single most important element in any successful development program. Almost every depressed community and county attempts to make some effort toward solving its particular problems.

Admirable as these self-help, "bootstrap" efforts are, experience has repeatedly shown that they usually fail without cooperation on a larger scale.

Especially in an area as extensively and uniformly depressed as southeastern Ohio, the economic well-being of one community is inextricably connected to that of the surrounding communities. Thus, the isolated and sporadic efforts of these individual communities must be given a common direction and some measure of consistency if they are to be significantly effective.

Ohio University, through its intimate involvement with the educational, social, and economic activities of southeastern Ohio, is placed in a pivotal position which almost inevitably demands that it assume the task of leadership. Recognizing this responsibility, the university has developed the Institute for Regional Development for the specific purpose of facilitating economic growth.

THE INSTITUTE FOR REGIONAL DEVELOPMENT

The Institute for Regional Development is directed by William J. Sheehan, whom I introduced a few minutes ago. Mr. Sheehan is a former senior economist from Battelle Memorial Institute in Columbus and formerly a development specialist with the U.S. Department of Commerce.

The institute, as an integral part of the university's total area development program, is under the direction of Martin L. Hecht, on my right, my executive assistant.

The institute's experience in working with over 150 community groups, 84 industries and 50 businesses in the last year has convinced

us that a wide range of technical services, on a small scale and on a continuously available basis, is badly needed.

The institute's activities are directed toward practical, solution-oriented research in the field of economic development. It undertakes research in response to specific needs of the region and directs its findings toward practical solutions and plans for action.

The institute's program consists of four major elements:

1. Assistance to business and industry in marketing, engineering, and economics. This assistance is given to firms presently located in the area and to those considering locating there.

2. Assistance in establishing and expanding the recreational facilities of the region.

3. Assistance to community officials in the design, layout, financing, and implementation of sewage and water systems, and other critically needed public facilities.

4. Assistance in the development of the region's mineral, forest, water, and historical resources.

The institute also evaluates inventions, processes, and management methods for new industries; disseminates information on State and Federal programs; conducts research on regional highways, flood control, and other important community needs; and assesses the impact of economic trends on the region's industry.

A sampling of the almost limitless requests the institute receives includes engineering assistance on the identification, layout, and preparation of industrial sites; guidance in the selection of inexpensive sewage treatment works; market feasibility of new products; financial assistance in expanding existing industrial enterprises; new product design and testing and research into highway development.

As a technical assistance body, the institute's approach is as follows: first, it identifies the specific need, whether in business, recreation, or community facilities; second, it suggests specific kinds of assistance, whether technical, economic, or financial; third, it suggests specific action steps for followup or followthrough upon the project's completion.

The institute has many features which give it a distinct advantage over outside consultants. Practically all the communities and counties, and many of the businesses we assist cannot afford the cost of an outside consultant in the evaluation of their particular need.

Our experience further shows that much of the knowledge the outside consultant obtains in completing a regional project leaves with him. The outside consultant, when the study is completed, is far removed should the community need help in implementing his recommendations.

The resulting effect is similar to that created by the outmigration of educated citizens from the region; those who lack the proper training are left to carry the burden of development alone, while those who possess the training leave the region.

This abandonment of the community by the outside consultant is psychologically harmful, for a community's sights may be raised at the same time as they are denied the means of reaching the desired goal.

The institute for regional development poses no such threat to the psychological well-being of the community it serves. It is a permanent agency assisting not only in the proposing of solutions, but also

in their implementation. The staff, engineers, economists, social scientists, and resource specialists from Ohio University will always be available to these communities, not only in beginning a project, but also in implement it and developing new projects in the years to come.

This element of continuity has been lacking in past attempts by independent research organizations to assist in the economic development of depressed areas.

Another problem which is unavoidable for even the most efficient outside consultant is the expensive delay involved in the compilation of basic data on a particular region. Further it is almost inevitable that a great deal of money will be spent on setting up offices, laboratories, and other support facilities. A permanent regional institute, such as these envisaged by this bill, avoids this waste and duplication.

Unlike an outside consultant, the institute for regional development does not need leadtime before it begins assistance to a community or industry. In an economic crisis, the delay caused by the location and briefing of outside consultants, who must ground themselves in the region's problems before they act, can be fatal.

The purpose of the institute goes far beyond the offer of assistance to individual communities with individual problems. The institute is for regional development and sees all its activities in the context of the whole of southeastern Ohio. Only an agency whose approach is both long-term and wide in scope can hope to effect significant growth within the region.

One of the major obstacles to the development of any region is suspicion and resentment, on the part of local inhabitants, of technicians and consultants whom they look on as intruders. This suspicion is understandable. The local inhabitants may be forced, out of desperation, to seek help from the outside, but they may well resist proposed solution if they see him as the product of outsiders.

It is, therefore, essential that the agency lending assistance be an indigenous institutions. The institute for regional development is such an institution. Ohio University, of which the institute is part, has a direct stake in the success of those programs with which the Institute is involved. The university has established an effective working relationship with people throughout the region.

Through its branch campuses, in six communities in southeastern Ohio, its areawide radio and television coverage and its close association with community leaders, the university is continuously aware of regional problems and plans.

When communities see that the institute is part of an area self-help effort, suspicion decreases and cooperation increases. The institute employs on its projects students, faculty, and staff who are natives of the region. The anticipated use of students on these projects will have the side effect of reversing the migration of young talent to distant urban areas.

The institute involves local officials on each project it undertakes and requests that communities, counties or businesses name an individual from their area to participate actively with the research team in the implementation of results.

Through the institute, Ohio University's social scientists, economists, engineers, and resource specialists work closely with the 500-

member Southeastern Ohio Regional Council in the council's total development program. The institute's support will be increased substantially in the near future with the completion at Ohio University of a \$21 million science and engineering complex which will assist the expansion of existing industry and help to attract new industry.

The relationship between the institute and the council is one of complete mutual cooperation. The administrative offices of both the institute and the council are in the same building on the Ohio University campus. The institute serves as the technical-assistance arm of the council, while the council communicates news of the institute's programs to local communities and recruits support for those programs throughout the region.

Ohio University recognizes the critical need for continuing the work which we have begun in southeastern Ohio. The only way this work can continue is under title II of the Public Works and Economic Development Act, currently before this committee.

In closing let me comment on the relationship between the Federal Government and universities in solving our major domestic problems.

As I see it, there have been three distinct periods in the relationship between American universities and the Federal Government. The first was the establishment of the land grant colleges under the Morrill Act. This act helped our Nation meet its agricultural needs, with almost embarrassing success.

The second era came after the Second World War with the allocation of defense research grants to what have become our major universities. Today, I believe, we are in a new era. Universities are coalescing into new groups and are directing their efforts to the solution, not of agricultural or defense problems, but of human problems.

I feel that Ohio University is taking a leading role in this movement. I believe that other universities can play a similar role in other underdeveloped areas in our Nation.

I hope that this committee will make provision for the continuation of Federal assistance so that universities can play a vital role in regional economic development.

Thank you, sir.

Senator MONTOLA. Thank you, Dr. Alden. I think that the testimony you have given certainly is novel but very elucidating. How long have you had this institute in operation in the University of Ohio?

Dr. ALDEN. We announced the establishment of the institute within the week after President Johnson was on our campus last May. And we then began to recruit outstanding people such as Mr. Sheehan and other people who had experience not only in our area but outside the area.

Our institute really got underway as of the first of September this past year. So they have been at work for a little more than 8 months.

Senator MONTOLA. Do you have a staff exclusively assigned to the work of the institute?

Dr. ALDEN. Yes; we do. We have several staff members whose full-time responsibility is working for the institute. But the beauty of this arrangement, because it is housed at the university, is that they can draw upon the resources of the entire university.

For example, faculty members in our engineering school are drawn on for specific assignments, faculty members in the business school

or in our school or architecture or in other facets of our university operation.

They can be drawn on a part-time basis whereas if this institute were not involved with the university these facilities would not be available or would have to be brought in from other parts of the country on a part-time basis.

Senator MONTROYA. What do you have in your staff?

Dr. ALDEN. Mr. Sheehan?

Mr. SHEEHAN. We have a total of four full-time assistant directors. This counts the personal staff together with myself.

Senator MONTROYA. Do you have any other researchers or do you draw on the different departments for that type of work?

Mr. SHEEHAN. That is correct. We do draw on the other departments. We are currently carrying 18 people in addition to the full-time staff on specific projects.

Senator MONTROYA. You mentioned that you also have a coordinating committee comprised of different people from throughout the region.

Dr. ALDEN. Yes.

Senator MONTROYA. And that committee has its executive office on campus; is that correct?

Dr. ALDEN. Yes.

Senator MONTROYA. How are they supported?

Dr. ALDEN. They are supported by membership fees. The South-eastern Ohio Regional Development Council is a nonprofit association dedicated to the development of our part of the State. Community leaders, business leaders, and others belong to this association on a voluntary basis. There are 500 individuals who pay membership dues and this has been sufficient for them to hire a full-time executive director.

Senator MONTROYA. What are the dues?

Mr. SHEEHAN. \$10 a year for each member.

Senator MONTROYA. And from those dues they are able to support this branch at the University of Ohio?

Dr. ALDEN. Yes; we house them. We are hospitable, and we house them at the university. The dues support the salary and the traveling expenses of the executive director.

Senator MONTROYA. How do you support your staff? Is it supported strictly by the university or by the State?

Dr. ALDEN. Really in three ways. The university provides housing and equipment for the institute. The grant from the Area Redevelopment Agency of last May provides the basic financing for the institute.

Senator MONTROYA. What was that grant?

Dr. ALDEN. It was a total of \$160,000 and we have had two small supplementary grants of \$4,000 since then, so our grant was \$120,000. Then when possible we charge the small business and the communities who work with us a modest fee for our services. So really there are three sources of such support—the university, ARA, and fees charged for some of our services.

Senator MONTROYA. Do you feel that our State universities can perform this same function in the different States?

Dr. ALDEN. Yes; I do. I think that throughout our country the resources of State universities can and should be mobilized in the

economic development of States in the same way they have mobilized in the agricultural development of our States.

Senator MONTROYA. Do you have a State planning commission at the State level of government?

Dr. ALDEN. Yes; we do.

Senator MONTROYA. Do you have liaison with that particular agency?

Dr. ALDEN. Yes; we work closely with the department of development. The Governor has designated a person who is the coordinator of the Appalachian project as well as the OEO projects.

Senator MONTROYA. So there is no overlapping or duplication?

Dr. ALDEN. No. This has worked out very well.

Senator MONTROYA. Thank you very much, Dr. Alden.

We have Senator Cooper with us now. Do you have any questions at this time, Senator?

Senator COOPER. I yield to my colleague, Senator Young from Ohio.

Senator MONTROYA. Senator Young, you have the floor.

Senator YOUNG. Thank you, Senator.

You have seniority over me, but I have just a few questions.

I desire, first, however, to express my admiration for what you have been doing. The first question asked by our chairman was a question that I was going to ask which was: How long had this activity, this regional development activity on your part, been in being and when did you start? You really got going about last September; is that right?

Dr. ALDEN. Yes.

Senator YOUNG. And you are satisfied with the progress you have made since then, are you?

Dr. ALDEN. I have been quite heartened by what has been done so far. Several companies have expressed interest in settling in southeastern Ohio simply because of the research data that has been developed by our institute. For example, a few weeks ago one of the representatives of Litton Industries came into our part of the State looking at the planning for the Appalachian development highway.

There were a number of maps which had been presented by our institute showing proposed industrial sites, the location of sewage facilities, the location of educational institutions, the location of mineral deposits, and so on. Now all of this data which had been assembled by our institute turned out to be very helpful to the planner in the Appalachian program and to potential industries that might settle in our area.

Also the planning has led to a decision on the part of the State to build two substantial recreational lodges in southeastern Ohio to help promote the tourism potential of southeastern Ohio.

Senator YOUNG. The construction of those lodges has not commenced as yet, has it?

Dr. ALDEN. No; but we hope that over the summer work will begin on those lodges.

Senator YOUNG. That's fine. When did you commence the policy of charging "modest fees," as you say? Was that right from the start?

Dr. ALDEN. As soon as the institute was established, Senator Young. This was one of the policy recommendations of our advisory committee and we felt that we ought to make some of the activities of the institute self-sustaining.

Senator YOUNG. Could you illustrate what you term "modest fees"?

Dr. ALDEN. Could you describe a couple of projects, Mr. Sheehan, and the fees charged?

Mr. SHEEHAN. Senator Young, the fee to a major corporation, to be illustrative, here would be a fee of perhaps \$50 a day to a large business corporation. Now, to a small business firm there may be no fee involved at all, or a modest fee, depending on the circumstances of that firm and their need.

So we judge them largely on a case-by-case basis. But we do have the general cut or division between a major as against a small business firm.

Dr. ALDEN. There was a tiny company, for example, Senator Young, that was about to go under. They employed people in the area. We were fearful that these people would be thrown out of employment if this company went bankrupt financially. When our institute moved in and brought with the institute a couple of members of our business school faculty, experts in accounting and in marketing, we found that by working with the top manager of this company we could give him a basic background in accounting and in marketing that enabled him to get moving in this company and it saved the company for our part of the State. Now we didn't charge the man anything for this because he would have been incapable of paying us anything, but we saved the little company.

Senator YOUNG. And those small concerns for which you do make charges that you say are very modest charges, have you experienced as a rule difficulty in reaching agreement with them on that?

Mr. SHEEHAN. No, I haven't. In fact, several of the development groups within the community, through whom I would make the contact with the firm, frequently the chamber of commerce or the area development committee in that particular community, would insist on picking up the cost of the service to that small business firm.

Senator YOUNG. But for a small business firm that is in acute need, as I understand it, you probably would not make any charge at all?

Mr. SHEEHAN. Yes.

Dr. ALDEN. Let me say one thing unless somebody is tempted to say this can be self-supporting. That is not possible in an under-developed area such as ours. There has to be basic financing provided by, let's say, this bill so the institute can be held together so there can be technical experts in the institute, so that this group can be held together as a resource for the industries of the area. Whenever possible we charge fees. But I don't think it is possible in our stage of development today to say that this could be completely self-supporting from fees charged to industries.

Senator YOUNG. Regarding the communities in your area that you are helping right along, do you make a charge of fees to communities?

Dr. ALDEN. When we can, we do. But in many cases these little ghost towns that are now trying to come back are incapable of paying fees. They lack the leadership in those communities. The vital young people have left the area and we just have to go in and provide whatever help we can without a charge.

Senator YOUNG. Dr. Alden, the economic condition in your southeastern Ohio area has been so pitiful in the recent past that I am afraid some of my colleagues could hardly understand that condition. I am sure that the distinguished Senator from Kentucky could

understand it because probably that he has experienced similar conditions in some parts of his State.

I think your State, Senator Montoya, is probably better off.

Senator MONTOKA. I don't think so, Senator.

Senator YOUNG. I hope you are better off, then.

Dr. Alden, has there been an improvement already in your area?

Dr. ALDEN. Yes. The most important development has been that these people in our area who have been defeated in attitude and pessimistic for years now have hope. They see that with the passage of the Economic Opportunity Act, with the passage of the Appalachian bill, with the interest of the university, and with evidence of interest from private industry, that there is hope that our part of the State can be on the move.

So the most important element is there. Our people do have hope there, and there is a sense of excitement about what we can do.

Senator YOUNG. And that is true also of community leaders in the little former ghost towns?

Dr. ALDEN. Yes.

Senator YOUNG. You have given the hopeless a lift, is that correct?

Dr. ALDEN. Right.

One of the fortunate things about southeastern Ohio is that right in the middle of these counties is our university which is growing rapidly. We had 8,600 students 3 years ago. We now have 14,000 on the main campus and in 5 years we will have 20,000, and we will have 10,000 students in the 6 branches located in southeastern Ohio.

So this influx soon of 30,000 students per year, many of whom might find opportunity in our part of the State, I think, will give us a lift. I am very hopeful with the passage of this bill we can see our way to finding our place with the rest of the Nation and can enjoy the prosperity that a large part of the Nation enjoys today.

Senator YOUNG. I go along with the statement you made. As one who turns to the sports page the first thing on Sunday morning, I observed last year in the football season you had the effrontery to take on some giants in football. You have a great athletic record in your institution.

When you first became president, how many students did you have?

Dr. ALDEN. Eighty-six hundred on our main campus. Today we have 12,000 on the main campus and about 5,000 in our 6 branches.

Senator YOUNG. And that has been accomplished in how many years?

Dr. ALDEN. Three years.

Senator YOUNG. In your statement you refer to suspicion and resentment being major obstacles to development of the region. Are you encountering that in recent months on the part of people, or is that being dissipated somewhat?

Dr. ALDEN. In mentioning this, I must be critical of some of the early efforts in economic development in our country. Happily enough, Senator Young, because of the knowledge gained by people on economic development, many of these problems have now been obviated. But when economic development programs first started, people were invited from outside the area, people from the distinguished research institutes were invited to come in. They studied the problems and made proposals and then left the area to go back to

Boston or go back to California or elsewhere. Now many of these outside consultants who were brought in left with a large part of the knowledge still in their heads.

People were left behind to carry out programs or to try to solve the problem and generally the leaders weren't there to move these programs ahead and the information did not remain except in terms of consulting reports which oftentimes are not read by people.

So that is why I am emphasizing the fact that these indigenous institutes be encouraged. That is why I was so happy in title III where it was specifically mentioned that these economic development centers be established right within the region where the research activity could be carried on by people who know the area and will stay around so that the work can be continuous.

Senator YOUNG. And without being too unkind to a lot of things that were done in the past, some of the proposals of these people who went back to Massachusetts or someplace else were not at all the practice for your area, is that correct?

Dr. ALDEN. Right.

Senator YOUNG. And you have done away with all of that?

Dr. ALDEN. Right. With any new program, of course, exploratory efforts have to be made. And I think in those days people did as well as they could. But we have all learned from early mistakes and I feel that, therefore, the provisions in this bill are sound. The reason for describing in some detail our institute is that I think it is a case example of what can be done all around the country where there are depressed areas.

Senator YOUNG. I think this is going to be my final question. Is it your opinion that what you have done in your area could be done by the leaders of any of our colleges, universities, or small colleges, in other parts of the country and in other areas of Ohio?

Dr. ALDEN. Yes. I think it could be done with the Federal help provided for by this bill. Now, as you know, all university budgets are stretched pretty thin these days. There just isn't enough room in a typical university budget to do this without some additional source of money.

But I think that by developing a partnership between the university and the Federal Government and the private business and community leaders in an area that this is a most hopeful, most encouraging, way of stimulating economic development throughout our country.

Senator YOUNG. Thank you very much. I hope you will continue in your great pioneering work on this, Doctor.

Dr. ALDEN. Thank you, Senator Young.

Senator MONTAYA. Senator Cooper?

Senator COOPER. Yes, Mr. Chairman and Senator Young. I may say I have had the opportunity to visit Ohio University and while I was there only a short time I learned something of the progress under the leadership of Dr. Alden. As you know it is a very beautiful university. But I was also impressed by the student body and the spirit of inquiry and certain liveliness that shows a great deal of interest in the work of the college.

I think we are indebted to Dr. Alden in bringing before this committee the—I don't want to say the use because I think these institutions must make the determination themselves—great possibilities that lie in the decisions of universities such as Ohio University and col-

leges who participate in the development of regions such as you have in southeastern Ohio and we have in eastern Kentucky.

I think it is evident that there are many possibilities for this.

First, as the President said, we have in hand immediately a body of knowledge which can be used and applied, scientists, technicians, research, and it again offers continuity. As you said, Senator Young, the consultants just don't come and leave. I think that a university such as Ohio University, and there are other universities in the country, see this as a responsibility toward the public.

I may say you know probably at the University of Kentucky there is a center which is doing something of this kind. I think, however, it is expressed more widely over the State as a whole rather than grappling with the problems of an area. So I think this is unique development and offers great possibilities.

What section of this bill do you think could be made most applicable to the kind of work that Ohio University is doing?

Dr. ALDEN. Title III and title IV specifically make provision for assisting the kind of institute that we have established at Ohio University, a center for economic development that would draw together the resources for a region.

I was very happy that the bill provides that this work can be done on a regional basis rather than just on a one-county basis. I believe that a major impact can be made on a region through such centers as this one.

Senator COOPER. I want to say, Mr. Chairman, and Senator Young, I think that what the President just said points up a problem that concerns several of these programs we have. I supported the Economic Opportunity Act and the Area Redevelopment Act, and, of course, the Appalachia bill, and I support this one. I am one of the many cosponsors but I am glad, from the minority side, that I am a sponsor because I always have been for area redevelopment bills.

I have been troubled, though, recently by sins which I believe, unless they are inhibited or stopped, could work to make these programs less effective. You have noted in one of them the treatment or too much emphasis in developing a staff in a particular county? I think it would be a waste of money. And, second, looking more toward a region, whether it is a few counties or a larger group of counties, I think there is a possibility of overlapping of these programs whereby there is not only a waste of money but a waste of possibilities of the program.

It seems to me that we can meet that in several ways. Either the State itself must form some group which can do what Ohio University has done, or else the universities like yours or colleges with resources would give their assistance.

It is a shame that all of these programs, worthy themselves, cannot be used together to secure effective results in an area, a group of counties, or what ever because of certain circumstances which naturally join counties, communities together.

I hope that this committee will discuss this, somewhat because we deal with all these programs, and see if we can make some recommendation to secure the most effective use of these programs, because I think that they have great possibilities and it would be a shame if they were not used in the best way to secure the best results.

We are indebted to you for your testimony.

Dr. ALDEN. Thank you, Senator Cooper.

Senator MONTROYA. We have a question or two from the committee staff. Mr. Linton, the chief clerk, will ask them.

Mr. LINTON. Dr. Alden, in your statement supporting the principle of technical assistance, you don't rule out the value of obtaining technical assistance from the Government or other outside sources?

Dr. ALDEN. Not at all. I think they can work closely together.

Mr. LINTON. And the second question, Dr. Alden, is: Do you see any development coming along where the institutions of which you speak of would provide training for the personnel that would be needed to staff these programs?

Is it your view that there are sufficiently trained people throughout the country now to staff such institutes?

Dr. ALDEN. No. We have a critical shortage of people who are trained to do this sort of work.

I hope that sometime provision will be made for certain universities or certain institutions to train young people for this kind of a profession because as you know, we are facing in the next few years a critical problem that we are going to have many thousands of more young people coming out of college and out of high school than we may have jobs available for.

But there is a lot of unfinished business in this country. Many quite rewarding jobs could be created in technical assistance in economic development. I hope very much that some institutions will be asked to train people for this emerging profession.

Mr. LINTON. Would you say, Dr. Alden, this would sort of go hand in hand?

If there is going to be a program of institutes such as you described, don't we have to simultaneously train people to staff them.

Dr. ALDEN. Right. There could be formal training and there could be internships set up.

For example, maybe our institutes could take on young people and maybe as interns they could work along with the experienced technicians and consultants.

I think that would be very helpful.

Mr. LINTON. Thank you, doctor.

Thank you, Mr. Chairman.

Senator MONTROYA. Are there any more questions?

Thank you, Dr. Alden.

Thank you, gentlemen.

Dr. ALDEN. Thank you very much.

(Subsequently, Dr. Alden submitted the following communication:)

OHIO UNIVERSITY,
OFFICE OF THE PRESIDENT,
Athens, Ohio, May 3, 1965.

HON. STEPHEN M. YOUNG,
U.S. Senate,
Room 458, Old Senate Building,
Washington, D.C.

DEAR SENATOR: It was a pleasure to appear before Senator McNamara's Committee on Public Works, of which you are a member. We are pleased that we had the opportunity to testify on the Public Works and Economic Development Act on April 29 in behalf of the 21 depressed counties of southeastern Ohio.

In a discussion with Mr. Ron Linton after the testimony, I pointed out to him our deep interest in the provisions of titles I and II of the act and the tremendous

importance that the grant and loan provisions would have to communities in southeastern Ohio in solving their need for public facilities. The enclosed map, prepared by our Institute for Regional Development at Ohio University, shows graphically the total sewage and water system needs of our region. There are over 60 communities urgently in need of major sewage system improvements and 18 communities needing major water system improvements.

In meetings with the Ohio Department of Development, the Ohio Department of Health, and with various Federal agency officials, we have been informed that only three or four of these communities will benefit from funds to be made available under the Appalachian Development Act, which was recently signed into law. This leaves many of our communities without the public facilities which are critically needed in order that existing manufacturing plants in these communities can expand or outside firms can occupy sites available within the communities. Lacking these necessary public facilities, whether sewer or water, existing industry will obviously not expand and prospective industry must pass over these communities in their search for available plant sites.

This map, showing the community facilities needs of our region, should be compared with the map showing industrial sites and recreational facilities map of southeastern Ohio, both of which are enclosed.¹ Neither industry nor the major recreational facilities can expand without these needed facilities. Because of long-term unemployment, declining tax revenues, and a deterioration of these public facilities over the past 30 years, these communities lack the financial ability to plan and construct such improvements.

Obviously, the sole source of relief to these 100-odd communities for sewer and water needs lies with the approval and passage of the bill currently before your committee.

We would be happy to supply your committee with a detailed explanation of the community facilities needs of this region, if this should be desired.

Sincerely,

VERNON R. ALDEN.

Senator MONTAYA. Dr. William Miernyk, of the University of Colorado. You are certainly welcome before this committee, Dr. Miernyk.

Doctor, if you will state your name, your background and then you may present your testimony.

STATEMENT OF DR. WILLIAM H. MIERNYK, PROFESSOR OF ECONOMICS AND DIRECTOR, BUREAU OF ECONOMIC RESEARCH, INSTITUTE OF BEHAVIORAL SCIENCE, UNIVERSITY OF COLORADO

Dr. MIERNYK. My name is Miernyk and I am a professor of economics and also Director of the Bureau of Economic Research, Institute of Behavioral Science, at the University of Colorado.

I do have a prepared statement which I would like to have inserted in the record, but I will not read it.

Senator MONTAYA. Without objection, your statement will be printed in its entirety in the record.

(The statement referred to follows:)

STATEMENT OF WILLIAM H. MIERNYK, PROFESSOR OF ECONOMICS AND DIRECTOR, BUREAU OF ECONOMIC RESEARCH, INSTITUTE OF BEHAVIORAL SCIENCE

INTRODUCTION

I appreciate the opportunity to testify in support of the proposed Public Works and Economic Development Act of 1965. The proposed act incorporates those principles of the Area Redevelopment Act which more than 3 years of experience have demonstrated to be sound, and it broadens the earlier act in a number of desirable ways. If the Area Redevelopment Act is considered as an experiment, one must conclude that it has been successful despite the short time

¹ The maps referred to are filed with the committee.

it has been in operation. In the following section I will support this opinion with evidence from a study of ARA-supported establishments in selected redevelopment areas which I directed.

The case for a strong regional development program has been made by President Johnson in his "Message on Area and Regional Economic Development." Such a program is essential if the attack on pockets of unemployment and localized poverty is to be successful. There would be a need for such a program even if the national rate of unemployment were much lower than it has been for the past decade. Although they have been able to maintain much lower levels of unemployment than we have in recent years, Great Britain and the free nations of Western Europe have long pursued aggressive programs of area redevelopment and regional economic development. The recent history of these nations shows that even in economies which have been able to maintain adequate levels of overall demand regional employment problems continue to crop up due to shifts in population, technological change, shifts in demand, changing trade patterns, and other economic changes which, in general, benefit the national economy but at times create new problems for specific localities or regions.

ACCOMPLISHMENTS OF THE AREA REDEVELOPMENT ADMINISTRATION

I will not attempt in this statement to summarize all of the accomplishments of the Area Redevelopment Administration since this has been done in "The First Three Years of the Area Redevelopment Program," a report prepared for the National Public Advisory Committee on Area Redevelopment. I would like to summarize, however, the major findings of a survey of a sample of ARA-assisted establishments conducted by the Bureau of Economic Research at the University of Colorado, since I think this survey demonstrates in specific terms what a regional development program can accomplish.

The survey was conducted early in 1963 while the ARA program was still fairly new. A sample of 50 establishments which were thought to be in full operation was initially selected for study. Two-thirds of the initial sample participated in the survey. Others would have done so, but they were dropped when it was discovered that they were still engaged in plant construction or for some other reason had not yet become fully operative. The 33 establishments which participated in the survey employed 2,140 workers, all of which were sent a mail questionnaire. Of these, almost 60 percent submitted useable returns. Establishments for all types of areas served by ARA were represented in the sample so that the results of the survey can be considered as representative of a much larger group of establishments and employees.

The survey was conducted primarily to gather data on the extent of labor mobility and the transferability of skills, but it produced other kinds of useful information. The major findings included the following:

- (1) Three-fourths of the respondents were married, and two-thirds claimed at least one dependent.
- (2) Almost two-thirds of all respondents were not working at the time they applied for jobs in ARA-supported establishments, and almost one-third of those who were employed held part-time or seasonal jobs. Sixty-six percent of those not working were unemployed, and 34 percent were new entrants or reentrants to the labor force.
- (3) About 20 percent of the respondents had been unemployed 6 months or longer. The heaviest incidence of long-term unemployment was among males, older workers, and those who had attended school for 8 years or less.
- (4) The respondents did not exhibit a high degree of geographic mobility. Ninety-four percent lived within 50 miles of their current places of employment at the time they applied for work. Almost two-thirds of those who had held jobs during the 5 years preceding the survey had worked within a radius of approximately 20 miles of their present places of employment.
- (5) There was a clear pattern of upgrading of skills in the ARA-supported establishments. Comparison of occupations between last and current jobs revealed a decline in unskilled classifications and an increase in semi-skilled and skilled classifications.
- (6) There was a net rise in the hourly earnings of respondents. When their earnings were compared with those on earlier jobs, about 29 percent reported essentially "no change," but 44 percent reported higher earnings in the ARA-assisted establishments.

The report of the survey, which has been submitted to the Area Redevelopment Administration, contains many other details about labor mobility and the trans-

fer of skills, and the relationship of these to area redevelopment. I have selected only a few of the major findings to indicate that the vast majority of workers employed by this sample of ARA-assisted establishments were jobless at the time they applied for work in the new firms or branch plants; and many of them were among the long-term employed. Most of the workers came from within the local labor market area, and most of them were holding better jobs in ARA-assisted establishments than they had held during the 5 years preceding the survey. It should also be noted that our survey was limited to direct employment effects only. Since we were dealing with a sample of workers in a sample of firms, we made no effort to estimate the total employment impact. It should be mentioned, however, that in the smaller communities in particular the addition of substantial new payrolls would be bound to add additional secondary jobs as the business of local merchants and tradesmen improved.

As part of the study, two of my graduate research assistants visited a number of communities which had received public facility loans and grants. In most cases not enough time had elapsed between the start of work on these facilities and the field visits to estimate employment impacts. But in virtually all cases community leaders could point to indirect benefits which had been realized or which were anticipated by local employers. Chamber of commerce officials and others who were interviewed felt that community improvements resulting from the loans and grants would stimulate local economic growth.

One of the intangible effects of redevelopment efforts has been frequently mentioned, but it cannot be emphasized too much. This is the effect which the establishment of a local or regional economic development organization, a prerequisite to ARA assistance, has on the economic life of a community. Some of the depressed areas in the industrial Northeast which had experienced high levels of employment during World War II, but which had never recovered from the first postwar recession, were among the first to establish community industrial development organizations. It was relatively easy for them to prepare overall economic development programs, and thus they were in a position to take advantage of ARA assistance as soon as this became available. In other communities, particularly in the Southeast, such organizations did not exist, and they had to be formed after ARA was established. The very organization of local economic development commissions, and the preparation of overall economic development programs, has made a contribution to the revival of some of the Nation's depressed areas. Some communities were able to make an accurate assessment of their redevelopment needs for the first time. In some communities when business leaders and others met to discuss the preparation of an OEDP, they also discussed other community needs and the means by which these needs could be satisfied independently of assistance from the Federal Government.

GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES

Under the Area Redevelopment Administration about \$89.6 million in public facility loans and grants had been made through June 30, 1964. Of this amount, slightly more than 44 percent was in the form of grants. It was estimated that this part of the ARA program had resulted in more than 30,000 jobs, and that the average ARA investment per job amounted to about \$2,900. Most of the loans and grants were relatively small—under \$500,000. And it is interesting to note that the average ARA investment per job was lower for the small loans and grants than for those of \$1 million and over. This record supports both the need for and the desirability of continued public facility loans and grants to redevelopment areas.

I have no knowledge of the extent to which redevelopment areas have been unable to participate in Federal grant-in-aid programs because of their inability to supply the required matching shares. If this has been a problem, the provision in section 101(a) of the proposed act for supplementary public facility grants to permit such participation is highly desirable.

OTHER FINANCIAL ASSISTANCE

The industrial and commercial loans which were made under ARA represented a major departure in public policy in this country. Public facility loans and grants are frequently a necessary condition for the redevelopment of a depressed area, but in many cases the construction or improvement of public facilities is not sufficient. Thus industrial and commercial loans are a vitally necessary ingredient in a well-rounded program of redevelopment. A major step forward

in the proposed Public Works and Economic Development Act is the provision for a guarantee of working capital loans made in connection with loan projects. This should greatly strengthen the overall industrial and commercial loan program.

One of the major disappointments to those administering the ARA program has been the failure of large and well-established companies to locate new branch plants in redevelopment areas. Such companies do not respond to the kinds of inducements ARA has been able to offer. It is worth noting that in other countries, notably Great Britain, licensing provisions have been used to direct such branch plants to redevelopment areas. Given the different economic philosophies on the two sides of the Atlantic, one could not expect such procedures to be established here. Hopefully, the proposed two-point interest subsidy to companies which do not have to rely upon Government sources for financing will induce some large firms to consider redevelopment areas as locations for new branch plants.

OTHER MAJOR PROVISIONS

I will comment only briefly on the other major provisions of the proposed act. It is encouraging to see that the research program will be continued. During its brief experience ARA has conducted a small but effective research program. We are just now beginning to see the results of some of this research, and most of it is of high quality. An important new proposal is for the establishment of regional action planning commissions which I assume will follow the model of the Appalachian Commission. There is growing agreement that area redevelopment cannot be limited to individual communities, labor market areas, or counties. There is a need for flexibility in determining the boundaries of a redevelopment area. In some cases this might continue to be a single community or a labor market area. In others, however, the boundaries might cross a number of State lines as they do in the case of Appalachia.

The experience of Great Britain and the Western European countries might be of interest in this connection. As in this country, their early area redevelopment programs tended to focus on individual communities. As these programs have been adapted to changing needs, however, there has been a tendency to shift from a community to a regional orientation. One of the everpresent facts of economic life is that of interdependence both within and among regions. The proposed act recognizes this, and provides a framework for cooperative efforts at all levels—local, State, regional, and national.

A good beginning toward area redevelopment has been made under ARA, and even greater progress may be expected under the proposed Public Works and Economic Development Act. Together with the Manpower Development and Training Act, the Appalachian program, and the war on poverty, this act should move us closer to our announced goal of equal employment opportunities for all.

Senator MONTGOMERY. Dr. Miernyk, will you proceed?

Dr. MIERNYK. I would like to comment in particular on titles 2 and 5 of the prepared Public Works and Economic Development Act, and I would like to simply summarize a part of the statement.

As I am sure all of the other witnesses, at least the ones I have heard, have done, I would strongly support the public works section of the proposed act. I believe that other forms of financial assistance which this act would provide are similarly very important. I had an opportunity to direct a research program sponsored by ARA which started early in 1963, which I believe produced some very useful results.

What we did was conduct a survey of about 33 establishments which were in business because of industrial or commercial loans and I believe the results of our findings might be of some interest to this committee. We found that about two-thirds of the individuals who participated in our survey were not working at the time they applied for a job in the ARA supported establishment.

Almost one-third of the remainder had only part-time or seasonal jobs. So it seemed to us quite evident that the commercial and industrial loans were creating new jobs in depressed areas. We also found

that about one-fifth of the respondents had been unemployed for 6 months or longer. They are part of the long-term unemployed, and that open-ended or longer phase might extend up to 2 or 3 or several years.

We also found that the incidence of long-term unemployment was heaviest among older male workers and those who attended school for 8 years or less. We found that these workers were not highly mobile. And 94 percent of them lived within 50 miles of the place of their current job. I believe this is an important point to emphasize the need for creating new employment in the depressed areas rather than trying to rely entirely on outmigration.

We also found, in contradiction to what had been suggested by some earlier studies, I believe, that there was an upgrading of skills and earnings. When we compared their current occupations with the occupations on their last jobs, we found that there was a sharp drop in unskilled classifications, and an increase in semiskilled and skilled classifications.

Finally, we found a net increase in earnings. About 9 percent reported that there had been no change in their earnings, but 44 percent reported higher earnings than at any time in the previous 5 years. The remainder of my comments on this are in the prepared statement, and I will not dwell on them, but I believe that this evidence might be useful in support of the commercial and industrial loans which would be granted under the Public Works and Economic Development Act.

I believe that this experience could be duplicated many times over. It seems to me that this act will create new jobs and contribute along with the various other programs now in effect, the Appalachia Program, the War on Poverty, the Manpower Development and Training Act, toward more equal employment opportunities for people in depressed areas.

Now the only other comment I would like to make is on title 5 which deals with the establishment of a regional action planning commission. In addition to this we did some field work on this study. Two of my graduate research assistants toured a number of depressed areas to try to learn what they could about the impact of public facilities loans and grants, that is, the indirect effects on employment of this kind of aid.

They did find a great deal of enthusiasm for this part of the program, although unfortunately not enough time had elapsed between these grants and loans and/or field visits to be able to measure the impact. One other thing they learned, and that is the very act of putting together an overall economic development program had a stimulating effect on many of these communities. It is not difficult for the residents of a depressed area to sink into a state of apathy, and when a proposal like ARA, or the proposed Public Works Economic Development Act, comes along the community leaders get together to see how they can take advantage of this assistance.

In the process a certain spontaneous movement was engendered. We were told on a number of occasions that certain things done with Federal assistance probably would not have been accomplished without the program.

In view of the lateness of the hour, I think I will stop at this point. I have covered a number of other points in my prepared statement, and it might be simpler at this stage to see if there are any questions about this study or any other phase of our investigation that I would be able to answer.

Senator MONTROYA. Thank you, Dr. Miernyk. Are you the head of the economics department of the University of Colorado?

Dr. MIERNYK. No, I am director of the Bureau of Economic Research which is part of the Institute of Behavioral Sciences at the university. I am a member of the Department of Economics, however.

Senator MONTROYA. I have no further questions.

Senator Cooper?

Senator COOPER. I am glad to have heard your testimony and I think it is a very good thing to have representatives from colleges like yourself who have given detailed studies to these programs and afford us the benefit of your research and knowledge. Those are good ideas, and I am grateful for them.

Senator MONTROYA. Thank you, Doctor.

Mr. Linton has a question to ask you, sir.

Mr. LINTON. In your experience, Dr. Miernyk, in dealing with the creation of regions for the purpose of improving the economic condition in any area, do you foresee any substantial difficulties in identifying the boundaries of these regions? I notice that you urge flexibility in your statement.

Dr. MIERNYK. Yes; I think flexibility is necessary. I really don't foresee difficulties. But I think there are cases where an individual community might itself be the region where redevelopment efforts ought to be focused. In other cases, and I might cite the case from Senator Montoya's State and Colorado, there would certainly be an overlap between the two regions.

There are a number of counties in northern New Mexico which are considered depressed. We have some in southern Colorado. To try to attack the problems of the communities in this area one by one, I think would be wasteful and inefficient. I think that this might be considered as a redevelopment region.

Mr. LINTON. A multistate region?

Dr. MIERNYK. Yes; in this case only two States would be involved but of course in Appalachia there are a larger number of States involved. And I think that the boundaries of the redevelopment region should be flexible enough to be multistate if necessary.

Mr. LINTON. Dr. Miernyk, have you given any thought to the criteria that ought to be applied to the region if it is multistate?

Dr. MIERNYK. I have. I am not sure I have come up with a definitive answer. On good measure of a generally depressed area is median family income. Certainly the counties in the Nation who are in the lowest fifth, the lowest quintile in terms of median family income, can be considered as depressed areas.

These, interestingly enough, tend to be clustered very heavily in the Southeast, to a somewhat lesser extent in the Southwest. I believe they are found only in Colorado, New Mexico, and Arizona, and then moving up into North Dakota and South Dakota. At least this would be a good starting point. These counties also exhibit some of the other criteria that have been suggested by other students of this problem such as outmigration of population, level of population, and so on.

There is a high degree of correlation among all of these things in the low-income counties.

Mr. LINTON. Do you feel any necessity for an historical relationship between the areas in order to form a viable region?

Dr. MIERNYK. No, not as a condition, but perhaps as a consideration.

Mr. LINTON. That is all I have.

Senator MONTOLA. Thank you, Doctor.

Mr. Ed Kiley, Mr. Kiley is a rural area development specialist of the National Rural Electric Cooperative Association of Washington.

You are certainly welcome before this committee. You may proceed to testify.

STATEMENT OF EDWARD W. KILEY, RURAL AREAS DEVELOPMENT SPECIALIST OF THE NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION; ACCOMPANIED BY ROBERT SMITH, ASSOCIATE LEGISLATIVE REPRESENTATIVE OF THE NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

Mr. KILEY. Thank you, Mr. Chairman. It was a real pleasure by the way to be here this morning. I did my undergraduate work at Ohio Wesleyan, which is right near Ohio University. I have in my statement an example of the work that ARA can perform. This happened to be in Oklahoma, but it did deal with the Indians in Oklahoma in which they were able to get gainful employment, and a good number of them.

This is an outstanding success I think in ARA, so it was very interesting to hear the earlier testimony this morning.

My name is Edward W. Kiley, rural areas development specialist of the National Rural Electric Cooperative Association. NRECA is a national service organization for almost 1,000 rural electric cooperatives, in 46 States, which serve almost 20 million people with electricity in 2,700 of the 3,100 counties in the United States. Of the rural depressed counties designated by the Area Redevelopment Administration Act, most were served, at least in part, by rural electric cooperatives.

With me here today is Robert Smith, who is associate legislative representative of NRECA.

Senator MONTOLA. You are welcome here, Mr. Smith.

Mr. SMITH. Thank you.

Mr. KILEY. As early as 1956, the rural electric cooperatives joined in the efforts to organize the rural areas into a constructive force through the then pilot project called rural areas development. In January 1961, NRECA testified in support of the pending ARA legislation; and in 1963, we also testified in support of S. 1163, which contained amendments to the Area Redevelopment Administration Act. Rural electric cooperatives have been consistent in their total support of this type of legislation.

I am attaching to this testimony resolutions passed at the annual meetings of our association in 1961, 1962, 1963, 1964, and 1965. With the chairman's permission, I would like to insert these into the record at this point.

Senator MONTOLA. They will be so inserted in the record.

(The resolutions referred to follow:)

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION
19TH ANNUAL MEETING, FEBRUARY 13-16, 1961

RURAL COMMUNITY IMPROVEMENT

Whereas the rural electric systems serve most of the rural areas of this Nation that are identified as areas of underemployment and low incomes, and are heavily engaged in rural development work to improve rural incomes and rural living conditions; and

Whereas many of these areas are burdened with economic and related problems which exceed local means for dealing effectively with them, despite their inherent capability for natural resources and rural industrial development; and

Whereas the decline of population in these areas has resulted in large and still growing numbers of idle services, threatening the ability of many rural electrics to deliver low-cost dependable area coverage service and to repay REA loans; and

Whereas we have great faith in the ability of rural people to create new opportunities for themselves which will revitalize their communities if the tools for doing the task are made available; and

Whereas we believe that this age of international perils makes it imperative that the United States have, among all her citizens, the dynamic strength and economic and social health which underlie her supremacy among nations; and

Whereas the Rural Electrification Administration has established a record of more than 25 years, unmatched by any lending institution, public or private, in administering a loans program to help rural people help themselves; and

Whereas Senator Douglas of Illinois and others have introduced in the Senate, and Representative Flood of Pennsylvania and others have introduced in the House, bills which provide area redevelopment loans, grants and technical and retraining assistance for rural as well as urban areas which we deem vital to the success of the rural development work we have underway; and these bills are currently under consideration by the Committees on Banking and Currency of the Senate and of the House of Representatives: Now, therefore, be it

Resolved, That the President of the United States, the Secretary of Agriculture, the Administrator of the Rural Electrification Administration, and the members of the Committees on Banking and Currency for the Senate and for the House of Representatives be advised that we strongly endorse the position that assistance to rural areas, such as is provided by the bills introduced by Senator Douglas and Representative Flood and others, is vital to the welfare of the low income rural areas and of the Nation as a whole; and be it further

Resolved, That all of these persons be advised that we urge that primary responsibility for leadership of area redevelopment assistance to rural areas be placed upon the Rural Electrification Administration; and be it further

Resolved, That we urge each cooperative to take steps to make an appropriate survey in its area and make plans to set up the organizing machinery necessary to aid in implementing the rural community improvement program.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION 20TH
ANNUAL MEETING, MARCH 5-7, 1962

RURAL AREAS DEVELOPMENT

Whereas rural electric systems have always been in the forefront of the struggle to improve conditions in rural America; and

Whereas more than half the poverty in America is to be found among rural residents, although they make up less than one-third of the Nation's population; and

Whereas a massive assault is required before any permanent improvement in the economic and social conditions in many low-income rural areas can be expected; and

Whereas the interests of rural electric systems are inseparable from those of rural America; and

Whereas rural electric systems are already actively supporting present Government programs to help rural areas improve their economies: Now, therefore, be it

Resolved, That we urge Congress to support these provisions of the Food and Agriculture Act of 1962, which would implement the comprehensive, closely coordinated rural renewal approach to revitalizing rural America as recommended in President Kennedy's recent farm message and by Secretary of Agriculture Freeman, and in addition, would strengthen and expand existing USDA rural area development programs

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION
20TH ANNUAL MEETING, MARCH 5-7, 1962

ADMINISTRATION RURAL AREAS DEVELOPMENT PROGRAM

Whereas rural electric systems, dependent as they are upon the economic health of the communities they serve, have a vital stake in an efficiently operated rural areas development program; and

Whereas many rural communities are experiencing considerable difficulty in effectively advancing their areas' development activities because of the cumbersome committee-coordination administrative structure within the Department of Agriculture and widespread splintering of the program responsibilities among the various agencies of the Government: Now, therefore, be it

Resolved, That we urge the Secretary of Agriculture to streamline the administration of the rural areas development work within the Department of Agriculture and to concentrate the organization responsibilities in the action agencies with an official, of high level, assigned the necessary authority to accomplish the needed job.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION
21ST ANNUAL MEETING, JANUARY 14-17, 1963

RURAL AREAS DEVELOPMENT

Be it resolved, That we reaffirm our endorsement of rural areas development programs being carried on in cooperation with Government agencies; and be it further

Resolved, That we direct our national service organization, NRECA, to support legislation and administrative programs which will help further the objectives of rural development, and we urge our member systems to enlist the support of their minutemen by having regular RAD-minuteman meetings to set forth the purpose, potential, and plans for an effective RAD program when applicable.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION 22D
ANNUAL MEETING, MARCH 12, 1964

RURAL AREAS DEVELOPMENT

Whereas rural electric systems are dedicated to the improvement of economic and social opportunities in their service areas; and

Whereas they are playing a major role in helping to revitalize rural areas having assisted in launching projects which are creating 60,000 new jobs and another 40,000 indirectly; and

Whereas rural electrics recognize that even more extensive efforts on their part and the part of others including both private and public agencies are needed to bolster the economies of rural areas and to solve serious and persistent socioeconomic problems which are causing widespread deterioration in rural America: Now, therefore, be it

Resolved, That we direct our national service organization, NRECA, to continue to support legislative and administrative programs, such as RAD, ARA, and accelerated public works, which help to further the objectives of rural development; and be it further

Resolved, That we urge the administration to take action to reduce to a minimum the redtape, delay, and confusion which too often impedes the progress of rural development, and to this end we urge the President to appoint a staff assistant whose function it would be to foster closer and more effective cooperation among the many agencies involved in rural areas development.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION 23D
ANNUAL MEETING, JANUARY 25-28, 1965

RURAL AREAS DEVELOPMENT

Whereas every rural electric system, being the service organization of its member-owners who are farmers and rural people has a special concern in the welfare of its community, and in the development of its rural areas; and

Whereas millions of rural Americans and their families have moved to metropolitan areas seeking employment, thereby creating a serious economic problem in America: Now, therefore, be it

Resolved, That we reaffirm our support of area development and programs authorized by the new Economic Opportunity Act in revitalizing rural America; and be it further

Resolved, That we urge the administration to organize the rural community development program under one existing agency to eliminate waste and use these moneys and talents in giving our rural people and farmers equal parity of income and opportunities, the main cause of rural migration to our cities.

Mr. KILEY. We, therefore, deeply appreciate the opportunity to testify before this committee on S. 1648, the Public Works and Economic Development Act of 1965. We believe that there is an urgent need to redevelop rural America, as is provided for in this bill.

The history of rural America during the last 20 years is one of a steady downward spiral. Fewer and fewer farms are providing the major share of the Nation's food and fiber, leaving an ever-increasing number of farms uneconomic. Unemployment today in the nonmetropolitan areas of our great land approaches 2 million. This is equivalent to two-thirds of city unemployment, and this 2 million figure is from roughly only one-third of our total population.

In a recent survey sent out to NRECA member systems, rural electric cooperatives have reported the lack of job opportunities in their service areas as one of their most pressing problems. Over one-half of the rural electric systems reported job opportunities in their service area as inadequate, and almost 7 percent reported no job opportunities at all.

We realize that the head of the household in rural America, with primarily an agricultural background, is not well equipped with factory skills, and must be retrained. But in our survey we find over 30 percent of the rural electric systems report no adult job-training programs are available in their service areas and over 37 percent of these systems consider such training programs inadequate in their service areas.

This represents almost three-quarters of the rural electric cooperatives. Other results from our survey demonstrate the lack of public facilities available to the almost 5 million families on rural electric lines. These figures indicate needs which can be alleviated by this new legislation. Over one-third of the systems reported water and sewage facilities inadequate; 6.8 percent reported such facilities not available. In almost 20 percent of the returns rural electric cooperatives considered hospital facilities inadequate and in over 5 percent they were not available to the service areas.

The problem of a lack of credit is another major handicap in rural American life. In our survey which was directed toward credit for rural housing, almost 25 percent of the rural electric cooperatives considered such credit inadequate, and more than 7 percent considered no credit available whatsoever. This is indicative that the low-income rural areas cannot produce the necessary capital for stimulating their

economies. Lacking such resources, they must have these direct Government loans to establish rural industry.

If we are to stem the persistent outmigration to the urban centers and retain a healthful balanced economy in this country, we must provide the necessary tools to overcome these inequities.

With the passage of the Area Redevelopment Act in 1961, rural electric cooperatives went to work with this valuable tool. Since 1961, they have been directly involved in developing almost 1,500 projects, of which 138 were ARA projects. This is the full gamut of projects, publicly and privately financed, and so forth. These 1,500 projects resulted in 135,000 jobs and a total investment in excess of one-half billion dollars.

Over 90 percent of this money has come from private sources. This certainly indicates that in the areas rural electric systems serve, ARA has fulfilled its mission of furnishing "seed" money to redevelop distressed areas.

These projects, included every type of industrial development. For example, less than 2 years ago, the members of the Caddo Electric Co-op in Binger, Okla., started work with the Area Redevelopment Administration and local leaders to develop industry that would give work to unemployed Indians, some of whom had never had jobs lasting longer than 3 months.

The first result was a carpet mill in Anadarko, Okla., that today has a \$650,000 annual payroll, employs 153 people, and is the area's third-largest employer, with more expansion to take place in the next 90 days.

I understand from talking yesterday to the folks in this area that an SBA loan has been granted to the development group which will double the plant capacity, and I understand almost double the amount of employees. I think this speaks well of the area and ARA's role in it. The success in this venture led to the establishment, with the help of Harmon County Electric Association, a rural electric, of a gypsum plant in the nearby town of Duke, Okla. Soon the gypsum plant will employ 200 people with an annual payroll of more than \$1,200,000.

When the Graham Manufacturing Co. plant burned to the ground in Auburn, Ky., the REA electric cooperative manager applied for an ARA loan to help reconstruct the plant. Local funds were raised by the business community. These loans, together with capital supplied by the Graham Co., made possible the construction of a new larger and more efficient operation. The new plant opened in April 1963, and now has a bigger payroll than the original plant.

Among the more than 70 new businesses and industries which rural electric cooperatives have helped to launch in North Carolina, the Lumbee River Electric Cooperative in Red Springs assisted in establishing a new chicken processing plant, financed in part by ARA funds, which created 150 new jobs.

In Pennsylvania, Perry Wilson serves as president of the Bedford Development Council, as well as manager of the Bedford Rural Electric Cooperative. At least five new industries have resulted from his work. ARA funds helped in extending a water main to the industrial park for a million-dollar plant to build in that area. Two more new projects have come through within the last month.

Just last month Ed Purtzer, manager of the Southern Indiana Rural Electric Cooperative, announced, after 3 long years of hard work, that

ARA had given final approval for a proposed fiberboard plant to be built near Tell City.

Examples such as these could be written from almost every State where rural electric cooperatives are serving.

In each of these areas, a serious economic recession was arrested and positive steps taken for redevelopment.

When the Area Redevelopment Act first began operation, most people expected the even division of appropriations to be a handicap. It was expected that the urban centers would far outstrip the surrounding rural countryside in applications, as has been the case with virtually every other national program. Actually the exact opposite has been true. The first two loans to be made by ARA were made in rural areas, and over 300 of the 548 ARA projects were in rural areas.

In the early summer of 1964, all moneys for 5b (largely rural) areas was exhausted. In the fall of that year, an \$85 million backlog in applications developed for these areas. Not until just recently did the agency run out of money for 5a areas. These facts are indicative of the need that exists in rural America for these direct loans, which have been unavailable since the summer of 1964.

I might add that one of the reasons why rural America is taking such an active part in this program is the partnership which was initiated between the Department of Commerce and the Department of Agriculture. This partnership was greatly enhanced by a delegation of authority and transfer of funds from the Department of Agriculture. The Department of Agriculture was delegated the responsibility to provide organizational and educational leadership in rural areas, develop the data to designate "redevelopment" areas, to assist in development and certification of OEDPs, and certifying all projects in rural areas.

We recommend that the same procedure be followed in this new law so the excellent work of the past 4 years can be continued. We believe this might be spelled out in the act. If it is not feasible to write this into the statute, legislative background should be developed so that this delegation will be renewed.

We would also recommend that existing structures and organizations in rural America which has proved their quality be utilized by this new act, with a minimum of restructuring.

Our reactions to the economic district concept when it was first proposed were that the rural areas might be squeezed out of this program. While we cannot qualify as experts in this field, we think that the district structure as outlined in section 403 of this bill is acceptable. I cannot emphasize enough, however, the need of these districts to be developed to serve the further reaches, and that Congress should make sure we do not develop structures which would allow funds to only "trickle down" to the open country.

We feel the criteria which cover the designation of redevelopment areas under section 401 are adequate to produce maximum benefit to all parts of the country. In line with that, Mr. Chairman, you asked a question earlier whether a population of 1,500 would affect the Indian reservations, and I think you are right about that. However, in most rural counties, except for Alaska, perhaps, there is no problem as far as rural electric cooperative is concerned.

Regional planning commissions for the purpose of formulating regional programs under sections 501 through 503 will be effective

if the studies and resulting plan is objective and comprehensive. Grants for public works and development facilities under section 101 will go a long way toward providing the necessary public facilities to bring about a parity of opportunity that President Johnson has called for in rural America.

Under section 202 of the act, the provision for concurrent repayment of semipublic moneys will, we feel, enable small communities to accomplish much more than was possible under the old act. Also we support the working capital guarantee which, we feel, will bring about fewer failures and more successes than was possible under the old act.

We are particularly interested in title III, which provides technical assistance grants for staffing in an economic development center. This is a must for rural areas where adequate staffing has never been available. This will help to provide this valuable service for the rural areas.

We also strongly support the public facilities portion of the act, section 201, which allows grants for public facilities to be built either as a direct or indirect stimulation for new enterprises. This will allow communities to develop industrial centers for future growth and will also eliminate the need for communities to tie to an industry, perhaps not conducive to long-term economic improvement, simply to qualify for a public facilities grant.

To summarize this statement, rural electric cooperatives realize the need for public facilities and economic development that exists in their service areas. They have taken the fullest advantage of the expiring Area Redevelopment Act. They support wholeheartedly this new, more broadly based program as a vital set of tools to rejuvenate the lagging economies in the depressed areas of this great country.

Thank you.

Senator MONTOKA. Thank you, Mr. Kiley. You just finished in time because we are not permitted to sit after the bell rings for the morning hour in the Senate Chambers.

I do want to say that information has come to me from the representatives of the REA cooperatives in New Mexico which indicates that you belong to a national program in encouraging the local cooperatives to try to stimulate this local planning. And I think you are doing that on a national basis.

Mr. KILEY. Yes, sir.

Senator MONTOKA. And it is certainly commendable. I just wanted to mention that in the record. I certainly want to thank you for your testimony which is very instructive and very informational.

Thank you, Mr. Kiley.

Mr. KILEY. Thank you, Mr. Chairman.

Senator MONTOKA. We will stand in recess until tomorrow morning at 9.

(Whereupon, at 12 p.m. the committee recessed to reconvene the next day, Friday, at 9 a.m.)

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

FRIDAY, APRIL 30, 1965

U.S. SENATE,
COMMITTEE ON PUBLIC WORKS,
Washington, D.C.

The committee met at 9:15 a.m., pursuant to recess, in room 4200, New Senate Office Building, Senator Jennings Randolph, presiding.
Present: Senators Randolph, Gruening, Jordan, Inouye, and Montoya.

Senator RANDOLPH. The Committee on Public Works resumes its hearing this morning on S. 1648, the Public Works and Economic Development Act of 1965.

Our attention will be focused primarily on title I of the bill, which would authorize \$250 million for matching grants for the construction of public facilities, and title III, which provides for technical assistance to redevelopment areas and other areas found to be in need of such assistance.

As I indicated when Secretary of Commerce John T. Connor testified on the pending measure last Monday, I have reservations regarding the adequacy of the authorization of \$250 million annually which has been proposed in the draft legislation.

Senator Gruening and Senator Muskie expressed similar reservations, noting that at the time the funds appropriated for the Public Works Acceleration Act were exhausted in 1963, there remained in excess of \$700 million in pending projects.

In response to questions from Senator Muskie, Secretary Connor indicated that under the stricter criteria of the pending measure, the "backlog" of projects which might qualify would be approximately \$450 million. On this basis the administration has recommended an annual authorization of \$250 million.

I confess that I fail to perceive the logic of the administration's recommendation.

For as Senator Gruening pointed out, it would take 2 years merely to fill the backlog of pending projects at this rate.

And as I would further emphasize, neither the figure of \$450 million nor the earlier figure of \$700 million in projects pending at the time APW funds were exhausted is an accurate index of the need.

For it will be recalled that in January 1963, when the APW program was only 4 months old, the administration announced that the applications exceeded the available funds, and from that time until the end of the program made a concerted attempt to discourage new applications.

Consequently, many communities having pressing needs did not apply because they knew that their efforts in planning, engineering, and fundraising would be wasted.

I am confident, therefore, that the Administration recommendation of \$250 million annual authorization for public facilities is grossly inadequate. It is thus my intention to offer in committee an amendment to increase the annual authorization for title I to \$500 million.

We are pleased to welcome our first witness.

I believe Senator Inouye would like to have the privilege of introducing our first witness.

Senator INOUE. Mr. Chairman, we are most pleased to have with us this morning the Honorable John Brademas, my former colleague, the Congressman from Indiana.

I believe Mr. Brademas would like to present his testimony.

Mr. Brademas.

STATEMENT OF HON. JOHN BRADEMAS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. BRADEMAS. Thank you. May I say what a pleasure it is to testify before this committee.

Mr. Chairman, I would like to thank you and the committee for giving me this opportunity to testify in support of a short, but significant, section of the Public Works and Economic Development Act of 1965—section 401(a)(4).

This section is designed to assist those areas affected, or about to be affected, by a major unemployment increase, such as a shutdown or permanent reduction in the work force of an industrial establishment—for whatever reason.

I am speaking in favor of this section today, and I do so largely as a result of my own experience in such a situation. When an economic catastrophe befalls a community, it is no less severe than when a natural disaster such as a tornado, hurricane, or flood strikes it.

I may say, Mr. Chairman, my own congressional district was the district which was most seriously damaged by the tornado that swept through the Midwestern United States. We lost some 65 people in my own congressional district as a result of it.

But an economic catastrophe leaves the community in a state of shock—of personal, social, and financial crisis. My personal observations stem from the events following the closing of the Studebaker auto plant in South Bend, Ind., in December 1963, an event with which Senator Bayh is very familiar.

Senator McNamara, I am sure, is also particularly aware of what this can do to a town and its people; his hometown of Detroit witnessed, in the decade of the fifties, the permanent shutdown of Hudson Motors, Murray Body, and Packard.

The shutdown of the Studebaker auto operations in South Bend—my hometown—was, in relative terms, an even greater economic disaster. The loss of approximately 7,000 jobs in an area the size of St. Joseph County raised the unemployment rate from approximately 2 percent to nearly 10 percent.

This is not the time or place to elaborate in detail on what happened when President Johnson learned of the Studebaker closing. However, if the committee wishes, I can submit for the record information on

the activities of the President's Ad Hoc Interdepartmental Task Force on South Bend, or on the role played by the Federal Coordinator appointed by that Task Force and representing the President as well as the Task Force, or on the role played by the two Senators from Indiana and me in working with the local leaders of South Bend to alleviate and solve the problems created by the shutdown.

Section 401(a) (4) in the bill before you would accomplish at least two major purposes. First, it would provide on a permanent basis for assistance to communities affected by economic disasters—if they so request it—instead of having to depend on ad hoc and temporary governmental mechanisms, which we used in South Bend.

That is, it would constitute an official recognition on the part of Congress and the President that the resources of the national community stand ready to be placed at the disposal of a local community in the event of the sudden loss of a major source of employment in that local area.

This is no different from what all Americans already do—through their Government—in rushing assistance to areas affected by natural disasters.

The second major purpose that would be accomplished through the enactment of this bill and the particular section on which I am testifying is that it would explicitly make immediately available to such areas affected, or about to be affected by abrupt unemployment increases the material provisions available under the act itself.

In particular, it would allow a community to request assistance and be designated a redevelopment area even before the plant shutdown actually occurred.

Under the provisions of the proposed bill, the community, once designated as a redevelopment area, is eligible for loans for industrial and commercial development, and grants and loans for public facilities.

The availability of such immediate assistance was not clear during the first several months after the Studebaker shutdown, and I am sure that the recovery that South Bend has made would have been even more rapid if the leaders of the community had been able to turn to such a program for financial assistance.

I personally know of several cases in which new employment opportunities would have been created by businessmen—through expansions and through new enterprises—if South Bend had been designated as eligible for ARA financial assistance.

Mr. Chairman, I am not here to plead for this bill and section 401(a) (4) solely in order to help South Bend. Rather, I believe, for a variety of reasons, there will be other Studebaker type plant shutdowns in our economy, and that, based on the experience we have had in South Bend, the Federal Government should be ready to help them quickly and effectively, as well.

They should not have to hobble along, after a major and abrupt loss in employment and business activities, for as much as 3 years before becoming eligible for the type of assistance which this new bill makes available.

Mr. Chairman, I think that if we examined the history of the urban industrial areas that were and are eligible today under the existing Area Redevelopment Act, we would find that many, if not most, of

them experienced some sudden and substantial employment cutback many years ago.

The lack of a soundly based and coordinated program of immediately available technical and financial assistance, such as is made possible by this bill, meant that such areas moved from being chronically ill with an acute crisis to becoming economically sick with a chronic depression.

In other words, section 401(a)(4), I believe, is based on the philosophy of preventing an acute illness from becoming a chronic disease. And if enough notification is received and prompt action taken by the community, it might be possible to ameliorate even the initial blow.

The way to prevent an area experiencing a shutdown from becoming chronically depressed is to provide it, immediately, with those programs that can rally a community into action for recovery, and we should not have to rely entirely on temporary, ad hoc arrangements.

If this is not done, the persistence of unemployment, the vicious circle of poor business conditions breeding even worse conditions, and the lowering of personal and community morale, all contribute to making such an area truly a depressed one.

The time to attack a crisis is when it occurs, or if possible before it occurs, and not when the effects of the crisis become the causes of continued hopelessness.

As I understand the purpose of the section under consideration, if an area loses, or is about to lose, a major source of employment, and if in the language of the bill, it "can reasonably be expected to become eligible for designation under the other provisions of this act within 3 years unless assistance is provided," there is no need to wait for those 3 years to take their toll before providing such assistance. In too many cases, after 3 years it will be too late, because the energy, the leadership, the manpower, the hope will have withered away.

If Congress enacts this Public Works and Economic Development Act of 1965—and I am confident it will—I hope that the Secretary of Commerce and his Administrator for Economic Development will give special attention to the type of problem which section 401(a)(4) is designed to meet.

I would also hope that it will be possible, as a result of seeking to implement this section, to make more secure the intentions of President Johnson when he created, at the end of 1964, an Interdepartmental Committee for Community Assistance.

As of now, this committee lacks a regular staff, and is not even assured of travel funds for its various community aids, delegated from the several Federal agencies, to enable them to respond to a community that requests their presence when faced with an economic disaster.

If I have any criticism at all pertaining to this section of the bill, Mr. Chairman, it is that it does not clearly spell out the desirability of assuring such administrative funds. I hope the committee will look into this problem.

While I am not in a position to make any judgment on it, I would like to call the committee's attention to a question raised earlier this week by Senator Muskie in regard to section 401(a)(4). Senator Muskie asked if the bill should not contain separate authorization for the economic disaster areas which are covered by section 401(a)(4),

in order to provide funds in cases where the annual authorization has been exhausted. I cannot emphasize too strongly that since one of the main purposes of section 401(a)(4) is to provide immediate assistance, to delay this assistance because of the lack of funds or authorization would be most unfortunate, and probably defeat the intention of this section.

Consequently, I hope the committee will consider this matter fully after the Secretary of Commerce provides an answer to Senator Muskie's inquiry.

Thank you very much, indeed, Mr. Chairman, once again, for affording me this opportunity to testify.

Senator RANDOLPH. Thank you, Representative Brademas.

I am sure that we have been helped by your statement this morning. You have pinpointed or have been specific in bringing the South Bend economic dislocation problem to the attention of the committee this morning. I would like to know what your estimate to this committee is of what becomes necessary to solve that problem.

Mr. BRADEMAS. To solve the kind of problem represented by a mass plant shutdown? I think, Senator, there is no single one-shot answer to a problem of that sort.

I might say that following the shutdown of the Studebaker plant, we attacked the problem with a number of weapons.

The particular weapon of which I speak here today was, as I have indicated, not available to us. But we were able to mobilize on a very speedy basis, thanks to the deep interest of President Johnson and Secretary Wirtz in our situation, a number of training courses under the Manpower Development and Training Act, so that South Bend is now one of the pioneering communities in the Nation in the provision of manpower training classes.

We are able to rush counselors from the Department of Labor to South Bend to sit with the workers who were affected by the plant shutdown to get from them an analysis of their own employment experience and thereby counsel them on other employment opportunities in the Midwest in fields for which their experience might qualify them.

We had people come in from social security to sit with some of the older workers, to discuss with them the prospects of early retirement.

One of the serious, really grave problems that we faced in South Bend, which might not be so often found in other industries in the United States is that the average age of the Studebaker worker in South Bend was around 54.

Many of these men had 20 to 30 years of seniority, and had not had to look for a job, so that when they were thrown out of work at the age of 54—and I think there were a couple of thousand in the age bracket from 50 to 55—they were too old easily to find employment elsewhere, but too young to retire.

For this reason, we established in South Bend what is known as Project ABLE, Ability Based on Long Experience, a Manpower Development and Training Act project directed to the specific problems of older workers. We have made considerable progress, but we still have, I judge, 800 to a 1,000 older workers who are not yet employed.

We also, following the shutdown of the Studebaker plant, provided for postponement of FHA repayments on housing. Indeed, I suppose

one of the points I ought to make, if I am being responsive to the Senator's inquiry, which I think is directly relevant to the bill your committee is here considering is this: That when the Studebaker plant shut down, we had to move on a completely ad hoc basis. We set up this temporary committee here in Washington. We met several times a week at the outset, and by "we" I mean Senator Hartke, Senator Bayh, myself, together with Mr. Batt of the ARA, and with representatives of the several Federal agencies that might be expected to be concerned about this kind of a problem.

And I think I would not misstate Mr. Batt when he indicated on one occasion that the experience of this ad hoc committee has provided the Federal Government with more information on how to respond to a plant shutdown than any other single experience in this country.

This is, of course, directly relevant to another problem, and that is what if peace breaks out, and we should have widespread disarmament in the United States? What do you then do, when a lot of defense plants suddenly face themselves with a phasing out of work, and thereby a loss of jobs?

So I think that the implications of the South Bend story and the kind of arrangement that could be authorized under section 401 (a) (4) go far beyond what they may immediately appear to be, for if we can legislate the kind of section in favor of which I am testifying here today, we may some years down the road now, if world tensions should happily decrease, be very happy indeed that we had taken this kind of long step ahead, and that we had this kind of arrangement in the law.

So, to conclude, we operated very hastily and very quickly. I think we were effective in organizing cooperation not only among Federal officials, but also with our mayor and our community leaders and business leaders back home.

But how much happier a situation we would have found ourselves in had we had the kind of assistance that would have been made available under the bill that your committee is now considering.

Senator RANDOLPH. Thank you, Representative.

One further question. Has there been any substantial relocation of the South Bend workers?

You touched on it. Do you wish to supplement your statement?

Mr. BRADEMAS. Yes; we have made some headway, as I indicated.

Let me just make two general comments.

When President Kennedy was sworn in in 1961, we had 11 percent unemployment in the South Bend-Mishawaka labor market. By October 1963, it was about 3 percent. Then the Studebaker plant went down, and it jumped up between 9 and 10 percent.

The latest figure is 5.6 percent, so you can see that we have come back.

Part of the improvement, of course, is based on the fact that we have lost some of the people of our labor force.

I am happy to report, Senator, that a number of new firms have come to South Bend, and have purchased the facilities of the Studebaker plant, and thereby have created new jobs. Such firms as Kaiser Jeep, Cummings Engine, Allied Products.

So we have moved ahead from that disaster, but there are still too many unemployed workers in South Bend.

Senator RANDOLPH. Senator Inouye?

Senator INOUE. Mr. Chairman, I would like to join you in commending my former colleague, Congressman Brademas, on his particularly concise presentation.

Mr. Chairman, I am pleased to note that Congressman Brademas proposes the establishment and maintenance of a permanent agency or staff to constantly study problem areas and attack these problems as they appear.

I agree with you wholeheartedly, and also on the maintenance of ready funds. We can not always be attacking these problems you have described with ad hoc committees.

Mr. Chairman, the disaster that Mr. Brademas speaks of is now affecting Hawaii. We do not have Studebaker factories there, but as you know, one of our major sources of income is from defense activities.

Because of the Vietnam situation, for example, a few weeks ago 6,000 marines left one small area almost empty, and the town surrounding this marine post is just suffering catastrophically, the service agencies such as laundries, florists, barber shops, restaurants, and apartment owners.

And now I heard this morning there is a possibility that the 25th Division would be leaving Hawaii. This would be over 20,000 men from one small section. This could be a disaster in that certain spot.

Although we have, like Indiana, suffered from natural disasters, such as tidal waves and earthquakes, I think provision should be made to attack economic disasters such as the Studebaker disaster.

I am in complete concurrence with the proposals presented this morning by Congressman Brademas.

Mr. BRADEMAs. Thank you, Senator.

Senator INOUE. Thank you, Congressman.

Senator RANDOLPH. Thank you, Senator.

In final comment, you have said to us that you believe we should come before the fact, rather than after the fact.

Mr. BRADEMAs. Yes, sir.

Senator RANDOLPH. And I am sure Senator Inouye has brought that out very clearly.

Your testimony will be given careful study, and your recommendations, I assure you, will be given a close look by all of us.

Thank you.

Mr. BRADEMAs. Thank you, Senator.

Senator RANDOLPH. Mr. Herbert Bingham.

Would you give your name, sir, and identify the position you hold?

We are happy to have your testimony, sir.

STATEMENT OF HERBERT J. BINGHAM, EXECUTIVE SECRETARY, TENNESSEE MUNICIPAL LEAGUE

Mr. BINGHAM. Thank you, Mr. Chairman.

I am Herbert J. Bingham, executive secretary, Tennessee Municipal League, testifying in support of S. 1648 on behalf of the Tennessee Municipal League and the National League of Cities.

While my testimony will be primarily directed to the public works phases of the bill, its entire contents have been fully endorsed in policies officially adopted by these two leagues.

The National League of Cities, at its 1964 annual congress, on behalf of its 47 member State leagues and more than 13,000 municipalities, throughout the country, incorporated in its national municipal policy a comprehensive statement in support of the area redevelopment program, including the following:

We endorse the Area Redevelopment Act. It constitutes the first systematic plan to help communities adversely affected by changed economic activity to rebuild basic facilities or to acquire basic facilities necessary to support modern economic pursuit.

NLC's policy also stated:

There is a huge backlog of needed municipal public works projects in this Nation. * * * We, therefore, urge the Congress to authorize additional funds for public works acceleration.

In its 1964 Federal legislative program, the Tennessee Municipal League, representing 262 towns and city governments of the State, incorporated in its policy the statement:

We reaffirm our vigorous support of the Area Redevelopment Act and the pending legislation to increase authorizations and to continue this program.

Mr. Chairman, I hope it will be possible to include in the record at the end of my testimony the complete but fairly brief statements of the National League of Cities and the Tennessee Municipal League official policy on area redevelopment contained in the 1965 National Municipal Policy of the National League of Cities, and also the policy on this subject of the Tennessee Municipal League, at the end of my testimony, if that can be done.

Senator RANDOLPH. Without objection, that will be done.

Mr. BINGHAM. It has been my privilege since 1956 to give vigorous support to various area redevelopment legislation under consideration in the Congress, on behalf of the Tennessee and National Leagues, and to serve as a member of President Kennedy's 1960 Task Force on Depressed Areas.

And if I remember correctly, the chairman was an extremely effective member of that group which developed the Area Redevelopment Act of 1961.

The provisions of S. 1648 offer a total program for economic growth in the depressed industrial areas and presently underdeveloped agricultural and similar areas which reflects to a remarkable degree the measures which have worked at community, State, and national levels.

It recognizes that certain basic utilities and other public facilities are essential to support industrial and tourist expansion, but that local governments serving areas with a substandard economic base cannot finance these facilities without grant and loan assistance.

It recognizes that the attraction of industrial and commercial enterprises into such areas requires a freer flow of both long- and short-term capital, at interest rates below the market, and the bill provides ingenious ways to accomplish this with maximum use of private capital and minimum drain upon local and Federal public funds.

Mr. Chairman, my State uses all of these devices successfully. We have offered \$6 million of public and local bonds to finance industry to get capital below the market.

This act recognizes that economic planning is needed not only on a community basis, but on a multicounty or regional basis both to reveal the resources available and to identify needs for development of inadequate resources on a regional scale.

It recognizes that urban economic progress for an entire region is frequently dependent upon the development of an urban complex or center with the public facilities and economic services and enterprises that will serve an entire surrounding region.

We hope the bill recognizes that this program, and a comprehensive set of tools to carry it out, should be assigned to one agency of the Federal establishment—namely, the Department of Commerce—without the crippling delegations of authority to other departments and agencies which almost wrecked the original area redevelopment program.

I would like to stop just one moment to comment. We believe that this new agency should not necessarily duplicate all of the staff and resources of the housing agency, the Small Business Administration in public facility and industrial commercial financing, but we do think that this new agency should have authority to make its own decisions, and to utilize the services and staff of these other agencies without a delegation or dividing of authority between this agency and others.

We have found about 4 years of experience particularly are justified to make a distinction between the small urban centers and the larger one which delegated primary responsibility for the small urban areas under this program to the Department of Agriculture.

There is hardly a whit of difference between an urban community of the industrial character of 2,500 population and one of 25,000 population.

We think that the unit of administration of this program in all areas has many advantages, and should be safeguarded in this legislation, and we hope it is.

Currently 47 of Tennessee's 95 counties are eligible redevelopment areas under the present act. Without exception, these counties are either in the two mountain areas of Tennessee with weak economic bases further weakened by loss of more than 20,000 jobs in coal mining, or in purely agricultural areas which have experienced a loss of tens of thousands of jobs in agriculture in the period following World War II.

These are areas that are underdeveloped, and they do need help.

With the use of our own Tennessee economic development program, supplemented in many cases with assistance from various Federal programs, there has already developed in the last 20 years in these regions more than 3 dozen industrial centers, most of which have a higher percentage of total population relying upon industrial employment than does Pittsburgh and Detroit.

This is incredible, but it is true.

In Tennessee, as in some other States, for more than a dozen years economic development has been solidly accepted as a public function of local government, and to some degree of State government.

The measures we have adopted in Tennessee parallel almost identically those incorporated in this Public Works and Economic Development Act. But we are running out of gas, and this act will provide more fuel in order that we may complete the course of full conversion of these economically underdeveloped areas from agricultural trading centers into competitive urban and industrial communities.

Our experience in Tennessee and elsewhere indicates that the \$300 million authorization contained in this bill for public facilities specifically orientated to support industrial, tourist, and other commercial expansion is a highly valid concept, and will be most helpful.

In 1958, we published in Tennessee, through the cooperative efforts of our State industrial division and other agencies a "Handbook for a Community Economic Progress Plan," and I have a copy here, which itemized more than 500 community facilities, services, and programs essential to promote economic development, and provided a rating schedule by which each community could determine its adequacy in meeting these requirements.

Basic water, sewerage, fire protection, hospital, and transportation facilities were identified as deserving the highest priority. Such specific needs as industrial parks were likewise emphasized as being necessary.

The local governments in Tennessee are endeavoring to provide these essential public facilities and now have an outstanding, in what is a poor State of 3½ million people, bonded debt exceeding \$1,600 million, incurred primarily for basic water, sewer, gas, and electric utilities, and for schools.

Our smaller communities have relied heavily upon the low-interest community facility loans of the Federal Housing Agency, and the accelerated public works program which provided some \$18 million of grants for some 75 projects, mainly water and sewerage facilities throughout these depressed regions.

You can imagine the disappointment of those communities with APW applications left pending when these funds were exhausted early in 1964.

In Tennessee alone there were 87 such APW applications remaining, involving grants totaling \$19,477,268.82 for projects totaling \$40,377,176.54, mainly for water and sewer facilities.

So we would have to agree with Senator Clark of Pennsylvania, unless the \$88 million of requirements in Pennsylvania and the \$19½ million of requirements in Tennessee can be given first priority, requiring almost half of the \$250 million authorization under the bill, the \$250 million would be totally inadequate to make a real start on completing the facilities in these areas.

We believe this bill's somewhat broader concept of public works grants to provide basic public facilities to support industrial growth is essential. Whereas the original Area Redevelopment Act limited assistance to facilities directly serving industrial or commercial enterprises either already existing or definitely committed to location in a community, this bill will permit a broader coverage.

It will support with grants the expansion of adequate public water sources with the necessary treatment and transmission facilities to serve enterprises which may locate in the community, as well as basic sewerage treatment and trunkline facilities.

It is essential that reserves in capacity be available to meet future demands, because of the leadtime required for planning and construction.

I don't know any better way to explain the validity of this program than to cite some examples.

First, let's take the case of the town of Bolivar, Tenn., of 4,500 population. Two years ago the town had an opportunity to get a new industry employing some 800 persons in metalworking, if it could finance an \$850,000 project to quadruple the water system's pumping and infiltration capacity.

An accelerated public works grant paid one-half of the cost, and this industry plus another one has located in the community and are now providing an additional 1,400 direct jobs, principally to persons in the surrounding agricultural areas.

It must be noted that the heavy expense of financing industrial expansion is only a small part of the whole story. These additional 1,400 jobs support in the area a population of some 5,000 people, and they are moving to town every week.

Now the town of Bolivar has to expand all of its public facilities and services to accommodate rapid growth in residential and commercial expansion.

The town issued \$650,000 of water and sewer bonds to match its share of the industrial water project, and for extensions of these facilities in other areas of the community. It now has an outstanding indebtedness of \$1,659,000, virtually all of which is for water, sewer, and gas utilities.

With the APW assistance, this little trading center has within 2 years shifted to an urban industrial community, and is on its way.

Another example is Camden, Tenn., which financed a water transmission line and storage tank for a new industrial enterprise with an ARA grant and loan, and subsequently financed with a 50-percent APW grant a 7-mile water transmission line to the Tennessee River for an inadequate source.

Further, with a technical assistance grant from the ARA, a consulting firm identified several waterfront industrial sites along the Tennessee River in the Camden area, and it is anticipated that additional heavy chemical and metallurgical industries will locate there.

This little community is burdened by a population of 4,500, and by a debt of about \$800,000 for water and sewer expansion. They need help. They have been helped, but they and similar communities, if they are to grow, will require similar help.

We in Tennessee believe that the concept of an industrial park in every community which can anticipate industrial growth is sound. A State law authorizes municipal and county governments, either individually or jointly, to acquire and develop industrial parks or subdivisions, and a very large number have done so. The State assists by building industrial highways.

We believe in many cases that the grant and loan funds provided in this bill could be utilized to aid in acquiring land and in installing basic utility and street facilities to open up industrial land on an economical basis.

Not every community needs a full-scale industrial park, but those with economic development potential do.

The example of the community of Pulaski, Tenn., is cited. One of the chief recommendations of a consulting organization to revise the area's lagging economy was the provision of an industrial subdivision.

The city of Pulaski and the county of Giles joined in the purchase, at the cost of some \$135,000, of 400 acres of well located industrial land with rail facilities. The State of Tennessee constructed an access industrial highway, and the city spent more than \$300,000 in providing water, sewer, gas, and electric service, and streets, within the subdivision.

This preparation paid off.

I want to say this community's economy had been going down for 15 years. Its young people had left, and the ratio of older people in the area had gone up disasterously. But in the last 4 years, three industries have located in the subdivision, employing in excess of 550 persons. Ample land still remains for future industrial expansion for the next decade or two.

I want to endorse most emphatically the provisions in section 403 of the bill, providing for regional multicounty economic development districts, for regional urban centers, and an extra 10-percent allowance for projects in such regions.

The 1965 session of the Tennessee General Assembly authorized the establishment of economic development districts. We have had experience in recent years with regional economic planning in the form of tributary area authorities created by the general assembly to work with the Tennessee Valley Authority in economic planning and various development projects.

The results of such regional efforts are extremely rewarding. The provisions of this bill to encourage aiding in the financing of staff work and by the extra 10-percent grant allowance will, we think, make a major contribution to a regional approach to economic development.

Industrial enterprises depend upon the public and private facilities and services and the labor supply of a region, not a particular community. It is essential that regional resources, therefore, be known, analyzed, and presented to prospective industrial and other enterprises.

Further, in many cases vital facilities and services essential to economic enterprise must be provided on a regional and not a community basis, particularly in the case of smaller communities.

We have long recognized the need for regional transportation facilities—air, rail, highway, and water; for regional general hospitals; and so forth.

In the last 2½ years in Tennessee we have added regional area vocational schools and regional technical institutes and junior colleges under State operation.

The provisions of this bill providing financial assistance in staffing regional economic development districts in their planning and fact-finding functions, and providing an additional \$50 million for various facilities needed in such areas by an additional 10 percent allowance will unquestionably encourage this type of vital regional enterprise.

The present Area Redevelopment Act has worked well in Tennessee. Its only handicaps have been starvation in funds and some technical limitations in both the public facility and commercial and industrial financing provisions which are corrected by this bill.

This Public Works and Economic Development Act offers great hope and promise for those areas of Tennessee and the Nation which have long struggled almost unassisted to overcome the shocks and disadvantages imposed by a changing economy.

We think that the depressed industrial areas of the underdeveloped agriculture, forest, and mining areas of this country can be tremendously assisted by this bill, and we hope that it will be enacted.

Thank you, Mr. Chairman.

(The excerpts from the exhibits presented by Mr. Bingham are as follows:)

NATIONAL MUNICIPAL POLICY OF THE NATIONAL LEAGUE OF CITIES

* * * * *

3. AREA REDEVELOPMENT

3-1. We endorse the Area Redevelopment Act (Public Law 87-27). It constitutes the first systematic plan to help communities adversely affected by changed economic activity to rebuild basic facilities or to acquire basic facilities necessary to support modern economic pursuits.

3-2. The financial and technical assistance extended to areas of high and chronic unemployment, and to underdeveloped small town-rural areas with a history of low incomes, is essential to supplement rapidly intensifying economic development programs of State and local governments, and private business.

3-3 The job of rebuilding obsolete economies and developing new economic bases requires a long-range program and effort in the distressed areas of the Nation. Their economic problems did not spring up overnight, and they cannot be restored to economic health in a short time. The overall economic development programs required in each redevelopment area will furnish the basic data, and set forth the scope and nature of public facilities and commercial and industrial installations needed, thus affording the Congress a guide as to funds and time needed to accomplish development objectives. Because of the importance of intelligent community and regional economic development planning and action, we recommend an extensive program of workshops in economic development for public and private leaders in redevelopment areas in cooperation with State governments, the U.S. Department of Commerce, and private foundations concerned about the economic growth of areas with high and chronic unemployment.

3-4. The benefits provided under the Area Redevelopment Act are largely dependent upon the assumption of responsibility for industrial development by local community groups. Municipal governments have unusual capabilities and opportunities for organizing community groups. Therefore, we recommend that municipal government within redevelopment areas should assume leadership in establishing community groups to promote industrial development and sponsor an overall economic development program for the area.

3-5. We recommend that all State enact legislation which will enable communities within the State to reap the full benefits available under the Area Redevelopment Act. The Area Redevelopment Administration will make available a suggested model State statute upon request.

3-6. In the first 3 years, the area redevelopment program has made substantial progress. More than 125,000 jobs have been created directly or indirectly through ARA-assisted projects. Unemployment rates have decrease three times as fast in ARA area from 1961 to 1963 as for the Nation as a whole. In addition to reingress made in reducing unemployment, hundreds of communities have been reinvigorated and are proceeding to program and work out their economic futures.

3-7. We are concerned that funds for public facility grants are now exhausted. This situation particularly adversely affects the hardest hit communities which cannot finance needed public facilities to attract commercial and industrial development without assistance. Therefore, we urge prompt enactment of legislation to increase the authorized ceilings and provide funds essential to continue the programs of the Area Redevelopment Administration.

3-8. The administration of the program by the Department of Commerce presents difficult problems requiring continued analysis and adjustment. It is essential that authority and direction be maintained in the Area Redevelopment Administration, while at the same time operating functions are delegated to other agencies of the Federal Government, and to State and local agencies as well. Any plan or effort to establish separate administrative organizations for the industrial areas and for the underdeveloped small town-rural areas is unnecessary and harmful to the effective implementation of the act and of the intent of the Congress.

3-9. We recognize the new and increasing importance of tourism as a major industry in the United States and the role it can plan in significantly altering the local economy of many urban and small town-rural areas which are seeking new ways of redeveloping their economic structures and of creating new employment opportunities for workers and local business groups. An analysis of the dramatic changes in the industrial and occupational structure of the total national economy and especially the structure of the economies of areas needing

redevelopment reveals that the employment-growth potentials in agricultural and manufacturing industries and occupations are radically diminishing, while the opposite is true in the case of the service, nonmanufacturing sectors. Industries and occupations associated with such activities as tourism and other leisure-time functions contain great promise for new jobs and new enterprises, and the Area Redevelopment Administration should examine this growing field as a new avenue for promoting economic growth in areas of high and chronic unemployment.

3-10. There is a huge backlog of needed municipal public works projects in this Nation. If these could be released for construction it would accomplish the dual purpose of (1) helping to meet the critical need for municipal services because of increasing population in urban centers, and (2) easing heavy unemployment in urban areas. We, therefore, urge the Congress to authorize additional funds for public works acceleration. The bill should provide that at least 90 percent of the funds be allocated for local government projects.

3-11. In determining eligibility for area redevelopment and public works acceleration assistance, surrounding suburban communities should not be included in computing the unemployment rate for core cities which have a long experience of acute labor distress.

THE TENNESSEE MUNICIPAL LEAGUE'S 1964 FEDERAL PROGRAM

* * * * *

VII. AREA REDEVELOPMENT

We reaffirm our vigorous support of the Area Redevelopment Act and the pending legislation to increase authorizations and continue this program.

In Tennessee, 47 county areas, including 122 municipal governments, are eligible for benefits of this act.

The pending bill would provide sufficient additional authorization for loans and grants to carry the program for the next 2 years.

We endorse the following provisions of H.R. 1163 as enacted by the Senate to increase funds as follows:

1. Urban and rural area industrial loan funds from \$100 million to \$225 million for each category;
2. Public facility loans from \$100 million to \$125 million for each category;
3. Public facility grants from \$75 million to \$150 million;
4. Technical assistance from \$4.5 million to \$10 million.

We endorse an amendment permitting repayment of the 10 percent of industrial project financing which must be met by a local public or semipublic body over the same period as the Federal share of financing. (Existing law requires that this local loan cannot be repaid until the Federal loan is fully retired—sometimes up to 25 years.)

Senator GRUENING (presiding). Thank you very much, Mr. Bingham, for a very fine and convincing statement.

I take it when you are here in Washington you will go calling upon your representatives in Congress from Tennessee and apprise them of the position of the municipal league there, and, of course, when the hearings are printed, we will see that they get copies, but it might be a good idea, if you are so inclined, that you see them.

Mr. BINGHAM. Mr. Chairman, we appreciate that suggestion, and we will follow it. We hope to get a 100-percent vote on this bill from the Senate and the House.

Senator GRUENING. Do you think it is wise to provide funds which would allow the communities to design and plan their public works?

Mr. BINGHAM. I do. I think this is one of the most underused techniques in local government practice.

Funds are available through the U.S. Housing Agency for advance engineering planning of public facilities. However, this program has not been adequately utilized. What we need in our communities is a comprehensive long-range water-sewer plan, for example, not to mention others, which very few communities have.

We are installing facilities, trunk facilities that will in many cases last 40 to 100 years, cast iron and clay pipe, and we need to forecast the size and scope of these facilities on a long-term basis.

Some advance engineering in this bill, or a more adequate use of the present program of interest-free loans in the housing legislation would be extremely helpful.

Senator GRUENING. I am glad you feel that way about it. I am fully in accord with what you say. I think it is very desirable that we plan this on a long-range basis, and not have these fits and starts.

It should be a long-range, comprehensive plan for every State in the Union.

Mr. BINGHAM. They wouldn't have the parallel trunk facilities and great waste in public money, if they have this.

Senator GRUENING. Thank you very much, again, Mr. Bingham. I am hopeful that we will get this legislation enacted and with somewhat larger amounts than those provided in the bill at present.

Mr. BINGHAM. Thank you.

Senator RANDOLPH (presiding). Senator Clark, we are delighted that you are going to testify this morning before the committee.

Will you proceed in your own way, sir?

STATEMENT OF HON. JOSEPH S. CLARK, A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator CLARK. Senator, let me express my appreciation at your willingness to hear me, and also to fit me in, and my gratitude to my old friend from American Municipal Association days when I used to be mayor of Philadelphia.

My purpose for coming before you, Senators, is to ask your committee to double the administration's request for \$250 million for public works in this new area redevelopment bill of depressed areas which you are considering.

In my judgment, \$500 million represents the absolute minimum that should be authorized for public works in distressed areas in this bill.

Parenthetically, I would like to see another \$500 million authorized to take care of public works in other areas of our country, where they are badly needed.

Senator Randolph will recall, I know, the glee with which we both greeted the Accelerated Public Works Act of 1962 for the many wonderful things it did for the State of West Virginia and the Commonwealth of Pennsylvania.

Senator RANDOLPH. I interrupt at that point to say, Senator Clark, that I was privileged to cosponsor with you and Senator Pell, of Rhode Island, the original Accelerated Public Works Act, which as you recall was S. 986, in the 1st session of the 87th Congress.

Senator CLARK. You were indeed, and without your valiant efforts in committee and on the floor, I doubt if we could have passed it.

In Pennsylvania, we call it the Clark-Blatnik Act, and when I come to West Virginia, I call it the Randolph Act.

Senator RANDOLPH. Thank you, sir.

Senator CLARK. The Accelerated Public Works Act of 1962 was one of the most successful programs to combat unemployment ever used in Pennsylvania. I am sure this was true across the Nation. I just happen to know more about the situation in my own State.

In my view—and I speak not only as a Senator from Pennsylvania, but as chairman of the Subcommittee on Manpower and Unemployment, on which the Senator from West Virginia, Senator Randolph, serves with such distinction—we need now, and we have needed ever since the accelerated public works program ran out, a continuation of the program, if we are going to make a really important dent on the current rate of unemployment.

To be sure, that rate has fallen, the last few months, for the first time in many years, below 5 percent of the labor force, but that is a totally unacceptable figure. Three-percent unemployment, which might be considered an interim goal—I do not think of 4 percent as an interim goal at all—would be almost twice the unemployment rate of most of the advanced West European countries.

And it is a deceptive figure, because it does not include thousands in underemployment, nor does it include those perhaps hundreds of thousands of individuals, many of them in West Virginia and Pennsylvania, who have ceased looking for jobs because they are convinced they cannot find them.

To me, to have an unemployment rate as high as we have in this country today, the most affluent society the world has ever known, is an absolute disgrace. It is an indication of an inadequacy of our democratic system in dealing with the problems of compassion and of the need for citizens to find useful remunerative work which is an essential part of our democratic process.

Senator RANDOLPH. Senator Clark, what do you believe your unemployment rate is now in Pennsylvania?

Senator CLARK. The Pennsylvania rate has come down quite satisfactorily until actually it is not much if any above the national average.

Nevertheless, as you well know, we have pockets in Pennsylvania which carry the average considerably higher.

In the hard coal regions surrounding Scranton and Wilkes-Barre, the rate still is hovering around 9 percent. The soft coal area around the West Virginia border is considerably higher.

Even in Philadelphia, the metropolitan area, the rate is well above 6 percent.

These are figures which I think should give us a good deal more concern than they seem to.

And the success of the act of 1962 not only in providing jobs in useful and remunerative work, but in creating wealth in the terms of public works, highways, sewers, and the like, has remedied an obsolescence in the public sector of our Pennsylvania economy which in my judgment could be remedied in no other way.

So I feel the new public works program is essential. We ought to cure the chronic obsolescence which plagues the public facilities of many of our distressed communities.

I know I do not have to sell this point to the Senator from West Virginia, because he is keenly aware of it from his own State.

Let me give you a rundown on what the old act did for Pennsylvania.

It enabled us to complete 512 projects, half of them involving water and sewer lines.

May I say our streams and rivers—I have no doubt yours, too—are still being polluted by the dumping of raw sewage from many poverty stricken communities into our rivers, and our water pollution program

will never get anywhere unless we can get the sewage disposal taken care of for those who do not have the facilities to do this, and for whom the community facilities program, with its restrictions and requirements for a very substantial local contribution, are quite inadequate.

Senator RANDOLPH. Senator Clark, at this point, 1 week ago yesterday I was in Morgantown, W. Va., and counseled informally in reference to a proposed flood control project which would have not only that feature, but the quality building of water and other necessary benefits.

Tom Campbell of your State, from Pittsburgh, who represented the coal association from the standpoint of its marketing there, he is head of the Campbell Barge Line, made a statement which I have since checked very carefully.

He said in the Monongahela, River, the rudder on the barge becomes corroded, and has to be replaced, in 9 months.

Senator CLARK. I am not surprised. I have been on occasion to Brownsville, Pa., on the Monongahela River, where we have seen the effects of just what you are speaking of. And I have no doubt it is the same way on the Kanawha River, isn't it?

Senator RANDOLPH. Yes, the Kanawha in many reaches of it is very heavily polluted.

He made this further statement. We were talking about the movement of coal on the Monongahela, contrasted in this instance with the movement of coal by barge up to Pittsburgh, rather than down to Pittsburgh on the Ohio, and he thought of the tradition of the Ohio, but he said that rudder on that barge would last, on the Ohio for 20 months.

So there has been some improvement there. But here on the Monongahela, which you are so familiar with—I am very familiar with it, of course, it has only this life of 9 months. So much of it by acid drainage and many forms of pollution that move in to bring about this situation.

Senator CLARK. I would like to point out that the same situation exists on our Central Pennsylvania River system. Both the North and West Branches of the Susquehanna are so polluted we have had thousands of fish die, flat up to the surface.

Some of this is due to the acid mine drainage which is difficult to solve, but public works projects could be helpful in sealing the mines.

A lot of it, however, is due just to pollution dumped into the rivers by communities which don't have adequate facilities.

Under the act of 1962, we went forward in getting \$81 million for Pennsylvania, and completing these 512 projects, but there are other project approved by officials of Pennsylvania, but never built, because we ran out of funds.

This already-approved backlog includes \$12 million for hospitals, \$10 million for utilities, \$30 million for sewers and sewage treatment plants, and \$17 million for roads and streets.

It is my understanding that the total public works backlog for already-approved projects from all over the Nation's presently distressed areas totals nearly \$470 million.

Obviously, this presents only a fraction of the projects which the communities need. There are millions and millions more for which

these communities never even requested funds because they knew they were unavailable.

I would like to turn, if I may, Mr. Chairman, to the argument which your committee will meet, if it were to accede to my request—and I am sure the desires of many members of the committee itself—and that is, “Oh, this will break the budget ceiling. This sacred ceiling fixed by the Bureau of the Budget cannot be changed by Congress.” Let me point out in that regard that I think it is high time that Congress exercised its power of the purse and its power of authorization of appropriations to bring the Federal budget into a little better balance with the needs of the American people, and that these arbitrary fiscal limitations are placed on a vitally important program such as an increase in accelerated public works in order to put the money in the places where there is enormous waste and where there is no need whatever to continue the programs at the very high level at which they have been recommended.

Let me give you an example taken from a pie chart which I have here, which I will be glad to submit to the committee, which shows \$106 billion were voted by Congress in 1964.

Of course, the budget estimates for 1965 are available. Unfortunately I don't have them with me.

We find here that the current military program, including “Atomic Energy and Foreign Military Aid” takes 51 percent of the budget. That is to prepare for future wars.

Now, I am not saying that our national security does not require a very heavy military expenditure. It clearly does. Nor am I saying we don't have to keep our guard up.

But I am satisfied, in company with several other Senators, that we are just developing overkill and building up military capabilities to a situation which ought to be brought to a halt, and that the national security of the United States and our oversea and foreign and international commitments could be very well served with \$250 million less than the fantastic sum which is presently going into our military budget, and its successors, well in excess of \$50 billion.

Where would they miss \$250 million for accelerated public works, which would put people back to work?

And in many ways, by the long run, the wealth they create and tax sources generated would be paid back to the Treasury many times over the initial consideration.

Senator RANDOLPH. You will remember, Senator Clark, when we tried to cut the Defense budget in the Senate, in one instance, 10 percent. Senator McGovern and I were the only ones to vote for that cut.

Senator CLARK. Unfortunately, I was not on the floor that day.

Senator RANDOLPH. But you told me you would have voted for it had you been there.

But that might have been a figure beyond what was practicable, but I know we failed at 5 percent, and we failed, really, at 2 percent.

So this is a problem, as you have indicated. It is difficult.

Senator CLARK. It is indeed, but I think what we need, Senator, is more pressure from committees like yours, those on which I serve, some help, I would hope, from the Foreign Relations Committee, which does not feel the need for these massive expenditures to the extent that the Armed Services Committee does.

What we need is some concerted effort by Senators from States who know this money is needed at home, to call upon the Defense Department, and particularly the Armed Services Committee, to take a really good, hard, analytical look at these military figures, in the interest of making funds available for proposals such as this, which to my mind are more important, not only in the overall national interest, but would not do the slightest amount of damage to our national security.

Senator RANDOLPH. Senator Clark, at that point, when you discuss the budget, I think the record might disclose, during our colloquy that we are having, that the former Under Secretary of Defense, Roswell Gilpatric, wrote an article, as I recall, in "Foreign Affairs," published last year, that we could safely cut our Defense budget for fiscal 1967 and 1968 by 25 percent, he said, without, frankly, detracting from the national security.

Now, I am simply quoting him, and calling attention, however, to a former defense official who has had made some study of the matter.

Senator CLARK. Mr. Gilpatrick is one of the ablest men who ever served his country in the Defense Department.

I suspect we would find, if we went at it, that the very able Secretary of Defense, Mr. McNamara, would not be as disappointed as the Joint Chiefs of Staff if we were to take this action.

Just to continue and conclude my statement, the money voted by Congress in 1964, which includes all funds appropriated during calendar 1964, regardless of whether the money was spent in the fiscal year ended June 30, 1964, allocated to the year which will end June 30, 1965, for military activities is \$54,075,281,000.

That was to get ready for future war.

Now, for veterans and other costs of past wars, most of which I quite agree has to be spent, we spent \$5,493,402,553.

For administration of the national debt, more than 80 percent of which was war-created and which again I agree we have to spend, it was \$11,149,570,000, or 10.51 percent of the total expenditure.

I won't detain the committee with further figures other than to point out that the amount of this \$106 billion by the Congress, for Health, Education, Welfare, and Housing, was a near \$9,677,756,317, or only 9.12 percent of the budget.

Transportation and communications, into which category I suspect a good deal of accelerated public works money would go in terms of streets and roads, was \$6,506,886,500, or 6.13 percent of the budget.

So I say to you in conclusion, Mr. Chairman, that I think the Congress ought to assert its unquestionable constitutional authority to determine the priorities under which the amounts raised by our Federal tax system, by our debt transactions, should be spent, and that we have a lopsided point of view in the Congress and in the executive department, too, with respect to the way we have been requested to appropriate this money under the current budget estimates of the President.

I would suggest that the country would rejoice, and that very few in the Congress, or even in the White House, would weep tears if you were, in this committee, to double this appropriation for accelerated public works, making it \$500 million, instead of \$250 million.

And we perhaps could form a group who would get that money back, without the slightest damage to our national security posture, out of the military budget.

Senator RANDOLPH. Senator Clark, we are strengthened in our determination by what you have just said.

In my opening statement today, so that you may hear it in part, I have indicated that the administration's recommendation of \$250 million annual authorization for public and facility grants is grossly inadequate.

I further stated that it is thus my intention to offer in committee an amendment to increase the annual authorization for title I to \$500 million.

Senator CLARK. I am delighted to hear that news, and I would hope that if you are unable to get it into the bill, which I hope you will, that you offer it on the floor, at which point I will be delighted to cosponsor it.

Senator RANDOLPH. That will be very effective, and we are grateful for your great interest and your expressed concern.

We can't be timid as we approach the need, here.

Senator CLARK. We have constitutional responsibilities. They are not all confined to the other end of Pennsylvania Avenue. We have our own duty to perform, as Senator Gruening very well knows.

Senator RANDOLPH. That is right, and he has spoken out about this matter.

But while balancing the budget is wise, you also feel there is a need to balance the human needs with programs?

Senator CLARK. I do, indeed. But I would go further and say in my judgment the total amount of the budget this year is totally inadequate. I think it should have been at least \$110 billion, and maybe more, and I think that could have been done without the threat of inflation.

Even if we make the basic assumption we are going to stay within the overall ceiling prepared by the Bureau of the Budget, I still say we have not only the right but the duty to allocate that money where it is badly needed, and not where it will be wasted.

Senator RANDOLPH. You were speaking about the importance of the program, and the effective administration of it. We have a recommendation from the administration that the head of the program would be at a point level below that of an assistant secretary.

I think we have a need for these long-term programs. I think that they are basic programs, and we need the very highest type of administrative capacity to carry them forward.

I am wondering whether in the Federal structure we are giving sufficient incentive or stature to the individuals who would guide this program.

Senator CLARK. I quite agree with you. I think if we were to look around and find the status of somebody in the military or space agencies who had the authority to spend \$500 million, we would find it highly unlikely that he would be other than an assistant secretary.

Senator RANDOLPH. Senator Gruening, do you have any questions for Senator Clark?

Senator GRUENING. No. I just want to commend Senator Clark in this field. I believe he was the originator of the original Accelerated Public Works Act.

Senator CLARK. That was my story in Pennsylvania, Senator.

Senator GRUENING. I was heartily distressed when those funds lapsed and we were unable to get them reinstated.

Now the administration has come up with a bill which the distinguished chairman of this committee has pointed out in his judgment, as well as mine, the amount of \$250 million is not adequate.

Whether the amount of projects that are waiting, or were waiting, is \$500 million, or \$450 million, as Secretary Connor pointed out, it is clear we have a backlog that would require 2 years to take up. And it was obvious that there would be a far larger number of projects, if the funds hadn't run out.

The proposed amendment which Senator Randolph will put in, and which I will support, to raise it to \$500 million, is a step in the right direction. I would like to see it raised to \$1 billion, and then we could fight this war on poverty.

Senator GRUENING (presiding). Mr. Saunders, William B. Saunders, Washington, D.C.

STATEMENT OF WILLIAM B. SAUNDERS, PRESIDENT, W. B. SAUNDERS & CO., WASHINGTON, D.C.; ACCOMPANIED BY DAVID ABRAHAM

Mr. SAUNDERS. Thank you very much, Senator Gruening. It is a pleasure to be before you this morning.

I appear this morning as a consultant, as an economist, and as a lecturer, and we are going to do something of a little bit of a teamwork effort, Senator.

I would like to make some general remarks, about just two or three features of the bill, and then introduce Mr. David Abraham, who is my associate.

Mr. Abraham has had extensive experience in the field dealing with the individual company problems and the actual application of the current ARA program in dealing with individual problems.

We thought it might be helpful if in addition to my general statement on the broad issues that he could give a little color to the problems on the ground and in the field.

Senator GRUENING. Mr. Saunders, it might be helpful if you would tell the committee the field in which you lecture at American University.

Mr. SAUNDERS. My work at American University has been primarily in the field of transportation, distribution, cost analysis, all in the field of economics.

Senator GRUENING. You are an economist?

Mr. SAUNDERS. Yes, sir.

Senator GRUENING. Where did you get your collegiate training?

Mr. SAUNDERS. At Harvard, Senator.

Senator GRUENING. Well, that is a pretty good place. Did you get an A.B., or a B.S.?

Mr. SAUNDERS. I have my A.B. from there, and I have a master's from American University.

Senator GRUENING. Well, that is pretty good preparation. Go right ahead.

Mr. SAUNDERS. As a lecturer at American University, I have seen students struggling to grasp the basic principles which motivate private business decisions.

As a Washington economist, both in and out of Government, I have seen agencies struggling to apply sound economic principles in arriving at national policy decisions.

As a consultant to Government and industry, I am constantly reminded of the fact that most people have great difficulty stating exactly what the question is, and, therefore, have even greater difficulty in finding the answers and then making the decisions.

This bill, S. 1648, will permit better decisions to be made by all the partners in economic development—Federal, State, and local governments, as well as the private sectors of the economy.

The key to action is decisionmaking. And the best way to make decisions is to have the relevant facts. Based on our experience with the ARA program and the planning stages of the Appalachia program, it is our view that the technical assistance program is an essential link in the chain of economic development.

We have seen many instances in which community action programs were paralyzed by a lack of facts about available resources and by an inability to assess the priority to be given to alternative courses of action.

The need to overcome this situation provides the underlying basis for all planning. In American industry today, planning is a powerful tool, and not a dirty word.

Planning means assessing the facts, looking ahead, analyzing markets and costs, and then making decisions on a rational basis, rather than by the seat of one's pants.

Government at all levels which makes decisions affecting everyone of us so very much, should certainly have the same tools. Likewise, local business groups who strive to revive an area should do so in the light of the facts as to the economic feasibility of a given project in a given area.

After all, how many businesses are more complex than the economic interactions of a local community?

An important new ingredient—the concept of regional planning—will be added by enactment of this bill. Under existing law, there is some tendency for each community, county, or small area to compete with others for limited technical assistance funds.

There is now little or no opportunity for decisionmaking on the relative benefits to be derived from investment programs in adjacent areas. Such competition for Government assistance can be most uneconomic.

And it has been our experience in that connection, Senator, that there is a tremendous pressure on the Congress and on the administration when each individual community feels that it must get all of the people in that town employed in some economic activity, when in fact some communities just don't have the economic potential.

And the regional concept enables them to benefit by being part of a broader group.

My company is currently analyzing a broader area—northeast Minnesota. We find that every community cannot sustain the same industries. Yet, a better balanced economy is possible for the area as a whole if we recognize the interaction of these communities.

The broader grouping of counties into economic development districts, which is encouraged by this bill, should give us "a bigger bang for the buck."

I recognize that there is inherent competition among all communities with underemployment. Yet, I believe this bill can help communities make the right choices. After all, if six adjacent counties cannot each support a separate ski resort, the development of the facts as to which has the best chance of success should eventually show local people that they will be better off by supporting an effective program next door than an ineffective program at home.

It should also be noted that satellite cities benefit materially from growth in other areas within commuting range. In many large employment centers, a major share of the work force lives some distance away. A small town can thus benefit from the location of a large industry in a large center.

Indeed, a large new industry may not be attracted to an area unless it is so located that a large labor force can be tapped—perhaps from a number of surrounding communities. If each one looked at the project individually, there might be no hope at all of attracting such a source of economic growth.

The American people are on the move, and there is no reasonable way to prevent this. Regional planning may at least keep them in the neighborhood. New York and Chicago cannot handle all the underemployed, nor do I believe that we would like to see them all go to Florida and California, though some may go or return to Arizona!

Many people cannot sell their homes—some would rather commute 60 miles to work.

We have seen cases in Minnesota where people commute 80 miles each way each day, rather than leave their communities and try to sell their homes and create these ghost towns we have seen in the West. But at least their hometowns benefit from wages spent locally, though earned elsewhere.

I do not want to overemphasize this point. We still have much to learn about regional economics. Yet, since it is certainly true that not all communities can have full employment indefinitely, a regional approach can reduce the shocks of the transition for the declining community.

In our experience, however, pure statistics and piles of reports are not enough. Action must await decision—not only based on facts, but on the will to move.

All too often, we find that an underdeveloped community has a bad “entrepreneurial climate.” Without entrepreneurs, little can occur. Action is the keynote of a healthy community—inaction, fear, or unwillingness to take risks is often the keynote of a depressed area. Such an area can be depressed in more ways than one.

We are spending millions of dollars on vocational training, yet we are doing little to encourage the jobmakers on whom these trainees depend. The technical assistance program in the bill should fill a vital need in this area.

Management assistance is just as important as financial aid. Indeed, in the final analysis, the financial program must fail in the absence of effective management in the companies being helped.

I understand that the lawyers indicate that the present language does permit this kind of management assistance to be provided under the technical assistance program, and it therefore does not appear necessary to consider any amendments to the bill.

But I did feel that to illustrate some of the kinds of problems that we find in actual concrete cases, it might be helpful if Mr. Abraham were to take a few minutes and describe some for us.

Senator GRUENING. Go ahead.

Mr. ABRAHAM. Mr. Chairman, I regret I do not have a prepared statement.

Senator GRUENING. Will you identify yourself?

STATEMENT OF DAVID G. ABRAHAM, ASSOCIATE, W. B. SAUNDERS & CO., WASHINGTON, D.C.

Mr. ABRAHAM. I am David G. Abraham. I am a management engineer and business economist.

I would like to take this opportunity to draw from a relatively large number of practical experiences that relate directly to the technical assistance program of the existing Area Redevelopment Administration bill, and relate to you a few examples from our practical experience for the purpose of illustrating the potential benefit we feel can be derived from a more effective and broader technical assistance program than the one that has been available to designated communities in the past.

Senator GRUENING. Would you be kind enough to give us for the record your training and background experience?

Mr. ABRAHAM. Yes, sir; I have a B.S. in industrial engineering, and likewise a master's in industrial engineering, both from European colleges.

Senator GRUENING. What European colleges?

Mr. ABRAHAM. The Polytech in Milan.

I have a master's in business administration from the American University in Washington.

I have been an industry executive for 11 years, and I have been in economic and management consulting for the past 4 years.

Senator GRUENING. Go right ahead, then.

Thank you.

Mr. ABRAHAM. As the backdrop to my description, I would like to give you my interpretation of a possible difference in the technical assistance program as against the loan or grants program.

Whereas the latter address themselves to the problem of financial resources, the technical assistance program, while having an element of assisting those lacking financial resources, its possible primary motivation is that of assisting the lacking and inadequate human resources.

This is so because if those communities which we in the past have known as those indicated under the act were able to master the human resources needed for their own economic redevelopment programs, it possibly would not be necessary to have a technical assistance program under the provisions of the existing or the proposed act.

It is our experience that the inadequacies in human resources in our underdeveloped and chronically underemployment areas are manifold. It is not just that in these areas, because of economic catastrophes we are facing the situations which we face, but it is also in many cases, I believe, because latent opportunities have not been turned into fertile and active operations. This opportunity to do so can indeed be capitalized on with human resources and primarily of those which

are not under the influence and the stigma which we know to exist in areas which are experiencing economic depression.

I am suggesting that in these areas we are laboring under a magnitude of problems. We have not only a potential lack of entrepreneurship and management capability, but we will also have an environment, an economic climate, as we oftentimes call it, which is not conducive to the deployment of the best of these human resources as they would be in vibrant and economically viable areas.

The technical assistance program offers the opportunity to inject into these economies people who not only possess the necessary skills needed in the economic redevelopment process, but which are relatively free from the stigma and the influence of an economically depressed area.

I would like to cite an example of the failings of the human resources in an area in one of our most depressed parts of the country, where in hindsight we can say that a great economic redevelopment opportunity was identified. And yet, at the time when the group of diligent and conscientious people in the community themselves identified the prospect for the development of a new industry, they were lacking the skills which are required as a prerequisite in order to take advantage of an existing Federal aid program.

I refer specifically to the drawing up of the papers necessary in order to be awarded a technical assistance grant.

This may sound sort of hair raising to the committee, if I say that literate people were unable to prepare an application for a technical assistance grant, and yet, I assure you, Mr. Chairman, that I am speaking of facts that I have come across in my personal experience.

This is not so because the forms that had to be completed were too cumbersome or too complicated. It is merely because a different kind of skill than that available to the community minded group of citizens was required.

This leads me into another example. In one of our projects we have been required and desirous to cooperate with what we commonly identify as the county area redevelopment association. This is the group of people which have been organized in order to spearhead a specific county's redevelopment program.

We find these organizations, the ones that we have had dealings with, are a group of civic minded citizens who are well intentioned and well meaning, but lacking generally the professional capabilities which would assist in focusing on a program of viability and efficacy.

Consequently, they will find themselves subjected to pressures of various kinds, and have to give in to those which are brought at the greatest strength upon them, rather than the ones which show the best prospects.

Last but not least, I would like to mention a specific example in the area of business management.

I would like to draw on an example where, in fact, an ARA loan under the existing section 6 program, the industrial loan program, was authorized in an amount exceeding slightly \$1 million.

According to the applicants, upon granting of this loan, a new company would come into existence in the field of machine tools, and machine parts, which would employ 110 employees in a community having an unemployment rate of in excess of 14 percent.

Actual experience has shown that only one-third of the loan was drawn, that after less than 1 year of the startup period of this enterprise, the one and only capable manager, for reasons of his own, resigned, and the plant was left without any solution, and without any prospect for capitalizing on the loan made available to it with the attending and projected benefits to the community.

I would like to point out that under the existing technical assistance program, it has at least never been the practice to step into a situation of this kind and propose the employment of a manager capable and qualified for the specific situation who may be brought to the depressed area from one of our vibrant economic regions of the country, and who would draw on the skills which he has employed in the past, and which of his former employer's enterprise made a success.

I would like to suggest that the committee in its consideration of the proposed bill give consideration to and instruct the Secretary that in carrying out the duties invested in him by the proposed bill, special consideration be given to the aspects of the human resources in our underdeveloped areas, and they pertain specifically to entrepreneurship and management depth.

It is my most sincere feeling, Mr. Chairman, that without a great deal of attention to these two specific aspects of very basic requirements in any economic endeavor, no matter how much our Government will make available to these areas in terms of financing, in terms of long-term and low-interest loans, we are not likely to capitalize on the benefits that might otherwise accrue from these programs.

Thank you.

Senator GRUENING. Thank you very much, Mr. Abraham.

Mr. SAUNDERS. In concluding, I would like to emphasize certain points:

Our experience is that much small- and medium-sized industry still depends greatly on the technical assistance program. We believe that the program will be more effective under the broader regional planning concept contained in S. 1648.

Distance from Washington points up the need for supplementing the loan program provisions of the bill by a loan guarantee system which would involve local banks and other lenders.

I am not suggesting that the direct loan program be abandoned, but supplemented.

They have the ability to react more quickly to problems of local borrowers than can a Washington or even a regional Government agency.

The example Mr. Abraham gave of local involvement might have produced action more quickly had a local bank, say, been interested in the project.

At the grassroots level, we need to experiment with new ways of expanding management depth so that small companies with good plans will not fail because they are run by management inadequate for a larger scale of operations. This might include a domestic "Fulbright" program for management trainees or making available various special skills on a consulting basis.

The Economic Development Act is not a panacea, but it is an important step in helping local groups and private entrepreneurs to make the right decisions that will create long-term employment.

Thank you for the opportunity to appear, Senator.

Senator GRUENING. Thank you very much, Mr. Saunders.

The next witness will be Mr. Robert L. Williams, executive director, American Institute of Planners.

**STATEMENT OF ROBERT L. WILLIAMS, EXECUTIVE DIRECTOR,
AMERICAN INSTITUTE OF PLANNERS, WASHINGTON, D.C.; AC-
COMPANIED BY DAVID K. HARTLEY**

Mr. WILLIAMS. Mr. Chairman, my name is Robert L. Williams. I am the executive director of the American Institute of Planners.

Accompanying me here today as a resource person is a member of our national staff, Mr. David K. Hartley.

We have a prepared statement, and I would like to read it at this time.

Senator GRUENING. You may, or if you like, you may summarize some of the high points of your testimony.

In any event, your whole statement will be included in the record.

Proceed in whichever way you want.

I think it would be helpful if you would begin by giving a summary of the points you are going to make, if you find that convenient.

Mr. WILLIAMS. Fine, Mr. Chairman.

I hope to introduce a couple of statements that we have prepared, that grew out of an American Institute of Planners article, and an article from our own technical journal published in 1964 that would apply to this.

We are making several statements concerning the technical assistance aspects of the proposed bill, S. 1648. We will be dealing with what we think are some long-range coordinating requirements as they relate to a State development program and the Federal program as proposed in the bill.

And we will be relating back to multi-State river basins as are promulgated in S. 21 and H.R. 1111.

We would like to hit those particularly, and give emphasis to those points.

Mr. Chairman, it is a brief statement. If I might have the opportunity to read it, I will read it quickly, and stand ready for questions.

Senator GRUENING. Go right ahead.

Mr. WILLIAMS. Mr. Chairman and distinguished members of the committee, I am here representing the American Institute of Planners. The 3,900 members of the institute engage in providing professional planning services and are active on the local, metropolitan, and State levels of government throughout the United States.

Planners have been deeply involved in economic development activities. Many of the overall economic development programs submitted by redevelopment areas to qualify under the Area Redevelopment Administration were prepared by local planning staffs.

Economic projections and plans for future growth are the basic elements of comprehensive plans that local planning boards and commissions are required to prepare. We, as planners, are quite interested in the legislation under consideration.

Indeed, a good deal of attention was devoted to the subject at our recent Government Relations Planning Policy Conference last January.

I would like permission to have a background paper prepared for this conference inserted in the record, as well as an article on the subject from the "Journal of the American Institute of Planners."

Senator GRUENING. Without objection, they will be included in the record at this point.

(The material referred to follows:)

POVERTY, AREA REDEVELOPMENT, COMPREHENSIVE PLANNING AND
REGIONAL DEVELOPMENT

(By Malcolm D. Rivkin and Goldie W. Rivkin)

INTRODUCTION

Development of distressed areas—cities, counties, vast regions that cut over many States—is an important concern in America's current and much heralded campaign to eradicate poverty. As physical planners, we find the concepts of "development" and "redevelopment" no strangers in our experience. The planning profession is grounded in theories of growth and change. Its responsibility has been one of ordering the physical environment to serve communities' needs; and its method of operation has followed the lines of diagnosing problems and prospect in existing situations and proposing the means whereby desired future conditions may be achieved.

Area development, however, as it must be understood in this war against poverty, is a broader and more inclusive concept than manipulation of the physical environment. It means the process of upgrading economic activities and social resources within communities and regions so that the citizens of these areas can participate more fully in the bounties of American life. The economic environment (business, industry, jobs) and the social environment (education, welfare, community institutions) are recognized as being subject to modification by conscious policy decisions. Trends in economic base and characteristics of social structure are viewed as variables, themselves proper targets for manipulation through community action. This is in contrast to the traditional physical planners' acceptance of these trends and facts as the basis for, rather than the object of, planning.

Upgrading of the physical environment may, in certain circumstances, be a means of improving economic and/or social conditions; but it becomes a means—not an end in itself—to be integrated with other public and private programs directed toward a common objective. That objective is to infuse the people of our "backwash" areas with a measure of material and psychic prosperity they do not now possess.

America has little experience with conscious and comprehensive area development activity; and some crucial issues must be resolved before even the limited efforts now underway can become successful. Area development poses great challenges to planners, to State governments, to universities, and to the Federal Establishment. This paper outlines an approach to the challenges which might form the basis for official AIP policy.

THE PROBLEM

Development in the United States seems to come like a mighty wave, engulfing with prosperity all that lies in its path. What lies outside is left either to compensate for its disadvantageous position, or to adjust to conditions of decline. Each successive wave has brought new prosperity to some areas, drained the vitality from others. Our history of economic expansion is full of challenges to the adaptability of industries, individuals, and groups of people, of communities and entire sections of the country. For the most part the record of response has been a source of justifiable national pride.

In recent years, however, we have become especially aware of the bypassed and the unadapted. The Nation is now concerned about the economic activities, the people, and the areas which are not sharing in its general prosperity.

Evidence of distress occurs in a multitude of forms. Often it is the industry that has failed to modernize and declines in the face of competition from other products or other plants both at home or abroad. Often a flagging industry has modernized, but in the process has displaced many workers—both those with skills (frequently not transferable to other operations) and unskilled laborers for whom alternative employment prospects have diminished at a rapid rate.

Sometimes the malaise is a natural resource depleted save for low grade leavings whose exploitation is not economic. Elsewhere, resources may be abundant but the automation of extraction and drives for efficiency have thrown thousands out of work.

Low educational levels preventing hundreds of thousands of people from leading productive lives, poor health standards, the barriers of discrimination, the diseconomies and morale lowering of substandard living conditions are all considered serious subjects for public concern in the affluent 1960's.

While some of these conditions may manifest themselves in generally prosperous areas—the great metropolises that generate most of our innovation and economic growth still contain “pockets of poverty”—there are places where signs of depression occur in overwhelming combination. These are the cities, rural counties, and larger regions which seem to sink farther behind in their struggles to adjust to change.

Sizable clusters of these distressed areas show up in the Appalachian Mountain region; the northern parts of Minnesota, Michigan, and Wisconsin bordering the Great Lakes; in upper New England; the far Northwest; and the southwestern Indian reservations. Yet there is hardly a State which does not number some communities evidencing the backwash syndrome. About one-third of the 3,000-odd counties in the United States were eligible for special assistance under the Area Redevelopment Act in October of 1964. Although a high level of chronic underemployment was the chief criterion for ARA assistance, this is some measure of the extent to which the problem exists.¹

A wide variety of factors underlie the causes of depression in each of these bypassed areas; but the effects are similar from place to place. Business districts are drab and deteriorated and housing is dilapidated. Impoverished farms sadly lack proper maintenance and unkempt fields are littered with abandoned trash. There is a general air of dejection and lack of interest. Bright young people try to leave as soon as they are able and many, not so bright or able, leave because they must.

The phenomena that have produced the backwash areas are not novel or unexpected. America has experienced similar phenomena in the past, adjusted to them as a nation, and grown withal. Historically we have had a number of significant shifts of activity. The spread of urbanization and the trend toward dominance of our great metropolitan centers and demands for an increasingly skilled labor force are not new in this century but have been basic to our whole pattern of growth. We are accustomed to industries shifting their locations in search of maximum competitive advantage; and the decline of traditional activities in a few areas due to technological obsolescence has, in the past, not been a central issue of general public concern.

But the pace of change has quickened. Improved communications, bigger scale of business and more complex sets of industrial linkages are but a few of the factors which have made the impact of change, as well as its speed, greater. Relocation of a single factory required a smaller adjustment on the part of both the departed and the recipient communities than the wholesale exodus of an entire industry from one region and resettlement in another. We had one set of circumstances when adaptations had to be made by individual communities here and there, but quite another when problems accompanying the shifts show up throughout the national economy. The process of readjustment is further complicated by the shift of resources for coping with the situation, along with the bulk of economic activity, out of the backwash areas.

In part, our present concern comes also from the very stage of affluence America has reached. Having attained this pinnacle of prosperity, we can afford or feel we can afford to redress the ills which elements of the population and sections of the Nation suffer by comparison.

This hope is another mixture of the wisdom and naivete that has characterized so much of America's past drives for achievement. For the resources, position, and real growth potential of backwash areas vary as widely as the causes which produced their depression, and some may prove resistant to the most massive of overhauls.

Some depressed districts possess resources (coal, iron ore, timber, natural gas, for example) of critical importance to America's long-term production requirements. Many have towns and cities with infrastructure (roads, powerplants, community facilities) created in another period, amortized long ago, yet with

¹ Approximately 40 million people live in these counties, most of which are outside major metropolitan areas.

modifications adaptable to serve a modern population. Some have vast unrealized potential as recreation centers. Some are remote from major markets, but others have or could have easy access to great metropolitan centers of population and industry. In certain areas, depleted of raw material and products useful to the larger society, drained of leadership and distant from the centers of development, graceful decline may be the only real prospect. But even here the people can be "saved" for productive lives in other activities and other climes, and they are not now to be neglected.

The commitment to attack the problems of area development is made. A bugle has blown, and the time for assessing the weapons in our arsenal has come.

THE PROGRAMS

A vast array of programs are actually available for this task of restructuring economic and social environments. Over a period of years the National Congress has created a battery of tools, many conceived for other purposes but nonetheless applicable to area development problems. Assistance to local jurisdictions, States, and private individuals is both technical and financial and covers a most remarkable variety of fields.²

There are programs for urban housing and rural housing, urban renewal, accelerated and long-range public works, conservation and development of natural resources, small business and industrial loans, manpower development and vocational training, international trade and domestic marketing assistance, health and educational facilities, transportation and utilities, et al. These are all "functional" activities dealing for the most part with single aspects of development.

For a more broad-scale approach, local areas and States can apply for comprehensive (physical) planning and community renewal assistance from HHFA, and many are eligible for technical planning advice from the Office of Rural Areas Development (RAD). Those with high unemployment may be eligible for special aid from the Area Redevelopment Administration contingent on filing overall economic development programs that assess community needs. Joining all of these, and with much public acclaim, has recently come the Office of Economic Opportunity with a new supply of aids, including an encouragement of community action programs which emphasize (but are not limited to) human resource development. Over 70 different agencies of the Federal Government administer no less than 140 different programs geared to the community level.³

In addition to all of these aids, there are many similar and complementary programs administered by State governments and foundations and some local development assistance activities as well.

Together, the programs represent a formidable group of weapons that can be employed in the war against poverty. The test of all this equipment is not in its conception or availability, however, but in its use; and here is where major attention should be focused if hoped-for results are to materialize.

PROBLEMS WITH THE PROGRAMS

The complex and deep-seated ills of distressed areas most often relate to outdated elements in the structure of economic and social relationships. Any development efforts must, therefore, address themselves to making the most realistic and objective evaluation possible of growth opportunities and to restructuring the community relationships in such a way that area potential can actually be realized. However well suited any aid program is to perform its own brand of functional assistance, it may be judged ineffective in area development terms if it fails to do these things.

If a program is administered in an area too small for significant impact or too large for internal differences in conditions to be taken into account, it will

² Accelerated public works
Agriculture
Area redevelopment
Commercial fishing
Community projects
Economic opportunity
Education
Forestry
Health

Housing and urban renewal
Human resources
Manufacturing and commerce
Mining
Public utilities
Tourism
Transportation
Urban planning
Welfare

³ According to listing in U.S. Department of Commerce, Area Redevelopment Administration, "Handbook of Federal Aids to Communities" (Washington: 1963), plus programs under the Economic Opportunity Act.

not contribute much to area development. Programs grounded in too optimistic or unrealistic assessment of growth prospects are likely to be no more useful. Even those which are soundly conceived and most carefully planned with due attention to requirements for complementary and supporting activities, may falter if the groundwork is not laid for implementation and plans are not carried through to completion.

The area development job involves a most intricate process of integrating many efforts, as many as there are elements of the community to upgrade. The intricacies of weighing and balancing, of persuasion and timing, of dovetailing programs and checking results must be respected. This is a custom job of community rebuilding and most of the local resources are ill fitted to that particular task.

One fundamental problem is inherent in the very variety and number of the existing Federal programs. With few exceptions, all of the "tools" needed to accomplish development work are available. There are so many sources of assistance, however, administered by so many different agencies that integration of the programs as they affect any single area is virtually impossible at the Federal level. With each agency having its own authorization, funds, and special functional responsibilities, attempts to cut across functional lines are extremely difficult.

Even within a single department or agency, it can be hard to establish meaningful priorities for and relationships among various programs, except on the broadest terms; and when multitudes of programs have to be integrated in multitudes of areas whose potentials each call for a different mix, the exponential hardship facing effective Federal coordination is beyond belief.⁴ This is not to say that a better job by Washington is precluded, but it is merely a realistic assessment of the danger in relying on Federal authorities to provide the requisite on-site integration.

Such reliance leads to fragmented and half-done measures in circumstances where truly "comprehensive" effort is required. Thus a single factory can be brought, with Federal aid, to a remote town where a resource is available but the labor, management, site and long-term financial conditions are not propitious. Although some of these conditions are given corrective treatment as part of the Federal aid, not all are handled. The plant fails, and the area is back where it started a few years before.

Other examples are not hard to find. Agricultural investments may be made in areas where agriculture is obsolete and where, in terms of benefits to the locality concerned, entirely different forms of aid should take precedence. Highways are planned in the name of providing access to bypassed districts, but little attention is given to what activities might be stimulated at the ends of the roads to warrant the access. Urban renewal programs in distressed areas often proceed in absence of any but the most rudimentary descriptive and statistical economic studies, unrelated to other possible public policies, analytic only in terms of the market potential of a particular piece of real estate under construction.

Often the problem lies with the Federal agencies and their limited scope and authority. But the most severe difficulty may stem from lack of people and institutions at the area level who can provide a realistic framework within which individual Federal efforts can be conceived and executed. Most of these Federal programs are in reality "resources" for action which can be brought to bear only on local request. Washington is limited by what the local areas ask for (or can be persuaded to ask for) and want to absorb. Why is there so little order and direction, then, at the level where the requests are initiated and where ultimately the test of program performance must come?

FOCUS ON THE FIELD

Distressed communities have shown too little real understanding of the causes of their distress or the nature and scope of measures required to bring about an upturn.

⁴ The Area Redevelopment, Rural Areas Development, Economic Opportunity, and aid to comprehensive planning legislation come the closest to providing unified approaches at the Federal level. Yet only the Economic Opportunity Act contains any language directing Federal agencies outside its own administering body (the OEO) to observe some priority system geared to achievement of area development objectives (community action programs). The others contain antioverlap provisions and authorize cooperation among agencies, but avoid stipulating enforcement system. Whether the component programs of the CAP actually will be meshed at the Federal level remains to be seen. Difficulties are already apparent.

Fierce local pride and "boosterism," the traditional means of attracting growth—successful, perhaps, when these areas were closer to the path of development—have been relied upon too heavily. But promotion itself is relatively ineffective where other factors making a location desirable are absent. Moreover, when every community promotes, such efforts tend to cancel each other out rather than to make a net improvement in an overall situation.

Very few of the communities which do recognize that something else is needed besides promotion and straight outside aid can muster from their own resources the technical knowledge and planning competence for thorough diagnosis of ills and a realistic appraisal of opportunities. The local citizenry may have sound insight into their own capabilities and limitations. But they are largely unfamiliar with concepts and techniques of economic development, with the larger trends in the national economy which must be the context for their efforts, with industrial requirements, and even with the vast range of technical and financial services available from the Federal Government and other sources. A common failing of the country overall economic development plans submitted to ARA has been that county officials have prepared them without expert help. The same difficulty faces preparation of community action programs under OEO.

Even in the cases where expertise has been applied, it has had to overcome the factionalization of local leadership, aggravated by prolonged depression, in order to bring about a consensus on the direction development efforts should take. Rarely have these experts been resident development advisers able to stage, follow through, and oversee the implementation of proposed projects. The mere requesting of a particular assistance program from the Government has not brought a program into operation. The mere stating that opportunities for private enterprise exist does not bring in the investors, arrange their loans, find their sites, and get their labor supply mobilized. Local development commissions have not always pursued requests through all of the necessary channels to assure availability of the project when needed.

Also the job of area development may be a long one in some places. Not all of the programs can be operating simultaneously and some might not be brought into play unless need for them is determined at a later date. Someone must be available for such careful, continuing scrutiny and review. Sufficient resident programing staff, administrators, and consultants do not exist. Furthermore, the bypassed communities must compete for the limited number of people who do have the appropriate skills with other areas which—at the present time, at least—seem to be more appealing. Lack of skilled and willing personnel in the areas threatens the viability of our whole area development effort.

In view of this situation, one might judge that concern with programs for area development has run way ahead of the availability of people to organize and implement them. We have created wonderful tools. Now we must turn our attention to the craftsmen to use them and to the state of the craft.

Another important aspect of attempted application of area development in the field to date has been the general failure to tailor the structure and organization of development efforts and the areas of treatment to the specific problems in each case.

Frequently the areas delineated for treatment have not been workable. For the most part individual towns and counties are too small as suitable development units. Natural resources, industrial characteristics, and labor markets do not respect such jurisdictional boundaries. With continued emphasis on planning or programing for individual counties or communities, the areas themselves have been unable to make the best advantage of their economic and social relationships with neighboring jurisdictions or the nearest urban centers. Also, the multitude of units requiring separate attention has often been duplicative and wasteful of scarce development talent.

Areas for which development planning is undertaken should vary in size, depending on the extent of common resources and problems—large enough to encompass the local economic and social relationships which must be involved and yet not so big as to be incapable of concerted treatment or not to involve local leadership in the process. This, of course, does not eliminate the role of planning and implementation in the local community of the specific elements which can best be done at that level.

There is some precedent for a workable structure in the experience of Michigan's Upper Peninsula. Here 15 counties grouped together in 1960 for the purpose of programing and implementing their economic development. They comprised a well-defined geographical unit, bound together historically by the resources (mineral and forest), the transportation characteristics (access to the

Great Lakes waterways and relative isolation from Michigan's mainland), and the major problems (depletion of some resources, changed usage of others, decline in agriculture) which they have shared. Through a representative committee working with resident advisers and outside technical assistance, these counties undertook to prepare a sound development strategy. Although the Upper Peninsula Committee on Area Progress has not yet prepared social or physical programs, the record of cooperative progress (including new private investment) indicates potential for success in this sort of multicounty arrangement.

In recent weeks the prospect of a program to aid Appalachia has been an impetus for three western Maryland counties to form a unified development committee which intends to study and relate the various forms of assistance available under all Federal programs. Groupings in other States ought to be encouraged to follow suit.

Within these development areas, technically competent bodies must be responsible for analyzing the present situation, assessing future opportunities and formulating programs. One of the real strengths in upper Michigan was the way in which UPCAP was able to choose from among the many assistance programs those that were really applicable in its case, to determine in what priority, measure, and sequence they should take place, and to follow through on setting them into motion.

Another successful UPCAP feature is the excellent liaison established between the local development body, the Federal and State assistance agencies, and all the layers of authority responsible for various aspects of community life. Even with improvements in processing of applications by the assisting agencies and in their respect for local areas' scheduling requirements, there will still be the need for a development group to follow its requests through not only the technical planning phases but also to the levels of local leadership where actual implementation takes place.

In all the area development activity thus far, the most serious stumbling blocks have been these two: Scarcity of technical personnel and the unworkable scale of development units. Removing these obstacles to a successful program of area development cannot be done overnight and is not up to any single agency or level of government alone. The responsibility for correcting these defects is one to be shared by universities and Federal and State Governments, and it includes a special challenge to members of the planning profession as well.

THE CHALLENGE TO PLANNERS

Who is going to do this job of area development? Who is going to provide the counsel to local development commissions; the diagnosis of realistic growth potential; the technical expertise in designing community strategies that have some hope for implementation; the "orchestration" of the various Federal and State assistance programs in the target areas? It is presumptuous to expect that a new "profession" of area development specialist will emerge to meet the need. The problem so clearly calls for application of existing skills and disciplines, and many of them, to a new situation which will severely test their ability to work harmoniously together. Economists, social workers, public health authorities, industrial developers, educators, housers, agronomists, are but a few of the professions which must become involved. Planners can play two roles here of extreme importance if they will but accept the challenge before them.

One is in the traditional planning realm of expertise in land use and physical facilities. Changes to the physical environment can, in certain circumstances, be one means of leading an area toward improved material and psychic prosperity. Some of the distressed areas have enormous potential as tourism and recreation centers from crowded metropolises nearby. In West Virginia, upper Michigan, and northern New England, for example, natural amenity of landscape and climate is a resource of the first order. This resource can be mobilized to provide jobs, a focus of citizen interest, and some measure of self-sufficiency for communities whose economic base has dwindled away. Often the towns best situated to serve a recreation region are grim hulks whose shelter and commerce a tourist will shun. There is much promise in redevelopment programs for such places, directed toward creating manmade amenity worthy of its natural setting. And there is much promise in the location and design of parks; roads to serve them; attractions such as summer theaters, ski lodges, vacation home

developments, summer camps which can be planned on an area or regionwide basis.

Elsewhere, in localities where industry is promising but sites are scarce, where commerce might flourish save for obsolete CBD's, the physical planning function can also be put to the service of development—as comprehensively or as specifically as the growth potential requires. By the same token, in areas where no physical plan or renewal program will help, where graceful decline is the most hopeful prospect, planners will best perform their professional role by staying away.

Such a “dependent” position for physical planning in this process implies that area action or development programs will exist, at least in skeletal form, to indicate where the environment fits in the larger growth picture. It is in the preparation of these programs that the second role for planners may be found.

Individual planners can direct or share in the process of preparing basic area action programs; in recommending the nature and timing of public assistance and in following through with implementation. This participation can come, not so much by virtue of land use expertise, but out of the basic orientation and skill in dealing with community growth problems that planning education and experience provide. Few professions train their members in matters such as goal structuring, in how to stage achievement of objectives from present conditions and resources, in how to think comprehensively about a problem, and in how to deal with citizens' groups and public officials on matters that require public action. Planning does this, imperfectly to be sure, but to a far greater degree than many of the disciplines that must become involved with area development.

Individual planners can take on area development program assignments. Not many could do so today without a shift of focus and additional or brush-up education in economic and social fields and much more knowledge of the Federal aid programs besides those in physical planning, but we stress below that the mounting of intensive educational projects for the people who will perform area development programming is an absolute must in the years ahead. This is a new job with few guidelines and fewer veterans. Planners can probably acquit themselves as well or better than others in these tasks.

It is a great tragedy that the problems of backwash areas do not yet attract sufficient interest from top planning talent. The metropolis, with its pleasant living and admittedly gripping problems of renewal, transportation, and land use control is an irresistible magnet. Another is the developing country abroad where the excitement of learning another culture blends with the challenge of creating new environments. In this context of competing opportunities, the prospects of work in coal towns or in rural regions where agriculture is obsolete can have little glamour. Certainly there are more jobs than people to go around. It is unrealistic to expect a flocking of planners to Appalachia, but some signs of activity have begun to appear—and the challenge of restructuring an economic and social environment here at home may, with the increase of Federal and State commitments, capture the number of imaginations it deserves.

THE CHALLENGE TO STATE GOVERNMENTS

Every State is committed to some aspects of the area development process: through the extension work of land-grant colleges, administration of welfare, approval of local renewal activities, review of county OEDP's (overall economic development programs) prepared for ARA, and a host of other activities. Many have taken on responsibilities under the Economic Opportunity Act. Most have their own aid programs which join with the Federal to provide the battery of available development tools.

But like the Federal activity, the States are not monolithic. The individual organs of State government tend to work independently of each other and are sometimes in conflict. Thus many of the benefits of complementarity so crucial to the task at hand are lost. Here stands the greatest challenge to State governments. For if the States, through their knowledge and their influence with local communities, can bring about meaningful delimitation of area development districts, then the job has some chance of being done. It is the States, rather than the Federal Government, who can really create associations of communities for which strategies can be prepared and within which projects can be focused.

State authorities should know what groupings of communities and counties share common resources and problems. Certainly it is appropriate for State planning commissions to undertake research which establishes criteria of com-

monality and identifies such groupings. Research grants to States under section 801-b of the Housing Act of 1964 may profitably be used for this purpose. If this is to be done, however, the typical schism between the State economic development authorities and the planning organizations and the State-run universities must be closed.

Research and identification are just the starters. Once identified, the groupings should be fashioned into working development districts with commissions of public officials and representative citizens empowered to make plans and request program assistance. Most important of all, they should be staffed with resident and occasional experts, able to diagnose problems and prospects and handle the technical requirements of program making and implementation. Here, too, the States can leap into the breach.

Sometimes the communities themselves will sense the opportunity in association and create their own joint development commissions. More often outside influence, appropriately one of the State agencies, will be needed to smooth over traditional rivalries and reduce competitive fears. Officials will have to go into the communities and persuade local leadership that a combined development effort can produce more than fragmentation and isolation. This requires that the State foster community confidence in itself as a source of assistance; and it cannot do so if the State legislature is not committed to area development, nor is it likely to gain a reputation among local areas for area development competence unless its component organs present a unified front.

Connecticut now has a network of regional planning agencies that provide assistance to groups of communities. Georgia and North Carolina are in process of creating such commissions. Pennsylvania has taken the first step by delineating a set of economic regions. But West Virginia and many other States where distressed areas are a problem have no provision for assistance to development activity in formal groupings of communities.

Some measure of actual State cooperation is indeed essential, even if the stimulus for community organization originates elsewhere. In Michigan, the State university, a land-grant institution, together with the Federal Government, helped the 15 upper peninsula counties to form the Upper Peninsula Committee on Area Progress. The State development office lent its own support only after the success of UPCAP had been demonstrated and assured. Incentives may need to be offered to the States as well as to the local communities to organize properly for administration of an area development program. Intensified efforts through land-grant colleges and their associated development institutes or centers may offer a possibility. Another might be matching grants for State aid to local communities in development organization similar to the Housing Act's 1964 section 801-b provisions for State aid to universities for training and planning.

Many have queried whether State authorities have any real role in an area development activity carried out on the local level and largely financed by the Federal Government. Our position is that the role of States is vital to the process.

THE CHALLENGE TO UNIVERSITIES

American universities are under enormous pressure. Despite the vast number of students now receiving higher education, few professional fields have an abundance of personnel, and the universities are constantly being asked to train more and to research more. Under this pressure, the resources of most institutions are severely strained. And now along comes a national concern with area development.

Without a radical increase in the number of people able to undertake area development tasks, it is difficult to see how anything will be accomplished of lasting significance. Universities have to train or retrain such people, and the activity will have to be in addition to already-undertaken responsibilities.

We are thinking here more about the "program men and women" than the agricultural agents who undertake demonstration planting or the industrial specialists who can train workers—although these too are in short supply. The greatest need is for technicians who can diagnose the real economic, social, and physical requirements of an area; who can sit down with local development commissions and recommend the proper public programs to request and their timing; who can identify projects for private enterprise and private citizens; and who will stick with an area through the stage of implementation and coordination of actual projects. For the universities, education of these tacticians in the poverty war will be the greatest challenge.

One approach is to add courses in economic growth or social development or area planning to established professional programs in economics, public administration, city planning, etc. This is already being done in a number of schools and may be a way to interest younger people in the problem.

A second, and perhaps more promising avenue toward immediate results, is via crash programs of a few weeks or months or even a year in duration. These sessions would specifically relate to area development. They would deal partly with methods of analysis and program preparation. Heavy stress would lie, however, on describing and explaining the inner workings of the various Federal and State aids available to local communities, their nature and administration, and the detailed procedures required to get actual projects underway. Urban Renewal, Small Business Administration, and Farmers Home Administration loans, Soil Conservation Service land surveys, etc., would all be discussed and put into a perspective as tools available for development activity. These seminars would be open to a wide variety of professionals, from economists to agricultural extension workers, and would be geared to provide extra equipment needed for working with local development agencies. Both private and public institutions might participate in this set of training exercises, although the most logical sponsors would be the State universities with a tradition of extension work.

Some land-grant universities have embarked on exciting ventures in this field. Michigan State and Illinois sponsor community extension services that provide valuable advice to local planning commissions; and the University of West Virginia recently established an Appalachian Center to reorient its agricultural extension service into a comprehensive community service agency.

The idea of crash "adviser-training" programs is yet untested, however; and few functioning area development commissions have funds to pay for whatever staff or consultants might materialize from such programs.

Federal help is needed in both these matters, but the states must shore up the commissions and their universities must train the staffs. Without deep involvement and commitment from America's university communities, America's distressed communities will remain as they are.

THE CHALLENGE TO THE FEDERAL GOVERNMENT

Washington has met its first set of challenges by creating—within the limits of a democratic, Federal, and free-enterprise system—the vast array of programs now available for area development activity. The new challenge is at once more subtle and more demanding, and one where powers of the Federal Establishment are restricted by the nature of the task: making the existing tools work together on the land.

Few completely new programs are envisaged or needed. Appalachia is before Congress and expected to pass in this session. We urge its passage, but hopefully in a form less obviously a collection of unrelated public works projects than the 1963-64 bill. Other legislation that calls for Federal support of industrial extension services similar to the agricultural agent system is also meritorious and should be enacted. Continued funding of existing programs at high enough levels for the demands upon them is also important.

But the major concern, as we see it, must be with implementation; and in this matter of implementation the bottlenecks of insufficient personnel and unsuitable area organization loom large.

The Federal Government can, of course, help insure effective implementation of present programs by continuing to streamline activities and to upgrade the character of their staff and performance. This requirement almost goes without saying.

In terms of innovation, however, Federal effort would well concentrate on providing incentives to eliminate the two basic obstacles. Federal action cannot in itself do the job, but, as in so many other fields, incentives established by Washington may serve to influence the actions of State and local authorities among whom this war on poverty will actually be won or lost.

Federal incentives can be offered to the States for creation of area development commissions based on groupings of communities with common resources and problems. Most of the staff costs of any such commission which would meet criteria of representation and area viability could be financed partially with Federal funds. Such a provision is now in the Appalachia bill, but this section should be highlighted and its applicability extended to all States with depressed areas.

Under title VIII, section 801(b) of the 1964 Housing Act, use of the half Federal, half State funds might be specifically encouraged for State planning com-

mission studies to establish criteria for regional groupings as well as follow-through efforts to create working area development commissions around these groupings. Further, as area action programs become more common, the Federal agencies can require that such programs be the basis for coordinating the various forms of public assistance.

An even more vital target for increased Federal interest is the training of area workers. Washington can provide much of the funds to universities and to students needed for the training programs cited earlier. Under the Economic Opportunity Act, 15 percent of the appropriation can be devoted to training certain kinds of technical assistance workers, and under the 1964 Housing Act, \$10 million are authorized for research grants "related to community development problems and the training of technical and professional people to be employed by a public body having community development responsibilities."

There is no explicit provision, however, for aid to the type of education in development programing that is so desperately needed. Without such educational projects and the people to emerge from them as area advisers, the entire development effort will be in jeopardy. Legislative or administrative action should be undertaken to finance crucial teaching activity in area development and other special seminars related to eradication of poverty. In addition to university efforts some of the Federal agencies might themselves operate inservice or refresher training courses for area workers—at the universities or in Washington.

Scholarship aid must be provided to attract talent to the programs. One device now under consideration by some Members of Congress is a scholarship provision for students enrolled in State universities and majoring in fields related to area development. Tuition grants would be made in return for agreements to serve development agencies within the State for a period of years. Expanded National Defense Education Act authorization is another possibility, or a program of fellowships parallel to that administered by the Housing and Home Finance Agency for the graduate training of professional city planning and urban and housing technicians and specialists.

CONCLUDING NOTE

These recommendations for shifts in policy and programs are not made with the expectation that they alone will produce a sudden rise of distressed areas to prosperity. The problems are far too complex and too long standing to permit any sudden changes for the better. It will take a long time, this area development process, and many regions will probably be unable to make the leap even with substantial local initiative and outside help. Some can reverse the trends that grip them, and it is with hope for these in mind that the recommendations have been offered.

Problems of poverty in metropolitan centers share many of the characteristics of those in backward regions, and many of the possible solutions are no doubt of the same genre. The settings are effectively different, however, as the resources on the scene for dealing with the issues. These differences are so significant that metropolitan poverty has not been treated in this paper. It is a subject for separate discussion and review.

AREA REDEVELOPMENT PROGRAMS FOR ECONOMIC GROWTH

(By Robert L. Wrigley, Jr.)

Under the Area Redevelopment Act of 1961, redevelopment areas—generally counties—prepare overall economic development programs in order to be eligible for assistance from the Area Redevelopment Administration. Despite many worthwhile achievements under the act, the strong emphasis on county units has limited the effectiveness of development programs. ARA's efforts are spread thin over almost 900 counties, many of which have little potential for growth. A broader approach, grouping counties into more viable "redevelopment regions," would reduce the number of units with which ARA deals, permit greater attention to each unit, and result in some growth potential for every region. With this approach, which might constitute a second stage of area redevelopment planning, the ARA could make greater and more lasting contributions to economic growth.

Since June 1961, several thousand citizens in Appalachia, in rural districts of the South, in the northern Great Lakes area, and in other parts of the Nation have been meeting in townhalls, high schools, and churches to discuss "OEDP's."

These "Overall Economic Development Programs" are prepared primarily by local people as part of the initial phase of a long-range effort to create economic growth and improve public facilities and services in "redevelopment areas" which have been designated by the Area Redevelopment Administration (ARA) of the U.S. Department of Commerce. These areas—primarily counties that are suffering from persistent unemployment and underemployment—are eligible for assistance from ARA as provided by Public Law 87-27, May 1961.

In its effort to promote economic growth, the ARA requires, first, that each area, as part of its OEDP work, establish a broadly representative local organization to take the initiative in the drive for economic growth, and second, that it prepare a practical program of action needed to guide the development efforts. Financial assistance of ARA can be secured only in those redevelopment areas that have overall programs approved by ARA; individual projects for which assistance is sought must be in accordance with these programs.

The OEDP for an area is described in a plan submitted to ARA through a designated State office. The result is more than an economic study: it is an organized effort to create new economic activity and upgrade community facilities and services, based on a realistic appraisal of the area's assets and liabilities. Local groups must follow a planned approach of this kind in order to utilize fully the limited resources which characterize most redevelopment areas.

The OEDP concept is recognized as one of the most important aspects of the development work initiated and administered by ARA, with almost 900 programs prepared and submitted. In this article, I shall review and appraise this phase of the ARA program and suggest an alternative approach to area development that, in my opinion, may result in more lasting economic gains.

LOCAL ORGANIZATION AND INITIATIVE

The ARA places great emphasis on local initiative in organizing, stocktaking, and vigorous prosecution of development programs. Experience has shown that these programs seldom get off the ground unless local merchants, bankers, farmers, educators, labor leaders, government officials, and others face their problems squarely, plan carefully, and carry out needed actions. Where the local effort is well organized and aggressive, and makes full use of local talent, many stagnant communities can accelerate or renew the process of economic growth. Although ARA and other Federal and State agencies assist local areas in various ways, the responsibility for redevelopment in the final analysis rests primarily with local citizens.

In this do-it-yourself approach, each area is required to establish a redevelopment organization, set up subcommittees to gather and analyze facts on specific resources, and recommend action programs aimed at creating new jobs. Existing local organizations may serve as the local redevelopment group if they represent a broad sector of the economy and local interests. Similarly, rural area development committees previously established with the support of the U.S. Department of Agriculture in rural areas, may function as local redevelopment organizations if they have wide representation. Otherwise—as is often the case—a new organization is established.

ELEMENTS OF THE OVERALL PROGRAM

Each OEDP outlines the following four distinct phases of work which local citizens logically should follow in their effort to secure new jobs and a more stable income for the area.

1. *Creation of a local redevelopment organization.*—The local organization responsible for the entire redevelopment program is fully described, including details on memberships, legal authority, financial capabilities, previous experience, and operating procedures.

2. *Analysis of the area's resources and problems.*—The area's resources—natural and man made—are evaluated as a basis for growth.

3. *Formulation of area goals and redevelopment program.*—The area's short-range and long-range economic and community improvement goals are stated. An action program specifies the measures that local people propose to take, in cooperation with various government agencies and private interests, to attain the goals.

4. *Description of actions taken and expansion of program.*—The actions already taken or to be taken in order to create new economic activity, to improve community facilities and services, and to expand technical knowledge of the area, and its economy are described.

Because of the complexity of area analysis and the time required to develop a first-rate economic program based on such analysis, it has been found necessary, in most cases, to prepare OEDP's in two stages.

A summary OEDP can be submitted for approval as a first step. The preparation of such a relatively short OEDP statement enables a redevelopment area to qualify fairly quickly for assistance under the terms of the act. However, an expanded OEDP must be submitted within a year, if the initial report, in the opinion of ARA, is not a wholly satisfactory program. Experience has shown that most areas need to enlarge their initial program statement because it represents little more than a good beginning in area development.

Since effective economic development must be a continuing process, ARA does not look upon the expanded OEDP as final but rather as an advanced stage of area economic analysis and programing. In view of this emphasis on the development process and because many areas are finding OEDP preparation difficult, ARA will accept resource studies or subcommittee reports pointing up progress in one or several phases of overall planning and development as evidence of continuing local efforts. A series of reports or supplements that upgrade the initial OEDP may provide the area with an expanded program.

SOURCES OF AID

The ARA urges local committees to seek assistance wherever it can be found. Existing Federal and State services should be used whenever practicable. Universities and colleges, banks, utilities, railroads, and industry also have much to offer. Usually there are many sources of information that have been available for years, but because of lack of familiarity with these sources or lack of initiative in seeking help, many local organizations have not fully utilized the available data and technical assistance. In view of the complexity of area analysis and program development and the difficulty of uniting local factions in a common effort, the need to hire specialized professional help has been widely recognized, but few areas have money to invest in this assistance.

Grants provided by the section 701 urban planning assistance program of the Urban Renewal Administration of the Housing and Home Finance Agency are being used more and more to help prepare OEDP's. Area analyses prepared by professional people, and largely paid for with 701 funds, provide much of the basic material needed in formulating an economic development program, but this Federal assistance cannot be used to pay for all of the needed information. For example, it cannot be used to finance a mineral survey; however, it can be used to pay experts for evaluating and interpreting existing resource studies.

In cases where professionals are hired to prepare an OEDP, the ARA recommends that the local organization participate in the entire process as much as possible, particularly in the discussion and formulation of the development program. Experience has shown that active local participation normally raises the number of specific economic development projects submitted to ARA by local organizations—certainly as judged by the project proposals made to date.

EVALUATION OF PROGRAM

As might be expected, the quality of the initial OEDP's received by ARA has varied greatly. This may be attributed partly to the general nature of the original instructions, but probably it is due more to the fact that redevelopment areas differ widely in size, characteristics, and sophistication of their population. Some local organizations have been able to draw upon existing area studies, and to marshal much local talent and hire outside technical assistance to work on their programs; other organizations have not enjoyed these assets. Some areas, especially parts of New England, have had much experience in promoting economic expansion. But most areas lack this advantage.

NEEDED IMPROVEMENTS IN OEDP'S

In the 879 OEDP's that had been approved and announced as of June 1, 1964, certain deficiencies were common to many of the programs. A review of these programs indicates that the following improvements are essential:

1. OEDP preparation must be approached as an essential part of the redevelopment effort rather than merely a redtape operation to comply with the requirements of the law and thus qualify for financial assistance. Otherwise the negative attitude dampens local enthusiasm and initiative in program development.

2. Community participation must be broadened, with all major economic and institutional groups represented on the local organization; ordinarily minimal representation includes business, labor, local government, and education.

3. The citizens must be kept informed of redevelopment activities through organized publicity.

4. Statistical material must be selected with greater care; moreover, it must be analyzed rather than merely compiled.

5. More complete use must be made of governmental and other sources of information, including previous research on the area.

6. More complete data must be submitted on local manpower and financial resources.

7. More maps, charts, and photographs should be provided for easy comprehension of OEDP contents.

8. The overall program must be related to quantitative employment goals.

9. Recognition must be given to the fact that in certain situations some activities other than manufacturing may offer the greatest opportunity for growth.

10. Greater attention must be given to community improvements, such as better schools, more parks and playgrounds, and other facilities.

11. Lack of entrepreneur initiative must be recognized as a serious local handicap and every effort should be made to utilize that which does exist.

12. More emphasis should be given to retraining programs, including basic education, that will prepare the unemployed for new jobs both within and outside the redevelopment area.

13. Great limitations for growth must be recognized in many areas, especially rural counties and played-out mining districts, by suggesting a more positive long-term program for outmigration of some people to more promising areas.

ACHIEVEMENTS OF PROGRAM

In spite of such shortcoming, the effort to prepare and carry out programs for economic development at the local level is remarkable. As an approach to area economic growth, and as an initiating and coordinating device for Federal programs, it stands almost alone. Local land use planning required by Federal housing agencies is, of course, a similar approach.

Has the program, which is now 3 years old, been as successful as anticipated? Over 900 citizen groups have been organized to work for community growth, and many excellent programs have been developed by both rural and urban redevelopment areas. Community leaders are beginning to understand the complexity of their problems and the difficulty of finding solutions. For example, one Kentucky development group, in attempting to locate sites for possible industrial expansion, found that the most promising site was far from existing municipal sewage and water facilities. Extending these facilities to the proposed site would be very cost, although necessary—a problem not previously appreciated locally. A Washington county with numerous concrete accomplishments noted that “practically all of these projects, both public and private, were kicking around in somebody’s head as possibilities before we sat down to draw up our overall development plan. But just listing them and puzzling over how to finance them seemed to give us the push to go out and get them.”

In summary, the value of the OEDP approach to area development after 3 years of experience is as follows:

1. Many community leaders are beginning to recognize that thoughtful planning of area development is far more effective than a hit-and-miss approach. Further, they realize that progress in economic development and community improvements cannot be made unless the planning and carrying out of needed programs is a continuous effort rather than a one-shot deal.

2. Increasingly, local people are recognizing the value of developing a balance sheet of area assets and liabilities required in the process of area analysis. Previously these factors had not been clearly related in the minds of most local bodies as basic to realistic goal formulation and programing of needed local actions.

3. Community leaders also are recognizing that area growth, in most cases, will depend on carrying out many little projects—community improvements as well as new economic enterprise—rather than building one large industry.

4. Many unsophisticated local groups have learned, to their surprise, that they can gather information, analyze it, and put together a first-rate development program.

5. Many area organizations—but not nearly as many as one might hope for—have found that most information needed to develop an overall program can be secured from local people or established sources of information, such as the U.S. Bureau of the Census, if an all-out effort is made to engage and work closely with capable local citizens; hence, outside experts need be hired only for specific assignments.

6. Existing local and regional groups, each concerned with separate phases of economic development or community improvement, in many cases have been brought together in a united effort as a result of the OEDP requirement.

7. By providing a worthwhile cause of great interest to public spirited citizens, the OEDP process offers an opportunity for talented and ambitious to develop leadership.

8. In view of the great emphasis on local responsibility for planning and carrying out the overall program, it cannot be claimed that the Federal Government is telling communities and businesses how to run their affairs.

9. The OEDP process is an important way to organize an area for local financial participation in project development.

10. OEDP's have been instrumental in identifying many of the 1,487 industrial projects and other activities with sufficient merit to warrant financial assistance from ARA and other Federal agencies. This investment as of June 1, 1964 came to about \$260 million, with the provision of about 112,000 direct and indirect jobs.

EMPHASIS ON LOCAL OEDP'S

When the ARA formulated its operating procedures in May 1961, several approaches to handling the overall economical development program were open. It could have: (1) defined multicounty regions, in cooperation with State agencies, and then requested a regional development organization to prepare a regional OEDP; or (2) requested the setting up of county organizations and the preparation of county OEDP's; or (3) emphasized the local approach but at the same time recommended that when necessary certain aspects of the program be handled on a regional basis under a regional organization.

After weighing the advantages of each approach, ARA selected the third approach. It was felt that if regional programs were emphasized, local "grassroots" development groups, would not be organized in many areas, and few development projects would be submitted to ARA. Subsequent experience in southern Illinois and northern Wisconsin, where the States prepared regional OEDP's, has been cited to support this view. As of late 1963, neither of these regions had generated many new projects. But it is only fair to note that neither of these regions organized a regional group to push the program.

It was also felt that through a local approach, projects of a strickly local nature could be explored fully and submitted to ARA for its consideration: only through this approach would people have such an abiding interest in the program that they would work hard in an effort to carry it out. Moreover, it was believed that people can best appreciate the need for regional planning through their experience with local programing. In the view of ARA planners, an effective regional organization and development program can best be achieved by first encouraging an all-out effort at the local level.

While stressing the need to establish local development organizations, ARA always has recognized that some projects—such as building a major tourist complex or highway expansion—can be accomplished best on a basis larger than the local area. Therefore, where it is clearly demonstrated that a number of redevelopment areas, including nondesignated territory, should work as a regional unit in order to develop these special facilities, ARA encourages cooperation of areas. In such cases it requires evidence that the local development organizations are participating actively in formulating and approving the regional program, but whether local areas continue to cooperate in this work is their responsibility.

WEAKNESS OF THE SINGLE COUNTY APPROACH

County development organizations generally find it extremely difficult to prepare and carry out a first-rate area development program that takes realistic account of the area's limitations. In large measure, the difficulties result from lack of leadership and technical know-how needed for this kind of work, as well as the magnitude of the job.

On the basis of experience to date, ARA has found that in counties where talent and money are available and are used effectively, good programs have been pre-

pared. Many areas, however, reveal a lack of ability both to prepare really good OEDP's and to push ahead with their proposals.

LEADERSHIP AT THE LOCAL LEVEL

Local organizations are made up of citizens who, above all else, must earn a living; as a result, they have little time for development activities. Further, they lack experience in area economic analysis, resource evaluation, and other phases of area development. Rather than hire a technical staff that would permit them to concentrate on policy matters, as most planning commissioners do (many local areas do not have the money to hire technical help), these citizens groups very often attempt technical work for which they have little or no training or competence.

Lack of interest in OEDP's is another adverse factor. Some local groups feel that their county already has been overly studied, or they may see no need for area analysis as a basis for area development. In any case, they consider the preparation of an OEDP an unnecessary chore to be undertaken solely to obtain financing by ARA and other Federal agencies of specific employment-creating projects such as new factory buildings.

In recognizing the need to provide some direct assistance to local areas, the ARA has had field reconnaissance parties spent up to a week in some areas in an attempt to identify development possibilities and accelerate local actions. But this assistance by ARA staff and consultants has been very limited.

MAGNITUDE OF THE DEVELOPMENT TASK

Creating economic expansion needed to provide a satisfactory level of employment for the existing population is virtually an impossible task in many counties, especially in some of the isolated and played-out mining areas of Appalachia, certain mining districts of northern Michigan and Minnesota, and rural areas in many parts of the South.

An OEDP should indicate what the score is. County development programs—even those with obvious shortcomings—show in a general way the area's chances for securing needed employment opportunities now and in the future. Some OEDP's paint a hopeful picture, indicating a surprising range of opportunities for growth. With an energetic and well-directed effort, many such areas are beginning to develop new industries and other activities that can provide a substantial part of their job needs. On the other hand, the data and analysis in many OEDP's paints a dismal picture of insufficient area resources, poor location, low levels of education among the unemployed, lack of training, and other area handicaps.

Local groups in these latter areas normally have not faced up to this bleak prospect in outlining the actions they propose to take; they have sugarcoated the deficiencies and taken an optimistic stand. They have looked hopefully to ARA and other Government agencies for a way out, rather than identifying and facing up to the limited courses of action open to them. They have skimmed over problems and resource evaluation, and have concentrated instead on trying to get help for individual projects, especially industrial ones. Even with the assistance of ARA and other Federal agencies, local handicaps in many areas are so formidable that little or no headway has been made in providing new jobs. This condition has tended to dishearten the local organization and in some instances create disenchantment with the ARA program. Under these circumstances, some local organizations and their development activities have faltered and the community has returned to its former state of aimless drift.

In the long run, such areas presumably would have been better off if they had recognized their difficult economic conditions by engaging outside experts to check their analysis and conclusions. Even under these circumstances, a realistic overall program is helpful. Local groups can meet the situation in a positive way: They can cushion the long-term loss of economic activity and population by training people for work in better endowed areas, by seeking road improvements that enable local workers to remain in their present homes and travel a considerable distance to jobs in neighboring counties, by attempting to remove derelict structures that are the hallmark of a declining economy, and by developing the few small-scale activities that usually are feasible even in difficult local situations.

REGIONAL DEVELOPMENT PROGRAMS AND THE LOCALIZATION OF ECONOMIC INVESTMENT

With many local redevelopment areas facing insurmountable economic problems, ARA's efforts thus far may have been too scattered for its resources and personnel. By concentrating economic planning and financial assistance in fewer designated areas—carefully selected in terms of their variety of problems, resources, and growth potentials—the ARA might make a more long-range and lasting contribution to economic growth. Also, lessons learned in such a selective effort might then be applied to other areas.

The preparation of OEDP's for counties, instead of broader regional units, has caused a number of complications. Emphasis on county OEDP's highlights the importance of the county unit, implying that each such unit is economically viable. But many OEDP's reveal that this is not true. The ARA thus finds itself dealing with a large number of small units which cannot stand alone but must work with surrounding areas. Further, ARA's small staff cannot possibly give so many hundreds of areas the personal attention required in development work.

The following situation is typical of counties which have managed to attract some new economic activity but not nearly enough to put them on their feet. A mine shutdown in northern Michigan, or a major cutback at a railroad repair shop in Pennsylvania, or the closing of an obsolete industrial plant in New York's Mohawk Valley, may call for the creation of 1,000 new jobs in a county that has very limited resources. After much well-directed effort by the local group, ARA, and others, perhaps 2 industrial plants providing 300 jobs are secured. These new activities, however, do not meet the present job requirements—let alone future needs—of the county, so that no complete solution to the problem can be claimed.

A boarder approach to such situations would be possible if the development program, under State initiative but with the assistance of ARA, were to designate small multicounty economic regions, comprising those counties that qualify as redevelopment areas under existing criteria, plus any other counties that round out the economic region. Regional organizations could then prepare OEDP's that would identify those portions of the region with considerable growth potential—"growth points," in the terminology of French regional economists.

Many of these counties with the greatest growth potential would not be designated redevelopment areas under the criteria presently used by ARA. However, there is nothing in the Area Redevelopment Act that prevents the administration from following this regional approach. Indeed, there have been occasions when small nondesignated areas have been added to designated counties so as to "round out" a practical economic unit. Each group of counties might be designated as a "redevelopment region."

By focusing attention on a region, the ARA need not turn its back on individual counties, each of which might have its own improvement group. As in the past, ARA could encourage community planning and action programs and support any good development projects discovered by local committees. But by emphasizing regional planning and development, it is reasonable to expect that most public and private investment would gravitate to that key part of the region having considerable economic strength—in most instances one county or one of its cities.

Critics of the regional approach point out that members of the regional organization representing the poorest counties, although appreciating the potential of the strongest county, may not actively work for its growth. This may be true. But it also is true that in most instances the local group representing the economically strong county will be the most aggressive and knowledgeable local organization within the region. With such a group carrying the ball, there is a good possibility that lasting economic expansion will be achieved with a minimum of frustration at the local level, inasmuch as false hopes will not be raised in the many counties with poor prospects. Yet these outlying counties should eventually benefit from growth at the regional center.

If ARA and other recent redevelopment efforts had been concentrated in about 100 relatively promising counties with active local organizations, rather than dispersed through almost 900 counties, most of the regional units might have shown considerable success in creating new jobs. The ARA also would have had a better record of accomplishment if its objective had been to bring about substantial improvement within each region but not necessarily within each county.

Although this regional approach would pose political and tax problems, among others, in my opinion it is the correct avenue to area development over the long run.

CONCLUSIONS

In summary, ARA's promotion of the OEDP concept has resulted in important achievements. It has helped to educate local groups on the need for overall planning as a basis for area development. It has emphasized the need for continuous development work, with the reassessment of programs from time to time. It has pointed up the value of community amenities, including satisfactory public facilities and services, in promoting economic growth. It has been instrumental in getting many unsophisticated local groups to tackle area analysis and put together first-rate development programs. It has taught many groups that valuable data on their areas may be obtained locally through consultation with knowledgeable people and review of earlier studies. It has shown that diverse local groups can cooperate in attacking community ills. This approach also has been a major factor in identifying specific projects appropriate for financial assistance from ARA and other Federal agencies.

Despite the many strengths of the program, experience has also revealed shortcomings in the approach followed. Emphasis on the preparation of county rather than regional OEDP's has proved to be unsatisfactory. Many county development groups have been handicapped by: (1) Lack of vigorous and reliable leadership, with influential people often exhibiting a cold indifference; (2) failure to appreciate the value of a planned approach to area development; (3) little professional competence to carry out needed technical studies; (4) lack of funds to engage outside professional help; and (5) little direct assistance from ARA, which is operating with a small staff. Where concrete accomplishments have been slow to materialize, it is not surprising that many local committees have become discouraged and eventually inactive.

Might the overall accomplishments of ARA have been greater if it had concentrated on fewer and larger areas? This question is not meant to imply that it has ignored the value of regional programs. Many of its actions clearly illustrate that it appreciates a regional approach on those matters that can be handled best on a broad area basis. But it has stressed the preparation of county OEDP's, since it believed that development groups normally work harder for their home areas than for a broad region, and that attempts to resolve problems at the local level are the best way to appreciate the need for regional programs.

The problems and accomplishments to date suggest that ARA could have realized greater returns from its efforts and left fewer disappointed local groups along the way by: (1) Cooperating with State development agencies in delineating redevelopment regions (groups of counties designated under existing criteria plus undesignated territory that economically belongs to the region); (2) providing direct assistance in organizing representative regional planning and action groups; and (3) requesting regional rather than county OEDP's. I believe that such an approach can identify the county or counties within the region with the greatest potential for growth. Naturally these key counties, with locational and other assets, would attract most of the new investment in the region. But to a large degree, this localized growth would benefit the entire region. In addition to the regional program, each county could be encouraged to organize a development group to prepare plans and promote local improvements. Local groups in the stronger counties might back up the regional organization effectively and in some situations actually assume leadership in regional development.

Planning and programing area redevelopment for small regions of half a dozen or more counties is entirely feasible under existing legislation. Such an approach might be a second stage of redevelopment planning, and promises to achieve more substantial and lasting economic gains than the preparation of single-county programs.

Mr. WILLIAMS. Title I, grants for public works and development facilities, would appear to be an improvement over section 8 of the Area Redevelopment Act. It is a proven fact that many communities have not been able to provide the necessary local share of basic facilities necessary for economic growth, and the new program of supplementary grants to assist local shares of other Federal grant programs will be of assistance to hard-hit areas.

Expanded technical assistance, research, and information under title III is, in our opinion—and based on our experience with operation of these programs across the country—a most crucial phase of the entire effort to mitigate unemployment and raise incomes.

It is undeniable that each redevelopment area has learned considerably from the self-analysis connected with a realistic appraisal of of its own economic potential. ARA, if anything, has been somewhat remiss in not insisting on sound, factual, long-range development programs.

In some cases, local redevelopment areas have considered overall economic development programs as a mere pro forma exercise necessary to secure financial assistance. Lacking such a sound program, many communities have found their projects have been uncoordinated and unfeasible.

Federal funds—and more importantly, scarce local funds—have been wasted. To correct these situations, and to insure long-range, continuous development planning, the technical assistance phases of this title are essential.

And here a most significant point needs to be made. The Federal Government will never be able to do, nor does it intend to do, the entire job of local economic development. To a large extent, ARA has not devoted sufficient attention to assisting established State and local planning and development staffs, commissions, and boards. More in this area should be done.

Helping State and local personnel is important for another reason. Local officials, on the scene and grappling with day-to-day problems, provide continuity and coordination for the many Federal aid programs. Success of these programs depends on effective utilization by people in the field.

We would therefore favor allocating a large share of the \$20 million annual appropriations authorized for this section to assist State and local officials.

We commend the administration and your committee for the new emphasis on combining small redevelopment areas with little prospect for economic improvement into economic development districts, with growth centers.

Financial incentives to cooperation on a regional basis, as provided in section 403(a)(4), are consistent with incentives in other Federal grant programs. The open space program administered by the Housing and Home Finance Agency, in which the Federal share of acquiring parks is increased by 10 percent if the project serves regional needs, is one example.

We do foresee a real problem, though, if the proposed economic development districts, and their district overall economic development programs, are not tied directly into the local political decision-making process.

To assure that the new Federal program does not conflict with an already functioning local economic planning program, we favor adding another criterion for establishing new districts as section 403(a)(E):

the proposed district conforms to a regional planning and development district or region established and adopted by the State government as part of a comprehensive State planning and development effort, provided it also conforms to the other criteria for district eligibility described above.

Many States have officially adopted these districts, and in the future, many other States will be designating these areas, many of them with the aid of Federal funds under the urban planning assistance program, section 701, of the Housing and Home Finance Agency.

Indeed, defining logical development districts is a normal first step in the statewide comprehensive planning and development process.

Massachusetts, for instance, has designated 13 districts under the provisions of section 40(b) of State statutes. Connecticut recently abolished counties and replaced them with regional planning and development districts, largely following river basin and economic district lines. The Planning Advisory Committee of California has recently created 10 State development regions. New York has established 14 districts for regional development.

In these States, and in many more, these are working districts, are or will be professionally staffed, with well defined development programs.

In order to maximize State cooperation in the new Federal Economic Development Administration effort, and to provide continuity with existing efforts, due recognition should be given to already effective programs.

There is another significant reason for tying into existing programs. The very essence of economic development to alleviate unemployment across the country under this act—and under the recently enacted Appalachian Regional Commission—is programing public works investments to assure maximum economic impact.

These existing State-created planning and development districts are directly related to elected officials who actually make the decisions on highways, parks, streets, water lines, and the other “infrastructure,” so crucial to economic development.

Title V, authorizing interstate regional action planning and development commissions, also has implications for existing State economic improvement efforts, and development programs of the Federal Government, particularly in the field of river basin planning.

Section 501 provides for State initiation of districts, and for Federal assistance for preparation of development plans. This is in line with the basic Federal structure of Government established in the Constitution, and embodied in the new Appalachian program.

It is obvious that this multistate development program relates directly to expanding State planning efforts. Indeed, it is interesting that the State representatives to the Appalachian Regional Commission—those staff persons designated by the Governor to develop and implement the regional action program, are in nearly every case personnel from the State planning agencies, or persons with a planning experience now working directly for the Governor. This is as it should be.

There will be obvious interaction between multistate regional action planning commissions authorized by S. 1648, and multistate river basin commissions established by S. 21 and H.R. 1111, and administered by the Secretary of the Interior.

The Governors will appoint representatives to both multistate commissions, but we would hope the Federal Government would issue regulations to assure coordination of the two efforts, for it is an axiom of economic development that planning cannot be divorced from ac-

tion, that development of water resources and of river basins is the most important component of comprehensive economic development.

We can envision a national system of development regions, tying together into a single significant program all elements affecting economic growth.

But this effort will be ineffective if there is a proliferation of Federal-State action commissions. To assure that this does not happen, we would favor using the river basin as the basic unit of organization of multistate development planning to the greatest extent possible, and using the general principles enunciated in Senate Document 97, which was prepared by the President's Water Resources Council and published in May 1962, as being the basic principles for this program.

Thus, multistate districts under S. 1648 would be components of river basin development commissions. In the long run, this is the rational pattern that will most benefit the Nation's economic planning.

Mr. Chairman, we appreciate this opportunity to present our views on this important subject. The modifications in the ARA program suggested by your committee are definite improvements, and, in our opinion, will contribute to the Nation's economic vitality.

Senator MONTOKA (presiding). Thank you, Mr. Williams. I think you have covered a subject which is not too adequately covered heretofore before this committee.

As I gather from your statement, you are laying particular emphasis on the developing districts which are encompassed in the provisions of the act.

Mr. WILLIAMS. Yes, we are, Mr. Chairman.

Senator MONTOKA. You feel that these development districts will help to bring about a better coordination in the planning for the future in these particular areas within a State to start with, or they could be within two States?

Mr. WILLIAMS. Any multistate program right where there is also existing State planning in which these districts could be a common denominator.

Senator MONTOKA. Do you feel that the planning that has heretofore taken place under the Area Redevelopment Act has been kind of loose?

Mr. WILLIAMS. In regard to the points we stressed in our paper, yes, sir.

Senator MONTOKA. There has been no coordination. It has been strictly a localized affair. Is that correct?

Mr. WILLIAMS. We think this can be strengthened under program, and under this bill. We think a great deal more can be done to capitalize on the existing machinery.

Senator MONTOKA. Dr. Alden, of Ohio University, testified yesterday recommending multiarea planning as contradistinguished from the concept of ARA, which is local area planning. I believe that is what you are espousing today. Is that correct?

Mr. WILLIAMS. Yes, in great measure, although we see the units in your bill being logical building blocks in terms of river planning and often regional planning of this type.

Senator MONTOKA. Thank you.

Senator Jordan?

Senator JORDAN. I have no questions, Mr. Chairman.

I am sorry I didn't hear all of your testimony. I had a very fine group this morning, consisting of 41 preachers, and they wanted to ask a lot of questions, and I couldn't answer all of them.

I will read your entire testimony. I am sorry that I didn't get to hear it all.

Mr. WILLIAMS. Thank you, Senator.

Senator MONTAÑA. Thank you, Mr. Williams.

Senator Frank P. Graham, chairman of the National Public Advisory Committee on Area Redevelopment, New York City. Will you come forward, Senator?

Senator Jordan would like to say a few words by way of preface.

Senator Jordan.

Senator JORDAN. Dr. Frank, are you going to stand up to make your presentation? I would like to stand there with you and hold your hand.

Dr. GRAHAM. You know I have to stand up to be on a par with the rest of you.

Senator JORDAN. No, indeed. I do want to say that I am personally very delighted that you are here, and that I can be here to hear you.

Dr. Frank is one of the outstanding citizens of North Carolina. Although he spends a lot of his time with the United Nations in New York at the present time, he still comes back home as often as he can and visits with us.

He was a former Member of this body, and a former president of the Consolidated University of North Carolina.

He is one of the most outstanding and beloved citizens of North Carolina, and I am delighted to be here with you today and to hear you.

STATEMENT OF DR. FRANK P. GRAHAM, CHAIRMAN, NATIONAL PUBLIC ADVISORY COMMITTEE ON AREA REDEVELOPMENT

Dr. GRAHAM. You are very generous, Senator, in your kind remarks, and I deeply appreciate it.

I also wish to thank the chairman of your Public Works Committee for indulging me in not having a written prepared statement. The reason is I didn't get the notice, because I was traveling around the country speaking for the United Nations.

When I got back to my office, just a day or two in advance of this, I had to go out again and make a talk for the United Nations. Therefore, I was not in a position to prepare a statement.

Senator Montoya said I could just stand up and talk about whatever was on my mind.

Senator JORDAN. You certainly may. I understand yesterday you talked to the group of preachers that I did this morning. Is that correct?

Dr. GRAHAM. They asked me a lot of questions, also.

Senator JORDAN. They have the good of the country and the world at heart, and that is why they are here.

Dr. GRAHAM. They are the Council of Churches from our State, representing all of the denominations of that State. They are interested in this program; they are interested in the United Nations.

Therefore, I thank you for your permission to just stand up and talk without notes or without a prepared statement.

Senator MONTROYA. You are very welcome here, Dr. and former Senator Graham.

On behalf of the committee, I want to extend to you a warm welcome, and you may proceed.

Dr. GRAHAM. Thank you very much.

I happen to be by appointment of the Secretary of Commerce, Luther Hodges, Chairman of the National Advisory Committee on the ARA.

I speak here in behalf of that committee of 25 members, who represent all sections of our country, all groups of our country—labor, business, public, education, and civic affairs.

They are a hard-working group. They have taken their appointment very seriously, and have given much of their time in study and travel and in interest to the former ARA program.

We submitted to you a preliminary report of the work of the ARA.

By the way, may I congratulate you gentlemen of this Public Works Committee as being a part of a great forward movement in America for reaching the poor people of our country, to make our democracy wider in its base. You stand in the great tradition, a nonpartisan tradition, may I say, of the New Nationalism of Theodore Roosevelt, the New Freedom of Woodrow Wilson, the New Deal of Franklin D. Roosevelt, the Fair Deal of Harry S. Truman, the Modern Republicanism of Dwight D. Eisenhower, the New Frontier of J. F. Kennedy, and the Great Society of Lyndon Baines Johnson.

These programs which are put forward at this time—and as I see it mainly on a nonpartisan basis—are composite in their nature: the Civil Rights Act, the Education Act, the Manpower Training Act, the Right To Vote Act, the antipoverty program, the Area Redevelopment Act—which, by the way, was the pioneer in this composite program, and therefore, being the pioneer, became the whipping boy.

But it has stood up under criticism, even misrepresentation. It has profited from the criticism, both of our National Advisory Committee and of people across the country.

I would like to say a word here for the ARA. It has made mistakes, acknowledged those mistakes, and profited by those mistakes.

One of the real, enduring things I consider that ARA has done has been to reinvigorate the local communities. There are 1,000 committees across this country today, organized by the local communities, in cooperation with the ARA, emphasizing the function, responsibility, and the opportunities of the local community in our Federal structure of a union of States and a nation of people.

And in the procedures of the ARA there has been one prime requisite—that the initiative should come from the local community. There was to be no Federal compulsion in the ARA program. If a community didn't want to participate, it didn't have to participate.

But the local communities across America responded in a generous and effective way to have a part in the ARA program.

And the law itself, which you gentlemen put on the statute books, provided for grants and loans.

Now, the loans required that there be nonbank loans. If a bank could take care of the situation, we were not to step in, and we had to be certified by two financial institutions of the local community that they would not sponsor the project, so that we would not be in competition with local banking institutions.

Therefore, our projects had risks. Naturally. If a bank didn't consider it a safe risk for its depositors, naturally there was some risk in it.

Our programs were limited to those that the banks couldn't sponsor in our free enterprise system. And yet, in spite of this very strict requirement, these risky projects have come through; of course, some of them haven't.

The ARA was criticized in some cases because we took risky projects. That was in the nature of the act.

But we couldn't reach the poor. You know, there was a requirement that the local community at least had to put up 10 percent. Some of these communities were so distressed they didn't have any 10 percent to put up.

And by the way, your new bill takes account of that fact, and in addition to the grants and loans for helping businessmen to expand industries or develop new industries, there was a provision for public facilities.

Some of these distressed facilities didn't have adequate public facilities that would attract business. Therefore, they were either grants or loans for public facilities, like sewage disposal, water works, and whatnot. And that had been one of the great features of the ARA program which is carried over into your new program.

Then there was provision for training of unskilled people.

By the way, the administration of ARA has been a very effective administration, under a very able Administrator, under both Secretary Hodges and Secretary Connor.

The ARA has trained some 40-odd thousand people for new skills. Also, there was provision for technical assistance.

Now, we have technical assistance programs all over this country. I will just pick out one or two at random.

Here in southeast Ohio there was revealed, by research, great salt mines deep down in the earth. ARA steps in and provides the seed capital, and now there is a great salt industry in Ohio, in cooperation with Ohio University, which wasn't there before.

You take in southern Illinois, around Carbondale, there was an empty warehouse, vacant, unused. ARA helped to provide the seed capital, so now that warehouse is the home of a going industry.

Now, down in Texas, Caddo Lake, which had once been a sort of resort, it began to grow up a lot of water weeds and so forth, and the tourist industry went, somewhat, into a decline. ARA provided seed capital, so that these so-called weeds became a source of industry, because it was good food for cattle and poultry. Now there is an industry there.

When I say ARA is doing this and that, I mean assisting to do it, because there were many other factors, too, which we don't want to claim credit for.

And they are also finding these weeds are a source of drugs of value to mankind.

Up in Maine, in the great potato country of northern Maine, which was in distress, some imaginative local businessmen said, "Why do we have to get potato chips way off somewhere?"

ARA steps in and provides some seed capital, and now you have a factory there, on the local grounds, manufacturing potato chips.

I could go on here at length about the results of the technical assistance program of ARA.

Now, this new bill, Mr. Chairman, is an improvement.

By the way, if I may say so, a lot of these improvements came from the recommendations of ARA, which it has not claimed credit for.

For one thing, this 10 percent requirement, which left out some of the poorest of the poor, has been reduced by your bill to 5 percent.

Also, there was sometimes a lag, probably bureaucratic in nature, because under the bill we worked through delegate agencies. Your bill provides for improvement in the relation between ARA, so far as is incorporated in the new bill, and these delegate agencies.

Also, this bill emphasizes long-range economic development programs.

And in the fourth place, it is an improvement because it emphasizes wider regional cooperation.

There is great emphasis in your new bill on regions, not just the local county. There is provision here for cooperation on a multicounty basis and even on a multi-State basis.

And speaking for ARA, and our Advisory Committee, we are grateful to you for these improvements.

Now, as I have traveled around the country speaking for the United Nations in this time of its hazards, I, of course, have my ears open, and I find criticisms made against the poverty program itself.

Some of it is based on an attitude against Federal spending. Well, let's test that with regard to ARA and your new bill.

The ARA has provided directly and indirectly for 115,000 jobs. Now, what does it cost the Federal Government to provide one of these jobs? I am not counting now the loans, which are recoverable, but direct grants. To provide a new job, as we analyze it, it costs \$800.

Now, as a matter of fact, this unemployed person costs the Federal Government more than \$800 through unemployment insurance and public assistance. So isn't it wiser to get the person off the relief rolls, the unemployed rolls onto productive rolls, even though it costs the Government \$800 to do it, in view of the fact that the Government has had to pay more than \$800 to give him a decent subsistence?

So I think we could say that instead of being fearful of Federal spending in this regard, we see it to be public investment in human beings who would go to the slums, go to the relief rolls, and instead of that become a part of productive merit.

Another charge that I have heard in a number of States, as I have traveled around talking for the United Nations, is that this is creeping socialism.

Well, I can understand the concern about creeping socialism. But these programs are in the American tradition. They are not creeping socialism. They are advancing democracy. And you know the American Declaration of Independence said "all people." It said "all men."

Of course "men" includes women in its generic sense.

The programs widen the base of democracy. You know there was a time in some of the American States that to vote and hold office in America you had to be Protestant. You had to own land and property. You had to be male in gender. And you had to be white in color.

Well, I don't call it creeping socialism to widen the base of American democracy so that now the doors have opened wide to Jews, Catholics, landless people, women, and colored people.

So that here now let's take one point of greatest criticism of the ARA. That is its tourism and recreational facilities.

I really think, Mr. Chairman, we have come to the time when less and less people produce more and more goods on the farms and in the factories.

What are we going to do with these unemployed people who have become inevitably unemployed? Here is a great—I won't say unoccupied, but too little occupied area of the great service industries, hospitals, recreational facilities, and the great parks.

In my State of North Carolina hundreds of thousands of people take to the roads for their vacations, and ARA is providing seed capital in some of the great areas.

For example, for skiing enterprises, which have in some respects been our most successful enterprises in providing jobs and affording recreation to people.

There was a time when it was considered that only the well-to-do had a right to recreation, but we have come into a time when we are opening the doors wider and wider, to all people.

So one of the objects of criticism is one of its greatest values.

Then there is another charge made, that we are trying to do something for no-good people.

I remember once I was in a conference here in Washington under the auspices of Mrs. Eleanor Roosevelt, A. Philip Randolph, Herbert Lehman, Monsignor Higgins, Helen Gahagan Douglas, and others. Somebody passed by and said, "Who are those people there?"

They said, "They are people engaged in a futile enterprise, do-gooders trying to do something for no-gooders."

I think we might look at this phrase of "no-gooders" in its historical context. You know less than 2,000 years ago there were a group of people on fire with a new religion, mainly slaves and servants, who were following in the spirit of a Man who had been nailed to the cross, who gave them some hope in their own situation of poverty and despair, and they were called no-gooders.

Well, these no-gooders in their little congregations of loyal believers became the church universal, one of the most beneficent institutions in human history.

Within its framework the greatest ecclesiastical dominion was developed, parliament, universities, and cathedrals which tower across the centuries from medieval to modern times as some of the noblest creations of the human spirit. The product of people who were originally called no-gooders.

Then you take in the Middle Ages the serfs, you know, who were part of the land, churls, congenitally no-good people. With the rise of towns and trades, these so-called no-good serfs became the great middle class which with the rise of capitalism, commerce, and trade, and dynamic enterprise, became the great middle class which transformed the whole structure of the modern world.

It brought on the great English Revolution of 1688, the American Revolution of 1776, the French Revolution of 1789, and opened up vistas of freedom and democracy to people across the earth, formerly called no-good people.

A century or so later, the no-good people were called the industrial workers, and the argument was that if you didn't work them hard, long hours, with low pay, they would use any leisure time or any decent wages for dissipation and waste.

And yet, these so-called no-good people through organization became the great labor movement which swept around the world, and insisted on universal sufferance, universal education, opening the door wider to include more and more, and we hope all people. They were so-called no-gooders.

Well, ARA has tested out this idea of the no-gooders. In the State of New Jersey, where the migrant workers were, when Senator Harrison Williams of New Jersey proposed some humane legislation, to my knowledge, because I have been in several communities in New Jersey, they said, "He is interested in some no-good people, congenitally incapable."

Well, a member of the staff of ARA went into New Jersey, organized groups of these no-gooders, and with job motivation found that they had great capacities for learning the English language, for developing skills and semiskills, and soon were on the productive rolls of the people of the United States.

That is our own personal experience.

And so you represent, Mr. Chairman, and your committee, one of the great forward movement in American history.

I won't stop here to compare other such movement in the course of our great history, but you are a part in your generation of this great movement. And these charges of spending, creeping socialism, no-goodism, break down in the face of the actual facts.

And may I say here, as I bring my little informal statement towards its conclusion, that I think it is very necessary at times that we go back to our great American Revolutionary heritage and notice that the words in the Declaration of Independence is "all people."

All people, not just white people, not just Protestant people, not just affluent people, but all of the people.

And that "all people" in our time is coming to include migrant workers, Puerto Ricans, Negroes, poor people, and, we trust, the poorest of the poor. And your bill is going to make clear and certain that this land, which was the home of a great faith, the haven of heretics and the disinherited of the earth, think of that, in the time of its infant weakness, is not going to become a land of a great fear and a faithless intolerance.

It is also going to make clear that this bill is going to make a bill that the sons and daughters of the American Revolution are not going to become the fathers and the mothers of a great reaction against the very principles for which the American Revolution was fought.

It is going to make clear to ourselves and the world in these days that these great declarations and proclamations, public works and economic development bill, that they are not just the past and historic source, but the present and living source of America's faith in herself, the world's faith in America, and America's moral influence and power in the world, that we the people of this yet young Republic, heirs of all the races, cultures, and colors of mankind, and so far in possession of the mightiest power ever entrusted to any people in the province of God, that we are going to rise to the responsibility of our

power and to the opportunities of our greatest in giving jobs and hope to our unemployed and our poor and to help provide with wise economies more and more of freedom and hope to the hungry and the disinherited of the earth in this time of precarious peace, of deterrent terror, that we will not move into this downward drift toward universal annihilation, but in this upward climb we trust through a stronger United Nations for international cooperation, for the freedom, justice, and peace of all people on this earth, as the God-given home of the family of man.

Senator MONTONA. Thank you very much, Dr. Graham.

You have impressed me very much, and I know that your words of wisdom will make a great part of this record.

Dr. GRAHAM. Mr. Chairman, may I add one thing in reinforcement of your proposition for emphasis on a wider regionalism, not only multicounties, but multistates?

When you think of Appalachia, let's take southern Appalachia, the region that is a part of the responsibility of Senator Everett Jordan, of North Carolina, who are these people, these people now of southern Appalachia?

They are the people from western North Carolina, upper South Carolina, southwest Virginia, what is now east Tennessee, and east Kentucky, who mustered in a very critical hour and turned the tide of the American Revolution in the South as they climbed up the rugged slopes of the mountains. Those were the people from southern Appalachia.

And may I also say as a son of a Confederate veteran, and also the nephew of three other Confederate soldiers, that it was these people of southern Appalachia who, in one sense, helped to save the Union.

A hundred thousand of them volunteered in the spirit of Lincoln to join the Union Army.

Now, if you took those 100,000 sharpshooting squirrel hunters out of the Union Army and put them back with their fellow southerners, there might have been another story about the Civil War itself.

And may I say with regard to the other part of Appalachia, West Virginia, and Pennsylvania, sons of later immigrants who joined hands symbolically speaking with the sons of later immigrants in mining.

One dug up the iron, the other dug up the coal, and the coal and iron met in Pittsburgh and other great steel centers and became the steel which helped to build this mighty industrial structure, and in two World Wars they helped to save freedom and the world itself.

Now they are without jobs, many of them, through no fault of their own. Technology, loss of markets, exhaustion of resources, fluctuations in the world situation, have left them victims of economic and world processes.

They look for jobs anywhere, and they don't find them. And your bill on this wider regional basis is providing seed capital to develop or expand or pioneer new enterprises to give these people jobs, saying to them, "We know that your work helped to save freedom in the world, and you are not going to be forgotten of the world."

And that is part of the meaning of your great regional emphasis in this new public works and economic development program.

Senator MONTONA. Thank you, Doctor.

Senator Jordan, do you have an question?

Senator JORDAN. No, I have no questions.

I just want to say again we are very delighted to have you here. I have enjoyed your testimony this morning and I am sure the other members who are not privileged to be here—it wasn't any fault of theirs that they are not here, but we all have to be spread so thin you can't be in all of the committee meetings at the same time—but it is available, and we will all read it and use it. Thank you so much for being with us, sir.

Dr. GRAHAM. Thank you.

Senator MONTAYA. Thank you, Doctor.

The next witness is Mr. James H. Nutter, Jr., director, Georgia Department of Industrial Trade.

You are certainly welcome before this committee.

You may proceed.

STATEMENT OF JAMES H. NUTTER, JR., DIRECTOR, GEORGIA DEPARTMENT OF INDUSTRIAL TRADE

Mr. NUTTER. Thank you, Mr. Chairman.

I am James H. Nutter, Jr., executive director of the Georgia Department of Industry and Trade. I am here as the designated representative of Gov. Carl E. Sanders to testify in support of Senate bill 1648.

I bring for each of you cordial greetings and best wishes from Governor Sanders, who asked me convey to you his sincere regrets that he could not personally testify in behalf of this proposed legislation.

We in Georgia pride ourselves upon our reception to and ingenious use of the many Federal-State cooperative programs. A citation of Georgia's accomplishments under the two programs which served as legislative forerunners for the measure being considered today will illustrate this point.

Georgia early saw the economic advantages that would accrue to it from faithful pursuit of the goals outlined in the programs of the Area Redevelopment Administration. It had little choice, as 77, or almost one-half of its 159 counties, were at one time designated as redevelopment areas.

With the help of the Area Redevelopment Administration, Georgians have created or salvaged 3,625 jobs, through approval of 40 projects that represent a total capital investment of more than \$13 million.

There are 11 projects pending that will result in investments of more than \$35 million and provide job opportunities for several hundred Georgians. We are proud of these results.

They indicate solid progress and a spirit of Federal-State cooperation in solving economic ills that point the way to a better standard of living for all Americans, everywhere.

We have also found assistance under the accelerated public works program to economically distressed areas to be equally beneficial.

Georgia projects approved under this program totaled over \$21 million, and applications are still pending for an additional \$34 million for needed public facilities in our State.

As bright and encouraging as these figures are, they by no means have unlocked all of the doors to economic opportunity and the full

life, which poverty has so zealously guarded through Georgia's exciting history.

The struggle which lies ahead to eradicate pockets of poverty which pockmark our State with their small, but persistent, sores of human suffering, disease, and hopelessness, is a continuous one.

Perhaps as no other State in the Union, Georgia is striving to achieve for its people an economic self-sufficiency that it has not known for the past 100 years.

Let me inform you briefly of some of the programs which Georgians have initiated as guidelines for the State in its march of progress.

Mr. Chairman, our State government is vigorously attacking the economic problems and opportunities facing Georgia by:

First, investing \$497,600 annually, beginning with the July 1, 1965, fiscal year, for each of the next 2 years, in support of the State's programs of area planning and development commissions.

It has been nearly 6 years since Georgia made its first investment in the concept of the regional, or area, approach to its problems.

Since that time, the State now has in being, or in the process of creation, 17 regional commissions. These commissions are comprised of a minimum of 5 counties, and range up to 13, for the largest group.

These area planning and development commissions raise local funds which are then matched by State funds within the framework of a \$15,000 minimum and a \$40,000 maximum State contribution annually.

The commissions have adopted the regional, or multicounty approach to the questions of inventorying the area's assets, cataloging its liabilities, and pinpointing its potentials. Mineral, human, natural, and financial resources are thus enlisted in an all-out effort to achieve and stabilize economic opportunities for the area.

We like the regional approach to economic problems. We have made much progress in initiating such a concept in Georgia. All but 25 of our 159 counties are embraced in one of the State's 17 area planning and development commissions.

Second, investing an additional \$1,100,000 in our department of industry and trade, to bring that vital department's budget to a record \$2,100,000 per annum.

The attracting of both industrial and tourist capital is the prime concern of this department, although it carries out most effectively statewide, regional, and local planning programs, conducts research into the State's potentials in varied fields, and builds community airstrips in cooperation with the Federal Aviation Agency.

Third, creating, by legislative and administrative action, a business climate conducive to the attraction of new industry and the expansion of existing facilities.

Fourth, cooperating fully with Federal aid programs designed to make our communities more attractive, to provide specific assistance to commercial and industrial establishments, and to encourage the creation of multistate commissions to cope with the major area problems.

In this connection, it is a distinct privilege for Georgia's Governor to presently serve as cochairman of the President's Appalachian Regional Commission.

As concentrated as our efforts are in these fields, and as persistently as we pursue those avenues offering the best hope of reward, Mr.

Chairman, we find our roads blocked often by those problems which do not lend themselves to solution by the best application of the human and financial resources at our command.

It is in this field, that of finance, that the Federal Government can best join hands with the 50 States as a full-time partner in, and initiator of, progress.

There are communities in Georgia, as elsewhere, badly in need of sewage treatment plants, municipal water and sewer systems, and other public facilities which could be financed under sections 101 and 201 of this act.

There are communities in Georgia, as elsewhere, sadly lacking in job opportunities, whose economic horizons could be brightened by the application of sections 202 (a), (b), and (c) of this act.

There are communities in Georgia, as elsewhere, whose economic past and future is hindered by a lack of knowledge of their real opportunities and potentials. The technical assistance and research provided under section 301 of the act would illuminate their actions as they begin their march from the dark abyss of abject poverty.

There are other sections of the act equally as pertinent to the problems facing Georgia and other States, problems whose magnitude engulfs the efforts of one State alone, but problems which a Federal-State compact, adequately financed and intelligently directed, could solve with a resolute approach.

I wish, therefore, to respectfully offer the State of Georgia's whole-hearted endorsement of S. 1648, which would offer new hope and encouragement to our citizens in their struggle for economic opportunity.

I am deeply grateful for the opportunity of appearing before you today, and for your kindness in permitting me to offer the support of Gov. Carl Sanders of Georgia, and myself, for this bill.

Thank you.

Senator MONTOLA. Thank you, Mr. Nutter. We had the privilege of listening to your Governor during his testimony on the Appalachian bill, and he certainly made an impression before this committee, and we certainly want to commend you for your statement here this morning.

Mr. NUTTER. Thank you, sir. I am very happy to be with you.

Our Governor, I feel, is a very impressive man.

I might say, sir, that I am a new Georgian. I have been in Georgia 3½ months. Prior to that I was in Kentucky, and I had the privilege of being in the same capacity in Kentucky.

Of course we worked quite closely with ARA when I was in Kentucky, and we appreciated the fine support we had at that time.

Senator MONTOLA. Senator Jordan, do you have any questions?

Senator JORDAN. No; thank you.

Senator MONTOLA. That concludes the hearings this morning, and for this week. We shall stand in recess until 9 o'clock Monday morning.

(Whereupon, at 11:50 a.m., the committee recessed, to reconvene at 9 a.m., Monday, May 3, 1965.)

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

MONDAY, MAY 3, 1965

**U.S. SENATE,
COMMITTEE ON PUBLIC WORKS,
*Washington, D.C.***

The committee met at 9:30 a.m., pursuant to recess, in room 4200, New Senate Office Building, Senator Edmund S. Muskie presiding.

Present: Senators Muskie, Randolph, and Moss.

Senator MUSKIE. This is the last day of hearings of the Public Works Committee on S. 1648. Then I understand that the forum shifts to the Banking and Currency Committee, where I also sit.

So we will look at it from that point of view as well. Our first witness this morning is Mr. Andrew Biemiller, director of legislation, AFL-CIO.

As always it is a pleasure to welcome you at this hearing. We invite you to present your testimony in any way you like.

STATEMENT OF ANDREW J. BIEMILLER, DIRECTOR, DEPARTMENT OF LEGISLATION, AMERICAN FEDERATION OF LABOR AND CON- GRESS OF INDUSTRIAL ORGANIZATIONS

Mr. BIEMILLER. Thank you, Mr. Chairman,. For the record my name is Andrew J. Biemiller. I am the director of the Department of Legislation of the American Federation of Labor and Congress of Industrial Organizations. I am accompanied by Frank L. Fernbach, assistant director of our department of research and a member of the National Public Advisory Committee on Area Redevelopment.

I am pleased to appear here today in behalf of the AFL-CIO to support enactment of S. 1648, introduced by Senator Douglas for himself, for Senator McNamara, and for 37 other cosponsors. This proposed act—with its substantially increased provision for public works grants and its new concepts of multicounty district and multi-State regional development—is a significant improvement over the old Area Redevelopment Act. We enthusiastically urge its passage, although we also favor a new change which we will enumerate.

The long campaign of organized labor for Federal aid for the chronically distressed areas of the Nation hardly needs elaboration here. The human misery that grew out then of the decline of the New England textile industry a generation ago, the misfortune that followed the end of coal mining in many areas of the country, the catastrophies that so frequently befall other communities because of technological change and the exhaustion of raw materials; the tragedy that over-

takes a one-industry town when the enterprise on which it depends for a livelihood closes down—all of these are well known to the American labor movement.

In our view, helping to restore employment opportunities for displaced workers in chronically distressed areas is as fully a Federal responsibility under the terms of the Employment Act of 1946 as the commitment to help eradicate unemployment which is nationwide in scope.

You have already received testimony about the considerable progress achieved under the Area Redevelopment Act during the course of the 3½ years that it has been operational. This record need not be repeated here. It is evident that in many distressed communities new hope has been generated and new jobs have been created.

In turning now to a brief consideration of the titles of the proposed new act, there are several problems which we believe should be noted.

Title I: We, the AFL-CIO, is completely in accord with the proposal for a substantially larger provision for public works and development facility grants for the distressed areas and districts. We note the tremendous help to these areas that flowed from passage of the Accelerated Public Works Act. We long sought the extension of that act.

Now, with the passage of this proposed act, a measure of public works aid will again flow to the distressed areas. However, in our judgment, the proposed \$250 million annual authorization is too small. We urge a considerably larger authorization.

Senator RANDOLPH. May I interrupt at this point, Mr. Chairman?

Senator MUSKIE. Yes, indeed, Senator Randolph.

Senator RANDOLPH. Mr. Biemiller, on Friday morning last week during the hearing I announced that I would offer an amendment in the Public Works Committee to raise the amount in title I of the pending legislation from \$250 million to \$500 million. I just wanted at this point to indicate that there is a concern over the amount. You and I both agree that the figure in the bill is grossly inadequate. There is a backlog of projects, worthy in nature, on which engineers' processing of the projects has gone forward, funding has been carried forward at the local levels of government, there is a backlog of water works, sewage treatment and other necessary public works projects. I think this 1st session of the 89th Congress must respond to these unmet needs.

Mr. BIEMILLER. I am delighted to hear this announcement, Senator Randolph. I am not surprised as I have known of your long interest in the proper development of the depressed areas and particularly attention to public works aspects.

We have long respected and admired your consistent interest in that direction.

We must respectfully dissent, however, from the recent statement to you by the Secretary of Commerce that a massive public works program is not needed at the present time. Despite the record level of economic activity, millions of Americans remain jobless and substantial industrial capacity remains unused. In our judgment, we badly need a massive public works program both to help employ the jobless—particularly in metropolitan areas, most of which are not eligible for aid under the proposed act—and to provide public facilities of long-term worth which the Nation so badly needs.

The AFL-CIO does not view the more liberal provisions for public facility grants now proposed for depressed areas to be in lieu of a far reaching federally supported general public works program. America clearly needs both.

Because the demand for grants under title I inevitably will exceed the funds available, criteria to guide the Administrator are necessary. For example, some limitation—perhaps 10 percent of the total—should be established as the maximum that the localities in any one State should be entitled to receive.

We, of course, assume that no public works grant or loan nor any other assistance under this title or any other title of this act will be extended if it would violate the clear intent of the Congress that new employment opportunities will be created rather than merely transferring jobs from one area of the United States to another. This intent was spelled out in the "Declaration of Purpose" of the Area Redevelopment Act and appears in similar words in the "Statement of Purpose" of the proposed act.

Unfortunately, the protection of existing jobs and job standards elsewhere requires more than a prohibition against aid to a relocating industrial runaway.

For example, unless specifically prohibited, financial aid to an employer establishing or expanding in a depressed area could be used to pirate contracts and undertake work that has been performed by contractors or subcontractors in another area. Such a prohibition was specifically written in to the Economic Opportunity Act of 1964 and also by this very committee into the Appalachian Regional Development Act of 1965. It also should be written into this act.

What is more, aid to new producers in industries in which existing production capacity is already excessive tends to drive other producers out of business and destroy jobs elsewhere—a danger clearly noted by the Senate Committee on Banking and Currency in its report on the proposed Area Redevelopment Act Amendments of 1963.

The AFL-CIO also warned in its most recent convention resolution on ARA that:

If loans or grants or retraining subsidies are approved in behalf of concerns that will expand presently underutilized industries—like apparel and some others—employment opportunities and labor standards elsewhere will be jeopardized.

The Secretary of Commerce also has noted the gravity of this problem. When he testified before you on April 26, he pointed out that:

We are not only concerned about guarding against relocations in the same business. We are also concerned where there is excess capacity in an industry and where the effect of a new capacity would be to replace effective existing capacity.

To insure confidence in the Federal effort to help distressed areas and regions—that aid will not be extended that robs Peter to pay Paul—the proposed act should contain all of the specific and necessary safeguards referred to above. They should also cover all of the titles of the act.

In discussing safeguards against relocation under federally subsidized programs, the dangers growing out of the increasing use of tax-free State and local bonds to finance plants for private use must be noted. This practice allows localities to use a Federal tax subsidy—on their own initiative and whether the locality is depressed or not—to encourage employers to relocate. There are many other evils

associated with industrial bond financing. Most important in terms of the issue before this committee, this real spreading practice clearly undermines the Federal effort to aid distressed areas and nations and regions by legitimate means.

Thirty-eight States have now sanctioned the luring of industry via industrial bond financing and three others are considering the plan, according to a recent study by U.S. News & World Report. Many State officials find the practice distasteful but feel it is necessary to tolerate it in the effort to compete with other States for industry. A recent report to the Governor of Virginia by its industrial development and planning division states that, should the Congress consider outlawing the practice and "hence put all States on an equal footing, financewise, the division would recommend that the Virginia congressional delegation be urged to support such legislation."

In 1954 the House of Representatives voted to amend the Revenue Code in a manner that would effectively end this spreading misuses of tax-free State and local bonds, but the Senate failed to act. While jurisdiction over this tax issue is not conferred upon this committee, its proper disposition is highly relevant to the success of the proposed act now before you. Therefore, we urge you, as Members of the Congress, to use your great influence to finally end this practice.

With respect to public works grants and loans as well as other forms of aid, surely none should be allowed without a clear commitment by the political entity or the private enterprise involved, that it will not be used to aid the relocation of jobs.

It is also our view that the act should declare that any local political entity—or development organization sponsored by it—that can afford to build private plants through the issuance of tax-free bonds should be deemed not to need a further Federal subsidy in the form of a grant or a loan under the terms of this act.

Title II: We fully support the proposed loans for public works and development facilities to be provided by this title (with the appropriate safeguards against relocation suggested in our discussion of title I).

We also support the proposed loans for commercial and industrial facilities, including loans to advance recreational development and tourism. (Many distressed areas have a high recreational potential and are accessible to the people of our large and expanding population centers. In the face of dwindling job opportunities in manufacturing, mining, and agriculture, future employment in distressed areas must depend substantially on a growing demand for services. The proposed act should not disallow aid to enterprises that advance tourism and recreation. Such assistance is an appropriate aspect of the redevelopment effort.)

In addition, we also support the proposed working capital guarantees and the proposal that only 5 percent of the total cost of projects would need to come from a State and local government or area organizations.

We do not support, however, the proposed Federal subsidy of 2 percent of the interest cost of loans obtained by concerns able to borrow privately and willing to locate in eligible areas.

It is assumed that this inducement will encourage larger corporations to expand in the eligible areas. We approve of this objective, but we oppose the method proposed. It would introduce a new and highly

questionable form of Federal subsidy. Moreover, it would go to corporations that—on the basis of their solvency—are precisely those least in need of a subsidy.

One of the byproducts of the location of this act within the Department of Commerce, will be we are sure, a deep concern about the plight of the distressed areas on the part of its new Secretary. Just as major corporations are now being urged to help resolve the balance-of-payments problem as a matter of enlightened public policy, they should be urged to assist the distressed areas. If this effort is tried, and if it fails, the AFL-CIO would be receptive to other proposals.

We do not feel that the safeguard against relocation presently written into title II (sec. 202(b)(1) is adequate, for the same reason that we view the language in the "Statement of Purpose" to be inadequate. Our reasons have already been stated in the discussion of title I.

Therefore, we believe it should be replaced and the following language should be inserted :

(1) Such financial assistance shall not be extended to assist establishments relocating from one area to another or to assist contractors to undertake work theretofore performed in another area by other subcontractors or contractors.

In addition, a further prohibition should be written into the act spelling out clearly the intent of the Congress that financial assistance shall not be extended where the effect of a new capacity would be to replace existing effective capacity and existing jobs.

Title III: We approve the proposed authorization for technical assistance and research and for grants to State, local, and district organizations to help them plan and administer area and district development programs.

While professionally trained experts at all levels could effectively advance the development effort, they should not, however, come to dominate it. Their role would and should be technical and advisory.

In our view, too little has been done in the past to help eligible areas organize their own citizens effectively to plan for and sustain the momentum of the economic development effort. True, the old act and the new properly require each community to develop its own overall economic development plan, and in some cases technical aid in the form of studies relevant to the locality's special problems should be and will be continued.

However, the proposed act also should require the establishment of permanent local and multicounty district development committees, representative of all concerned economic groups within these areas, including, of course, organized labor and minority groups. Redevelopment, in the best sense of the term, requires broad community participation, beyond the confines of Main Street.

Continuous evaluation of the quality of technical studies and of the performance of personnel for whom Federal grants are now proposed under title III should be required of the administrator.

Title IV: In our view, the overburdening of ARA with too many areas eligible and competing for aid has been a major factor leading to criticism of its performance. Expectations aroused were simply greater than this program could possibly fulfill. Surely the more than 1,000 communities initially declared eligible for aid—urban and rural areas, and Indian reservation alike—suffered from economic depres-

sion, and the majority still do. Yet, in the face of the fact of the limited resources made available to ARA, its aid had to be spread too thinly across the country to have a decisive effect in many communities. Moreover, in our view the inclusion of some areas reflected rather arbitrary requirements written into the act and some questionable administrative judgments rather than a realistic determination of priority needs and of the ability of ARA to meet them.

We are gratified by the proposed new conditions for the designation of eligible areas written into title IV of this act. They will reduce the number—if the national economy continues its rising trend, and to a degree, they allow a slightly greater exercise of administrative judgment.

It is further proposed that the present system of monthly review of area eligibility be replaced by an annual review. We recommend a review twice yearly in order to more frequently note changes in the unemployment situation, and thus, to more quickly arrive at appropriate decisions with respect to qualifications for eligibility.

We enthusiastically support the new concept of designation of broader economic development districts, made up of two or more eligible and adjacent counties and one or more economic development centers and when the advantage of an effort on this wider basis is clearly evident.

It is possible that the special financial incentives available under the act to encourage the formation of development districts—which we approve—may, nonetheless, create pressures to establish districts with little justification.

Without effective Federal control over the formation of the new redevelopment districts, great dangers to the purpose for which this act is intended may result.

Title V: The encouragement of even a broader economic redevelopment effort on a multistate regional basis—where found desirable and feasible—is significantly advanced by the provisions of this title. The AFL-CIO welcomes this historic step forward.

The United States has received worldwide acclaim and enormous advantage to itself as a consequence of its first comprehensive multistate regional development effort, the TVA. In this instance, the need for a vast Federal-State cooperative undertaking to harness an entire river basin motivated this pioneer plan. The proposal now before us would belatedly bring the benefit of similar regional redevelopment efforts to other areas of the country.

While the need for an effective system of flood control sparked the creation of TVA and the need for adequate highway communication underlies the new effort to develop the Appalachian region, in other regions various other deterrents exist and should be eradicated.

Title V, as we understand, would set in motion a mechanism whereby, through Federal cooperation with the States, appropriate multistate regions with common and remediable problems would be identified, practical plans for redevelopment would be drawn up, and then appropriate legislation to implement them would be supported.

We applaud this long overdue undertaking. But in seeking what is best for the various regions with a valid claim for Federal aid, we hope that the language of the act will not cement us into inflexible patterns based upon the TVA, the Appalachian, or any other expe-

rience. Rather, the new commissions must draw from lessons learned, while also remaining free to try innovations where practical considerations support them.

In a country that is expected to have a population of over 300 million by 1995—only 30 years hence—the national concern for the effective economic development of all regions should be evident. In pursuing this objective, State and local cooperation is essential. The overriding Federal responsibility in terms of leadership and financial participation on the other hand is primary.

Title VI: The proposed National Advisory Committee on Regional Economic Development—like the comparable statutory committee that has served the ARA—can effectively assist in an advisory capacity in the implementation of the purposes of the proposed act. Perhaps this committee should be called the National Advisory Committee on Area and Regional Economic Development, however, to insure its consideration of aspects of the proposed program in addition to those encompassed by title V. Moreover, it would seem appropriate that the name of the administrative agency to be charged with implementation of the act might appropriately be called the Area and Regional Economic Development Administration, or be otherwise identified, so that it will be clear to the public that its function is different—although complementary—from the newly established Office of Economic Opportunity.

There is no title in the proposed bill dealing with manpower training in chronically distressed areas, comparable to sections 16 and 17 of the original act—because a supplemental fund for training in these areas is authorized by section 241 of the Manpower Act of 1965. It should be noted by this committee, however, that the retraining of workers in distressed areas—quite as much as public facility aids, industrial and commercial loans and technical assistance—is a basic and indispensable redevelopment tool.

In conclusion, we wish to repeat a point made by the AFL-CIO when it testified in support of the proposed Area Redevelopment Act amendments in 1963. We said:

We are aware that area redevelopment will be a slow and painstaking undertaking; no overnight miracles are expected. Most distressed areas were a long time going down, and it will require time—as well as aid and much effort to restore them to good health.

In our judgment, the excellent bill now before you—with the changes we propose—will do much to hasten the success of that difficult, but necessary effort.

Senator MUSKIE. Thank you very much, Mr. Biemiller, for your excellent and thoughtful testimony. It follows through on the long-standing interest of the AFL-CIO in this kind of work and is of special interest to my area of the country where, as you know so well, this problem of developing areas which in some areas—in some instances have never been developed and in other instances have gone downhill because of technological changes, is of critical importance.

We have tried to do something about them on the State level and I think ARA has had an excellent history of success in Maine. So we look forward to the better tools that I think this bill provides. We appreciate your testimony.

Mr. BIEMILLER. Thank you.

Senator MUSKIE. Senator Randolph.

Senator RANDOLPH. Mr. Chairman, I wish only to add this thought. In your very comprehensive, instructive statement, Mr. Biemiller, you use this language:

The proposed act should not disallow aid to enterprise that advances tourism and recreation. Such assistance is appropriate aspect of the redevelopment effort.

I think we often overlook the value which can come in a State like Maine represented so ably by our chairman and a State like West Virginia where, even though we have developed partially the tourism possibilities, we do not have the facilities really to take care of the millions and millions of people who are just now beginning to find rest and recreation in the scenic and historic sections of the country which have such an appeal to the American people as well as the people from other countries.

I like the emphasis you have placed there. I think it is a valid type of financial aid. Thank you, sir.

Mr. BIEMILLER. We feel very strongly, Senator, that this is an area of economic development which must be intensified, both from a job-creating aspect but also from the fact that as you point out quite properly, people are from now on going to have more and more leisure.

I might add that I was tremendously impressed with an operation of this sort that I visited last fall in your State which intrigued me very much. That was the revival of the old lumbering railroad at Cass. It seems this is a perfect example of how a community that was practically dead has been able to get back on its feet and has restored a mode of prosperity to that area and at the same time bringing the great pleasure to hundreds of people every week.

Senator RANDOLPH. Mr. Biemiller, that is correct; the closing of the mill at Cass, W. Va., in Pocahontas County, did bring very heavy unemployment to the area. The railroad, very scenic in its territory that is traversed as it runs up the mountain, courses across the highlands, was actually going to be dismantled, the tracks unused, the locomotive or two involved taken away.

Now we have this scenic railroad operating. Thousands and thousands of persons used it last summer. I do not have the exact figures but it is a going concern, bringing great joy literally not only to thousands of West Virginians but tens of thousands of people from all over the country and foreign nations.

Thank you for making reference to a specific project which is proof of the statement that you have made that there is an economic value to tourism. A mill closed and a new industry—tourism—took its place.

Senator MUSKIE. I think there is another thought that ought to be injected in the record at this point. The transformation of former industrial or undeveloped areas to recreational areas suggests the importance of the kind of developmental highway which is the heart of the Appalachia program, for example. In northern New England we have developed ski areas in three northern New England States on a hit-or-miss basis which seems to me to suggest the possibility for the future if we can tie them together with a developmental highway that would stimulate a further growth.

Because skiers are a mobile group, they do not like to get tied down to one particular slope or one particular area. They like to be free to move even on a given weekend. I think the development of a high-

way there of that kind would be a very important feature of this program.

Mr. BIEMILLER. We quite agree, Senator.

Senator MUSKIE. Thank you very much.

Mr. BIEMILLER. Thank you, Senator.

Senator MUSKIE. Our next witness is Mr. Angus McDonald, National Farmers Union.

STATEMENT OF ANGUS McDONALD, DIRECTOR OF RESEARCH, NATIONAL FARMERS UNION

Mr. McDONALD. Mr. Chairman, members of the committee, my name is Angus McDonald. I am appearing here in support of S. 1648, a bill which is consistent with the historical position of the National Farmers Union and especially in regard to legislation which we have supported the last few years.

This bill, as we understand it, attempts to utilize experience for the area redevelopment and public works accelerated programs. This witness has appeared in support of similar legislation several times before the House and Senate.

The National Farmers Union has been particularly interested in the problem of unemployment and in depressed areas, especially since hundreds of thousands of farm people, because of low farm income and increasing efficiency, have been forced to leave agriculture and seek other employment. It is significant that the number of those in the ranks of the unemployed today approximates the number of people who have left farming during the last few years.

We therefore suggest that depressed farm income and poverty in rural areas has been one of the major causes of unemployment in the Nation.

The National Farmers Union has also been concerned about inadequate resources development and the fact that our Nation despite years of attention to soil and water problems and much expenditure is still suffering devastating floods during periods of above-average precipitation. These results are evident in the last few weeks' headlines in the newspapers which tell of the tragic conditions which have resulted from floods in the Mississippi Valley.

This legislation we feel is all the more urgent because of the recent destructive floods which will require rehabilitation programs in the areas affected.

We are also supporting this legislation because it seeks to improve the health of the economy in areas of low income. Pockets of poverty exist all over the United States. In some areas population has declined with devastating effects upon local communities. Small businesses have failed, local industry has dried up, and church and social institutions have been affected. One of the main problems we feel, in the entire poverty program, is a rejuvenation of small communities.

We do not feel that the problem will be solved in the cities, but mainly in the rural and outlying areas. Some way must be found to stop immigration from the farms from increasing the numbers of unemployed in urban areas.

In many areas of the United States, people suffer from polluted water, from inadequate sewage facilities, and funds are inadequate to build and rebuild local industry which has deteriorated.

Our resources, both human and natural, are our most precious asset. They should be preserved and efforts should be made to give opportunity to the unemployed and underemployed to add to their own income and to the national income.

The Farmers Union is particularly interested in the regional approach, believing that the great river basins of our country should constitute economic units and that programs should be developed along the lines of comprehensive development so that the soil and water resources would be preserved and we call particular attention to the lack of development of this region in the Mississippi and Missouri River Basins. Some parts of this region have experienced a declining population, and, as pointed out, lack adequate programs which would prevent floods and conserve soil and water.

This legislation, we are pleased to note, would preserve local initiative and would require, as the President said in his message, programs to be developed locally and to come from the grassroots and not from Washington. The program also provides for loans where local interests are able to repay them and grants where they are unable to repay a loan. Participation by local interests is absolutely necessary if the kind of program as outlined in this legislation is to succeed.

Experience under area redevelopment and other programs leads us to believe that it will be cheaper for the Government to lend or give funds for the purpose of stimulating private enterprises and putting people to work than it would be to support the unemployed by means of charitable contributions by local, State, and Federal Governments. At the same time the dignity of the individual would be preserved where he is given an opportunity to engage in worthwhile activities.

This legislation would carry us forward in the war on poverty which is an attempt to raise the living standards of our people and justify our reputation as an affluent nation.

Mr. Chairman, I have one or two additional comments I would like to make.

In regard to Mr. Biemiller's discussion of the 2-percent loans, while our leaders and members have not had an opportunity to see this bill and therefore to indicate whether they would agree or disagree, I would personally feel that the 2-percent principal is a good thing. Wherever it is possible for a business corporation or individual to obtain a loan we have been fighting many, many years for the principle of low-interest rates and farmers, of course, have suffered probably more than any other group from exorbitant interest charges.

We have supported, of course, the 2-percent rural electrification interest principle which I believe is written into statutory law.

In regard to Mr. Biemiller's comment on using this legislation or other legislation as a means of avoiding collective bargaining, we are in entire agreement with him on that point. Also, we are completely in accord with Mr. Biemiller's comment on the Senator from West Virginia's comments on the value of recreation in the program because we will need more recreation facilities due to the fact that people are getting more and more leisure as time goes on and the fact that we have such a large number of people in our society who are past the working age, sir.

That concludes my statement, Mr. Chairman.

Senator MUSKIE. Thank you, Mr. McDonald. I appreciate your testimony and also your supplementary comments.

The purpose of the 2-percent interest subsidy, as I understand it, is to try to attract into these depressed areas, or underdeveloped areas as I prefer to call them, stronger and larger companies. There is a tendency I think for weaker companies that actually need a subsidy to operate properly to go into these areas.

Some of them do develop and emerge as viable companies which can make a positive contribution to the area but others do not. So, there is felt to be a need to find some way of attracting the stronger companies into some of these areas. There it is not felt, of course, that they need this inducement as a subsidy but simply as an attraction in an area. After all, they have many choices as to where they can locate and where they can develop their enterprise. They are likely to go to the more profitable areas unless we can find some way of attracting them to these areas.

This is the principle behind it. I appreciate your comment on it. I don't know what fate this provision of the bill will meet, in the committee or on the floor, but this is certainly its purpose.

Mr. McDONALD. Thank you. I am in complete accord with your views, Mr. Chairman.

Senator MUSKIE. Thank you, Mr. McDonald, very much.

Senator MUSKIE. Our next witness is Mr. Matt Triggs, of the American Farm Bureau Federation.

STATEMENT OF MATT TRIGGS, AMERICAN FARM BUREAU FEDERATION

Mr. TRIGGS. Mr. Chairman, I suppose that an appearance to indicate some doubt concerning some features of this bill might be described as futile or foolhardy or perhaps as a character-building experience. To say as we do in the opening sentence of our statement that we welcome the opportunity to present our views perhaps is an overstatement.

Inadequate as I may be to do so, however, I do have a responsibility to present the views of our people and indeed to submit some considerations that so far as I know do not presently appear in the record but which I think are of importance to the issue.

As we note in our statement the American Farm Bureau Federation is a general farm organization entirely supported by dues voluntarily paid by 1,647,000 farm families, members of over 2,750 county farm bureaus in 49 States and Puerto Rico.

Senator MUSKIE. May I say this in response to your opening statements that I would not share your view that it is a useless gesture for you to express your views here. I think views of doubt or views of opposition can be very useful in considering a piece of legislation. I might say I gather much of the opposition is waiting for the hearings before the Banking and Currency Committee to commence. I don't know for what reason. I can guess, but I won't undertake to speculate at this time.

But, in any event, opposition views will find their way into the record before this bill reaches the floor. I thought that might be of some reassuring value to you.

Mr. TRIGGS. I appreciate the reassurance, Senator.

PUBLIC WORKS

It is our position that expenditure policy and procedure for public works programs should be in accord with the following principles:

1. It should be the responsibility of Congress to decide (a) how much money is to be spent for each category of public works, and (b) the manner in which the funds provided for each category of public works are to be allocated among the States.

2. The funds appropriated for each such program should be allocated to States, and the administration of the program and allocation of funds within the State should be a State responsibility, with appropriate verification and audit by Federal agencies.

Most grant-in-aid programs adhere to this pattern. Thus—in the highway program, the water pollution program, the agricultural research and extension programs, the hospital construction program, and many others—Congress determines how much is to be spent for each such program and establishes a formula for allocating such funds to the States.

Senator MUSKIE. May I suggest at this point that the reason for the difference, of course, is that the public works program in this bill is designed to be related to the economic development needs of areas and these are going to vary. In one community it might be a sewage treatment works. In another it might be a waterworks. In another it might be a developmental highway. In another it might be a hospital. In another it might be a vocational school. It seems to me, what you are suggesting here is that Congress ought to be able to anticipate what those needs may be in the various regions, communities, and to say in advance what a particular community's needs may be in terms of its overall economic growth.

That presupposes there, it seems to me, a wisdom on the part of Congress and a vision on the part of Congress that its record does not suggest that it has.

Mr. TRIGGS. You make a very persuasive argument.

Senator MUSKIE. I was not making an argument. I was simply stating the intent.

Mr. TRIGGS. I think if there was an intent to preserve the right of the State to direct the program in the State that this could be incorporated in the bill. I think, too, that more could be done to establish congressional control of the amount to be spent for each category of public works.

In other words, I think we could make progress in the direction we indicate as desirable even if we did not go all the way.

We go on to say that 1648 does not adhere to the above concept. It appears to us that the approach of the bill is faulty in the following respects:

1. The bill would involve abandonment by the Congress of its responsibility to decide how much money is to be spent for each category of public works and how this money is to be divided among the States. In lieu thereof the bill would authorize the appropriation of a "pot of money" to the executive branch, which would be delegated responsibility for deciding for what purposes, by whom and where, the money would be spent.

2. The bill does not provide for an allocation of funds to the States. The States are in fact bypassed, except as the executive branch chooses

to utilize State institutions. The grant and loan funds will be allocated directly by Federal agencies to such State, local units of government, Indian tribes, or public or private nonprofit organizations or associations, as the executive agency may decide.

Senator MUSKIE. May I ask a question on the second point?

Mr. TRIGGS. Yes, sir.

Senator MUSKIE. You suggested that the Congress might follow the pattern among others of the water pollution program.

Mr. TRIGGS. I did not get the point.

Senator MUSKIE. You suggested that the Congress might in this bill follow the example of other programs, for example, the water pollution program. In the water pollution program sewage treatment grants go directly to the communities.

Mr. TRIGGS. I could be misinformed in this connection, Senator, but it was my understanding that on the water pollution funds the priority within the State is 100 percent determined by State authority.

Senator MUSKIE. The priority, but the funds are not turned over to the States to be dispensed as they choose. The Federal Government has the final words as to whether a given priority is to be honored and the Federal Government dispenses the grant.

Mr. TRIGGS. There is a question of semantics here.

Senator MUSKIE. No, wait a minute. In this bill there is a requirement of overall economic development planning which must be approved by the State. So it seems to me that we are following here the precedents suggested at least by the water pollution program. There is a different kind of problem.

Mr. TRIGGS. The distinction I am trying to make is this: In the water pollution program, city "A" wants to get a grant. It is approved by the State agency for that specific grant as part of the total allocation to the State for water pollution projects. Then the Federal Government issues credits or checks in partial payment thereof.

In contrast, under a broad scale program such as this the State may not necessarily have anything to say about the division of the funds available to the State for specific proposals.

Senator MUSKIE. In this bill the individual grant applications must be approved by the State.

Mr. TRIGGS. Under all these proposals? I don't find that in here. The language does not sound like it. It says, "upon the application of any State or political subdivision thereof, Indian tribes or public or private nonprofit organizations, or associations representing any redevelopment area or part thereof, the Secretary of Commerce, hereinafter referred to as the Secretary, is authorized to make these direct grants."

Senator MUSKIE. Now the pertinent section of the act is on page 50, section 202(b) (10), which reads:

No such assistance shall be extended unless there shall be submitted to, and approved by, the Secretary an overall program for the economic development of the area and finding by the State or any agency, instrumentality or local political subdivision thereof that the project for which financial assistance is sought is consistent with such program.

Now under the ARA experience a similar requirement was established and it has been ARA's practice under this policy to channel all specific projects through the State agency for a finding of consistency with the overall economic development of the plan.

Mr. TRIGGS. I think this is a desirable provision. I don't think it quite does what we would recommend be done.

Senator MUSKIE. All I wanted to point out was that it is different from your conception of what the program is and what the bill provides.

It does not quite do what you would like, I concede. But it does not do what you do not like either.

Mr. TRIGGS. There is nothing in the language that requires the project to be approved by the State agency. It could be approved by any one of these instrumentalities or local political subdivisions. As a matter of administrative practice it might be that every project is approved by the State. But again this is a big distinction as compared with the State having the right to say "We have \$12 million to play with in this State and it will be allocated for these projects."

Senator MUSKIE. No, we don't let the State play with it; that is right.

Mr. TRIGGS. I think I have made my point and I think you have made your point.

Senator MUSKIE. I am not suggesting that the language does what you would like it to do. I am saying that there is not a complete bypassing of the State as your statement suggests there is. These programs must be consisted with an overall economic development plan which must be approved by the State and under the practice of ARA under similar language specific projects doing to these States for review and their determination as to whether or not it is consistent with the overall planning.

Granted this does not give the State control to the degree that you would like but neither does it bypass the State as you suggest it may.

Mr. TRIGGS. Thus, two of the vital constitutional issues of our time are involved in the bill under consideration.

First is the erosion of the power of the legislative branch by the progress of delegating broad powers and legislative responsibility to the executive branch.

Second is the submergence of the States as independent policymaking governmental institutions and the substitution therefor of supervision and direction of local affairs by Federal agencies.

PUBLIC WORKS AND UNEMPLOYMENT

The question of whether an expansion in Government expenditures for public works will, or will not, be an effective means of reducing unemployment is not the simple question it may at first appear to be. Monetary and fiscal factors are involved. A conclusion that may be valid under certain circumstances may be invalid under others.

The argument that an increase in Government expenditures for public works would increase employment is valid only at such times as an increase in such expenditures can be made without producing an offsetting reduction in private investment and consumption expenditures.

If an increase in Government spending is financed by taxes, the funds available to finance private consumption and investment clearly will be reduced. Federal expenditures not paid for by taxes must be paid for by borrowing. When the Federal Government enters the money market to borrow money it necessarily absorbs funds that

would otherwise be available for private investment and consumption.

In our economy it is rare indeed that there is a reservoir of unused money that can be borrowed by the Government without affecting investment and consumption expenditures of the rest of the economy. Virtually all funds are being used for one purpose or another. Thus, when the Government competes in the money market, it necessarily must bid the available supply away from other potential users.

It is, of course, true that the costs of public works can be financed by bank credit if the money supply is increased. But this does not change the situation significantly because the same increase in the money supply could be used to expand private investment and consumption. Furthermore, the size of any increase in the money supply must be limited if inflation is to be avoided.

Thus, the argument that an increase in public works expenditures has a favorable affect on total employment is not valid under current monetary and fiscal circumstances.

An important supplementary factor is this: Most public works programs require the employment of comparatively skilled workers. With the steady improvement in construction technology, this is increasingly so. Under current conditions there is virtually no unemployment among workers so skilled. Unemployment is most serious among workers whose skills have become obsolete or who have no readily marketable skills. In general, a public works program does not provide the kind of jobs that can be filled by the currently unemployed.

Senator MUSKIE. May I ask a question here?

Mr. TRIGGS. Yes, surely.

Senator MUSKIE. Is it your feeling that money for public works or for economic development on this ought to go only where the private market would send it?

Mr. TRIGGS. No, I am not making an argument against public works. What I am saying is that we should judge public works on their own merits, program by program, rather than to assume that this is the cure for unemployment.

Senator MUSKIE. Well, again, I think my question is valid. Do you think, that for instance, the capital that goes into depressed areas ought to be only such capital as the private sector is likely to move into such areas?

Mr. TRIGGS. Well, when it comes to the question of the area redevelopment loans I will make that point. I am not making it so far as public works are concerned. I have not thought it through on public works. I do not have any answer.

Senator MUSKIE. The concept of the public works section of this bill is that public works, public facilities, can be an important part of the economic development of an area.

For example, a waterworks or a sewage treatment project or a developmental highway. As I gather the gist of the argument you have just been reading, you are saying that this is not going to work because this is money that is put into these areas and under public policy rather than in accordance with private initiative and enterprise. So therefore all you are doing is replacing private money with public money. My point is that in these areas there is not going to be any private money spent for these purposes.

Mr. TRIGGS. I agree with that. I am not suggesting that public works should be financed with private money or that public funds for public works should be allocated in the same way that private money is allocated by the market. All I am trying to say in this paragraph is that let us not assume that public works are necessarily a stimulant to employment. This depends on the economic circumstances as I have tried to describe them.

In a period of recession public expenditures for public works can be effectively used to provide employment. In this circumstance, the program can be safely financed by bank credit (by expanding the money supply) without fear of inflationary consequences. Under these circumstances such expenditures can have an important counter-cyclical effect, although it may be difficult to administer this policy because the increased expenditures for public works may reach a peak after the economy has already made a substantial recovery from the recession that precipitated the increase in expenditures.

Now we come then to the area development part of our statement.

Senator MUSKIE. Before you get to that may I ask this question on this inflationary argument that you make?

Mr. TRIGGS. Yes, sir.

Senator MUSKIE. We now have a gross national product in excess of \$650 million. Is it your argument that an increase of Federal expenditures by \$250 million or less, which is less than one-third of one thousandth of the gross national product is going to create inflationary pressure and deprive the private sector of our economy of needed investment funds?

Mr. TRIGGS. We did not particularly make the inflationary argument. We just say that there are circumstances where we don't—

Senator MUSKIE. You say—

In these circumstances the program can be safely financed by bank credit without fear of inflationary consequences.

So you are not arguing there are inflationary consequences implicit in this bill?

Mr. TRIGGS. Well, in respect to whether or not this is inflationary, it is important and significant to note that the current deficit is not being financed by sale of Government bonds to the banking system. In fact, the ownership of bonds by the commercial banks in the United States was \$2½ billion less in February 1965 than the average during 1963.

In other words, our monetary supply situation is being kept sufficiently tight that all of the deficit is being financed from the private money market, from potential consumers and potential investors. Now the point I would again make is this. The monetary managers apparently seem to think that there is a degree of inflationary danger in the current situation and are not permitting the money supply to be increased enough to permit the deficit to be financed by bank credit.

So that irrespective of whether this is true or not, we are not financing the deficit, we are not financing the cost of public works programs with bank credit.

Senator MUSKIE. That, it seems to me, is irrelevant to the purpose of the bill. You apparently are interested in commenting on this specific bill, not about our monetary and fiscal policies. I gathered from what you said that you gathered this bill would again have an inflationary effect. Now, is that your point of view or is it not?

Mr. TRIGGS. Well, inflation is an extremely complicated thing.

Senator MUSKIE. This I understand—how would you apply—

Mr. TRIGGS. I would not want to say that this bill would have an inflationary effect. Deficit financing has an inflationary effect at times. I would not say that deficit financing is necessarily inflationary. It is an inflationary feature or factor in the total economy. I do think that we ought to be concerned about the gradual inflation which is taking place. March 1965 was the 115th consecutive month in which the cost of living advanced above the same month in the preceding year.

Whether prices are pulled up by demand or whether they are pushed up by wage costs, the economists can argue for hours on this subject. But they will all agree it is one of the two, or both.

Senator MUSKIE. Well, this is a very interesting and important area of public concern by itself but it is not part of this bill as I see it. I am just wondering how you tie it into this bill?

Mr. TRIGGS. Well, we did not make the inflationary argument. We just pointed out in passing that we are not financing the deficit by bank credit. So the monetary authorities are assuming that there is a little inflationary danger present.

From your comment previously did I understand that the area development part of our statement should properly be presented to the Banking and Currency Committee and not here?

Senator MUSKIE. Well, I don't know that the lines would closely follow. You can complete your statement. It is part of the same record. It is simply that because the two committees have different jurisdictions and different degrees of competency in these different jurisdictions it was agreed by the committee chairmen to hold hearings especially with respect to the area redevelopment loans or grants in the Banking and Currency Committee. But you can go ahead with this part of your statement here. I am on both committees.

Mr. TRIGGS. Well, I will see you over there.

Senator MUSKIE. I happen to be the one Senator who is on both committees. Since I happen to be here this morning you can go ahead and consider that I am hearing it as a member of the Banking and Currency Committee.

Mr. TRIGGS. Yes, sir.

AREA DEVELOPMENT PROJECTS

The program of private loans and grants authorized by the bill is at least a collateral descendent of the Area Redevelopment Act.

The basic economic principle of any society is that human needs and wants are unlimited, that capacity to satisfy those needs and wants is limited, and that the test of the internal organizational effectiveness of the economy is the efficiency with which it allocates natural, human, and capital resources to meet human needs and wants.

In the United States we have traditionally left the primary responsibility for allocation of resources for commercial enterprises to the operation of economic forces, rather than governmental decision.

We believe that if we retain the concept that economic factors should be the primary guide for the allocation of resources for commercial purposes, we will allocate them most efficiently. In other words, by this means we will create more employment, more national wealth,

and greater contributions to living standards per dollar invested and per man employed.

The 1965 Joint Economic Committee (H. Rept. No. 175) used the following language to describe this concept and we certainly endorse it:

The American economy is based on the concept that the marketplace can best allocate resources, and best increase and divide the Nation's wealth. Our living standards, surpassed by none, have been achieved by reliance on free competition, decentralized economic power, free access to markets, and marketplace allocations of goods and services.

The proposed bill, in our opinion, goes a long way toward transferring from the market and to a Government agency the responsibility to decide where commercial investments are to be made and for what purposes. During a 10-year period a total of \$2.2 billion of direct loans could be made for commercial purposes in redevelopment areas and economic development districts and an additional \$2.5 billion of private funds could be induced by interest subsidies to undertake governmentally approved commercial projects in such areas.

Senator MUSKIE. I understand, of course, that you oppose any degree of Government action in these areas but isn't your first sentence of that paragraph a little strong? You say:

The proposed bill goes a long way toward transferring from the market to a Government agency the responsibility to decide where commercial investments are to be made and for what purpose.

To support that you say over a 10-year period a total of \$2.2 billion of direct loans and another \$2½ billion of private funds could be induced to move to governmentally approved projects.

Well, over a 10-year period you are talking in the private sector of a gross national product which cumulatively could be close to \$10,000 billion.

How does that match up with the \$2 billion or make it a total of \$4.7 billion of which you are speaking over a 10-year period? Which is the tail and which is the dog?

Mr. TRIGGS. The total investment would not be anywhere approaching those figures. The total investment—well, last year the investment in plant and equipment was \$44.9 billion.

Senator MUSKIE. Multiply that by 10.

Mr. TRIGGS. That would be \$450 billion.

Well, maybe you feel "a long way" is an overstatement. Perhaps it is. But at least it establishes a major precedent, I think. If we go in the direction of allocating resources for commercial purposes by a Government agency rather than by the test of the market, I think if we establish this precedent, and, of course, it was established in the ARA program—

Senator MUSKIE. It was established in 1962?

Mr. TRIGGS. For private development? Perhaps so.

Senator MUSKIE. Well, how would you now describe the Railroad Land Grant Act of 1862?

Mr. TRIGGS. That has some of the same category.

Senator MUSKIE. I know, but you are talking about tradition here. I assume you are interested in all tradition and not just that that tends to support your position. The tradition was established in 1862 with the Railroad Land Grant Act and the Homestead Act of that year of giving away millions of acres of public lands equivalent to the 12

Northeastern States of this country, to private enterprise to build railroads to help develop underdeveloped areas, and that is a precedent that is interesting.

What is the value of that land today?

Mr. TRIGGS. I think this is a comparable situation. I would not suggest that the extent to which this bill takes us toward transferring the control of private development to Government is necessarily critical—but I do suggest that if we go this route we will go further in the years that follow. I have gotten the general feeling from what little I have seen of the testimony before this committee that many of the witnesses appearing in support of the bill have wanted to go much further than the bill now goes.

I think we will go further in this direction if we start.

Shall I continue?

Senator MUSKIE. Yes, indeed.

Mr. TRIGGS. We submit that it is inevitable that this will represent a less efficient allocation of resources and therefore will meet human wants and needs less adequately than if the investment had been guided by economic factors.

When resources are allocated by decision of an agency of Government it is inevitable that factors other than economic factors will be given consideration.

Local enthusiasm and local support for a Federal grant or loan may acquire influence and support for the project, even though independent appraisal would indicate:

The project unnecessarily duplicates nearby facilities; or

The project is not located at the place with optimum relationship to supplies, transportation, or market; or

The project is not sound enough to attract private capital; or

The increased employment incident to such project is a substitute for employment that would otherwise have been provided elsewhere; or

The project may discourage private development that would otherwise have occurred without the necessity for public financing; or

The project is unfair competition for other businesses which have financed their own development. This would be particularly so if interest subsidies are paid on approved projects in depressed areas as proposed in the bill.

We would like to present an example of wasteful allocation of resources under the Area Redevelopment Administration.

The Area Redevelopment Administration's directory of approved projects as of September 30, 1964, lists loan approvals of \$17,568,000 for food processing and marketing projects which is said will provide 7,071 new jobs.

We do not know of any food items that have not been supplied consumers in plentiful amounts. If consumers need more of any conceivable food product, farmers and the existing food processing industry are well equipped to provide an additional supply. If expansion in capacity for the processing of any food item is needed, the industry is capable of providing such increased capacity.

Actually, the food industry currently has one of the lowest ratios of use to capacity of any industry in the United States. In 1964 the food and beverage industry operated at 79 percent of capacity, com-

pared to 88 percent of capacity for all manufacturing. (P. 90, 1965 Economic Report of the President.)

Thus this \$17 million of loans represented an extremely wasteful use of resources. If 7,000 new jobs were actually created, there was a corresponding reduction in jobs elsewhere.

We do not see how it is possible to avoid the conclusion that the same situation applies to other ARA loans. They did not create more jobs. They just transferred jobs from one place to another.

When this occurs in clearly identifiable form, it is referred to as job piracy and is frowned on. But actually job transference is an inevitable part of any governmentally aided business development. Jobs channeled into certain areas will be drawn from other areas (intentions to the contrary notwithstanding). Some communities lose business prospects, new job-providing and income-producing opportunities, because Federal money supplied by all taxpayers, is allocated to other areas.

The job transferring effect of the program would be accentuated by the proposal to subsidize interest rates in redevelopment areas. As stated by Secretary of Commerce Connor, "the new interest rate rebate provision would provide a new means of bringing more stable and promising business enterprises, which are able to obtain private financing, into depressed areas."

It would appear that to the extent this program is effective in "bringing more stable and promising business enterprises * * * into depressed areas" investments induced thereby will inevitably be investments which would otherwise be made elsewhere. Investments which are relocated by interest subsidies represent inefficient allocation of resources.

The funds used by Government for such commercial loans would be taxed from or borrowed from the private economy. If left in the private economy such funds would be utilized elsewhere, for consumption or investment, in either case contributing to total employment and income in a comparable amount as though disbursed by Government for ARA program purposes.

We do not regard this process as an efficient and/or desirable means for commercial development to best serve the interests of the people of the United States.

Senator MUSKIE. What you are saying is that if private investment—that if private industry will not move into a depressed area, that we just ought to kiss that area goodbye, tell its people to move elsewhere and abdicate to private industry rather than to try to do anything to help them?

Mr. TRIGGS. No; I don't mean to assert that at all. I think the important thing is people, not geographical areas.

Senator MUSKIE. Well, we both agree on that.

Mr. TRIGGS. Yes. I am sure we can; and that people will fare best if the basic means of allocating economic resources is economic.

Senator MUSKIE. On that we can agree, too.

Mr. TRIGGS. Yes.

Senator MUSKIE. But now we are talking about the relatively minor area, Washington County, Maine, for example, where the unemployment runs about 25 percent the year around, we are saying that if these people want to stay there, if they say that this area has some elements

of economic strength which can be made into private opportunity for them and what they lack is capital which won't move in on its own initiative because there are other more profitable areas in which it can move, that it is a legitimate function of government, the Maine State government and the Federal Government to provide some assistance to help them do this job.

You are saying we should not do it. If private industry should not move in the area those people ought to be persuaded there is no hope for the area, that they ought to move elsewhere. Is that your view?

Mr. TRIGGS. I lived for a while in a little town of Kennet, Calif. Once upon a time it was a big town. But when the big copper mines and the big copper smelter in the town closed, and when the railroad closed down its maintenance facility the town just lost about 90 per cent of its population. Well, if you had wanted to subsidize development in this area enough, I am sure that you could have maintained industry and commercial development and the population at the level that existed when the copper smelter was operating. But it would be an inefficient development. It probably would not have permanently survived once you stopped the subsidization.

Senator MUSKIE. I am not posing the horrible example, sir. I can pose the horrible example, too. But we are not talking about them. We are talking about a measure of restrained response to a problem area.

I am not suggesting for a moment, and this bill is not, that you ought to be subsidizing industries into these depressed areas. The whole concept is that there are many of these areas which do have elements of strength, economic potential, which ought to be explored and probed. You can't create this, you can't create private initiative, you can't create these elements that make our country great. I believe in the private enterprise system, I am sure, just as strongly as you do.

Mr. TRIGGS. I am sure you do.

Senator MUSKIE. The question is, Is it worth while exploring areas where people are to find opportunities for themselves, in a measure, restrained? I am trying to determine here whether or not you think there is absolutely no role of the government in this kind of a situation?

Mr. TRIGGS. I don't think there is a proper role with respect to channeling investment. I think there are a great many instances where once depressed areas have, with subsequent developments, become an area desirably located from the standpoint of supply, markets, and transportation for some specific purpose, and have become again a growing and expanding area.

I do think that the argument that there is an existing social capital is the best argument we can make for this bill. But we often find that in depressed areas social capital has deteriorated as badly as private capital. So that if you are going to push up the economy of an area you have to provide both of them. I gather this bill does provide both of them.

Senator MUSKIE. You are saying that you don't want to abandon them either?

Mr. TRIGGS. I think that our economy has an extraordinary capacity and our business people have an extraordinary capacity to seek out and find every conceivable opportunity for making a profit. This is

our system. I think it works pretty well and I think if there is any opportunity they have missed——

Senator MUSKIE. What you are saying is that you would leave these depressed areas to the mercies of decisions in the private sector, period.

Mr. TRIGGS. Yes.

Senator MUSKIE. If that is what you mean why don't you say that?

Mr. TRIGGS. I agree that is what I mean. I think many of them will not suffer thereby. Perhaps some of them will. But the people in those circumstances would be better off if they moved to an area with better economic advantages.

Senator MUSKIE. Where are they going to move when there are 300 million of them? The vacant areas are getting a little filled up, aren't they?

Mr. TRIGGS. When we get 300 million people there will be a lot of economic development that will become suddenly economic that was not economic up to that time.

Senator MUSKIE. I agree. You say this developmental use ought to be wholly the result of the decision of the private sector and the private sector should be free, as always, to go where the most profit is to be made. So, maximum profit, in your judgment, would again make social decisions that are wise in the—wisest for the area of the country?

Mr. TRIGGS. Because profit is the equivalent of saying this is the most efficient development in terms——

Senator MUSKIE. Most efficient for whom?

Mr. TRIGGS. In terms of human capital and wealth produced, per unit invested, and per man employed. This is what results in maximum profits.

Senator MUSKIE. Do you believe in tariffs or restrictions on trade at all?

Mr. TRIGGS. We have over the years been on the side of expanded world trade.

Senator MUSKIE. Would you propose eliminating all tariffs then?

Mr. TRIGGS. And we supported the programs of the respective administrations for tariff legislation.

Senator MUSKIE. Why not propose eliminating tariffs all together?

Mr. TRIGGS. I do not know that we would necessarily propose that.

Senator MUSKIE. Do you or don't you?

Mr. TRIGGS. That is not the practical situation that presents itself to us. The yes or no proposition that has presented itself to us is, do you or do you not favor a specific trade agreement legislation advocated by the administration? We have supported the proposals that have been made——

Senator MUSKIE. I understand. We are testing your reaction to this bill in the light of your philosophy. Now you said that you think that all of these decisions, these economic decisions, are to be made in the private sector, not in the governmental sector. There is no economic decision of more consequence to the private sector than trade restrictions, whether tariffs or quotas. Now why should we not get out of that set-up

Mr. TRIGGS. We have appeared in opposition to restrictions on trade and increased tariffs.

Senator MUSKIE. Why don't you propose the elimination?

Mr. TRIGGS. Well, all things are dealt with within the range of political reality.

Senator MUSKIE. Now you and I are beginning to talk the same language.

Mr. TRIGGS. You don't necessarily accomplish anything by going completely outside the realm of political reality, even though you might if you just looked at the issue on the base of judgment.

Senator MUSKIE. I know, but according to your statement, you are pure on this score. You want to get out of politics in this area.

Mr. TRIGGS. We do think that the expansion of Government control of the allocation of resources for commercial development is an unwise move.

Senator MUSKIE. Heavens, man, there is nothing like a tariff to reallocate resources. If you don't believe it you ask my poultry growers up in Maine who are disturbed by the restrictions by the German Republic on the imports of poultry.

Mr. TRIGGS. We are concerned about that, too.

Senator MUSKIE. Why then should we not go the limit, as you do here, and advocate the elimination of all these tariffs and trade restrictions and allow private enterprise to make the wise decision?

Mr. TRIGGS. Let me say we do go about as far as is politically realistic under the circumstances that currently exist.

Senator MUSKIE. Why don't you move to make it more politically realistic?

Mr. TRIGGS. We have.

Senator MUSKIE. That is now what you are doing here. You are coming in here to influence a political decision.

Mr. TRIGGS. In a sense, yes.

Senator MUSKIE. Why don't you do the same thing, press back the boundaries of what is politically realistic and possible in the trade restriction?

Mr. TRIGGS. I think if we had not taken the position that we took with respect to trade restrictions it would be more difficult for the administration to have taken the position that it took.

Senator MOSS. Why does the Farm Bureau appeal to us then to limit the import of beef and lamb coming in from Australia and New Zealand, saying that this is ruining the farmer and we must hold down on these imports?

Mr. TRIGGS. Senator MOSS, I am sure you realize just as well as Senator Muskie and myself that we are a political organization, too, and we do what our members tell us to do.

Senator MOSS. They tell us very loud and long about that.

Mr. TRIGGS. The second part of the answer to your problem is that I think that a substantial part of the oversupply of meat and livestock was created by the process of dumping grain on the market and keeping the price of grain down and very plentiful. Therefore, it was a corrective action.

Senator MOSS. If you let it go just by the control of economic forces then you get an imbalance that suddenly hurts one sector of the population and at that point you think it is all right to have some management so that one sector is not punished unduly economically by some imbalance that arises. Is that right?

Mr. TRIGGS. We have not, and I hope this statement does not, taken a position that Government should have nothing to do with the alloca-

tion of resources. Of course, that would be erroneous. The very fact of our national defense program, the very fact of allocation of school funds by State governments, and innumerable other instances, involve some degree of public allocation of resources.

Inevitably so and desirably so. We do think that it is a dangerous practice to move over into the allocation of resources for commercial and business purposes, that this involves a precedent. The bill itself may not go very far in this direction but in the long run it may cause us to go very far.

Senator Moss. In discussing the town you lived in in California for a while where you said by subsidy you might have been able to keep industry going, I wonder if you characterize these ARA funds a subsidy to these communities that receive them and, if so, I would like to know the definition of "subsidy."

Mr. TRIGGS. Well, I think there is a little subsidy in that this is cheap and readily available capital that is not available to the average businessman on those terms.

Senator Moss. Right.

Mr. TRIGGS. I think that the proposed interest rebate of 2 percent represents a subsidy. Call it by some other name, I think it still is basically a subsidy to that particular business enterprise that is not received by other business enterprises.

Senator Moss. We have sort of a ghost town situation which has occurred in my State. The town of Park City, a mining town, because the price of metals went down, it has gone down and down hill until we got an ARA loan in there that enabled the local mining company to go into the recreation business. Now the whole town has changed. The State of Utah alone gets more in tax revenue out of that town there now than the amount of the whole loan.

The loan will be paid back with interest to the Federal Government. People have moved in instead of out. We now have a booming, going concern with a life expectancy of indefinite extent. The subsidy, if there was any subsidy, was \$1.2 million and the loan will be paid back with interest.

That is the reason I wanted the definition of "subsidy."

Mr. TRIGGS. Well, I think that was a subsidized development. It sounds like a good subsidized development. Subsidies are not evil per se. It is something to be careful of when you are subsidizing some development that you are really operating in the long run for a public purpose. But subsidies can be good.

Senator Moss. Very good. I think we are together then. I was going to cite, for instance, what we have done in the housing field with FHA by making guaranteed money available in the housing field. Over the long period of time the Federal Government has not subsidized or lost money. Actually it has made money out of this program. More has come back into the Treasury than has been allocated out. This is the sort of redistribution, it is a propping up of the demand of the private sector in the field of housing. Isn't that right?

Mr. TRIGGS. There is an element of subsidy there. I would personally say it is a good subsidy and incidentally it is available to everybody, every place. The Government is not deciding where the housing is to be. Individuals and private interests are deciding where the housing is to be built.

Senator Moss. But the loans of course have to be made with discretion as I would say the ARA loans must be made. If there is no likelihood or good likelihood of its being repaid the ARA won't make a loan. I have had them turned down where they said this does not look to us that it will be paid back, and therefore no loan is made. So it is not just a subsidy that is being handed out.

It is being made with some discretion where loans are made.

Senator MUSKIE. I think we should also point out that FHA has directed the movement of capital into areas where it would not have gone without governmental action and governmental stimulus. Not only in areas but in programs and into economic groups. You would not have housing today. It has greatly stimulated the growth of private housing market but in ways that the private housing market undoubtedly would not have gone without the governmental stimulus and governmental decision and governmental policy.

I would be interested to know what the Farm Bureau has—what the Bureau's position on FHA was at the time that the FHA program was launched.

Mr. TRIGGS. I just don't know the answer to the problem. We have not been disturbed—

Senator MUSKIE. It has acquired the aura now of age and respectability.

Mr. TRIGGS. Let me say we have not been disturbed, I don't recall that it has ever been discussed critically at any of our annual meetings, by the fact that the Federal Housing Administration does insure loans made for private housing. I think our folks consider this a desirable thing.

I have just a little more of my prepared statement to present.

THE REGIONAL PLANNING COMMISSIONS

We see no real purpose for title V, authorizing regional planning commissions.

This appears to have been included because a similar provision was included in the Appalachian bill. But in S. 1648 it is a sort of fifth wheel, not really necessary for any other feature of the bill.

Irrespective of whether the proposed regional commissions do or do not have a purpose, we wish to express a continuing concern that regionalization of public programs has a tendency to impair State and local authority and responsibility, and is not generally necessary to accomplish desirable or desired objectives.

For the reasons summarized above we do not favor the enactment of S. 1648.

That completes our statement. I have enjoyed being here and testifying and testing wits with the Senators. It is a pleasure even though we do not expect it is a very rewarding endeavor as far as results are concerned.

Senator MUSKIE. Well, we have enjoyed having you, Mr. Triggs. We do appreciate the opportunity to test these bills and these principles against those who oppose them. It is a useful process and I must say the Farm Bureau does pursue them vigorously over the years. We appreciate your being here this morning and your testimony.

Mr. TRIGGS. Thank you, sir.

Senator MUSKIE. Our next witness is Lawrence Henderson, of the National Housing Conference.

STATEMENT OF LAWRENCE HENDERSON ON BEHALF OF THE NATIONAL HOUSING CONFERENCE

Mr. HENDERSON. Mr. Chairman and members of the committee, I greatly appreciate this opportunity to present the views of the National Housing Conference on the proposed Public Works and Economic Development Act of 1965.

Our organization, which was founded in 1931, consists of community leaders, professionals, businessmen, labor leaders, public interest representatives and public officials from all sections of the country who share a strong interest in sound programs for housing and community development.

While the primary focus of the National Housing Conference is on the provision of satisfactory housing and related facilities for the American people, our area of interest covers the whole physical environment of American communities. This includes satisfactory schools, parks, playgrounds, recreational and cultural facilities, and public utilities. It includes the provision of a land and facilities for modern industry and commerce as the essential economic base for healthy communities.

The National Housing Conference has long recognized that the achievement of these objectives in economically depressed areas in this country requires a comprehensive and continuous approach to raise economic levels as well as to raise the standards of housing and community facilities. The close interrelationship between unemployment and poverty and deprivation on the one hand, and poor housing, poor schools, and inadequate community facilities and utilities on the other hand is inescapable.

For this reason the National Housing Conference strongly supported the enactment of the Area Redevelopment Act of 1961 as a much needed experimental program to help the economic upgrading of depressed areas.

For the same reason, we supported the Public Works Acceleration Act of 1962. Likewise we supported the Economic Opportunity Act of 1964, which clearly has a direct relationship to the problems of the 27 million persons living in the depressed sections of the country as well as to the deprived groups in our population in American communities generally.

In our opinion, the successful even if limited results of the area redevelopment program clearly demonstrates the need for broader and continuing approaches to meet the acute economic problems of the depressed areas in this country.

We have studied the President's message on area and regional economic development and the provisions of the proposed Public Works and Economic Development Act of 1965. We believe that these proposals would be of substantial benefit and I am therefore pleased to register the full support of the National Housing Conference for this important legislation.

In particular we endorse the following provisions and principles of the bill:

1. The authorization for Federal grants of \$250 million per year for public works and development facility projects in depressed areas is in our opinion directed effectively at the root problem of establishing a suitable framework for industrial and commercial development.

Likewise, we believe the authorization for supplementary grants which would increase the Federal participation up to 80 percent if justified by the economic circumstances of the area is a realistic recognition of the financial stringencies of many local governments in those areas.

2. We believe the reduction of the local public participation in business development loans to 5 percent from 10 percent under the Area Redevelopment Act, repayable concurrently with the Federal loan, should facilitate broader application of such loans to depressed areas.

3. We believe the provisions for 2-percent Federal interest rebates on private development loans in distressed areas and for 90-percent Federal guarantees of private working capital loans should broaden the participation in these programs by private capital.

Certainly our experience has been adequate precedent in this field, in the housing bill, in this other area.

4. We strongly endorse the provisions of section 403 and of title V to encourage and assist the establishment of economic development districts and regional action planning commissions for broad and coordinated approaches to expand the economic base of the depressed sections of the country. As you know, the New England States have already moved in the direction of establishing economic development regions.

5. We believe the bill's provisions for continuing annual appropriations of the various proposed program funds constitutes a realistic recognition of the long-term nature of programs for the upgrading of most economically depressed areas and the importance of continuity.

In conclusion, on behalf of the National Housing Conference, I would like to express our strong support for the proposed Public Works and Economic Development Act of 1965 and to recommend favorable action by this committee.

Senator MUSKIE. I suppose, Mr. Henderson, that we really ought to give an opportunity to someone like Mr. Triggs to question you at this point. Since we are not likely to do so with the same vehemence that he might like, but we do appreciate your statement and your support of the bill.

I have some personal reservations about that 2-percent Federal interest rebate, not that I don't recognize its purpose and its objectives. I have some worries about the precedent-setting features of it that I perhaps should have brought to Mr. Trigg's attention but did not.

In any case we do appreciate your support. It is very helpful.

Senator Moss.

Senator Moss. I really don't have any questions. I was happy to have you comment on the regional planning commissions authorized by this act because it seems to me that this is one new area that certainly opens the opportunity then to develop an area as a whole and not be hamstrung by State lines or county lines or other divisions that in many instances have been the deterring factor in the development of an area.

I have a particular one in mind out in my part of the country where the Appalachian principle of a regional commission can, by planning and working out a plan, bring economic activity that would benefit the whole region.

I appreciate your testimony.

Mr. HENDERSON. I think that section has tremendous potential. My area of New England, I think, can really do an awful lot to help coordinate economic development.

Senator MUSKIE. And it gives us an opportunity to orient at least some parts of New England away from Boston.

Thank you very much, Mr. Henderson.

Mr. HENDERSON. Thank you.

Senator MUSKIE. I will place in the record at this point a statement of a member of this committee, Senator Inouye.

(The statement is as follows:)

STATEMENT OF HON. DANIEL K. INOUE, A U.S. SENATOR FROM THE STATE OF HAWAII

Mr. Chairman, I would like to go on record as supporting all the various titles incorporated under S. 1648, the Economic Development Act of 1965. This bill deserves all our support. It is a well-conceived, extremely forward-looking bill. However, today, I wish to emphasize my particular support of section 401(a) (4) of title IV, Area and District Eligibility.

Under section 401 of title IV, the Secretary of Commerce is authorized to aid regions where "the loss, removal, or closing of a major source of employment, has caused or is about to cause an unusual and abrupt rise in unemployment or underemployment of such magnitude that the area can reasonably be expected to become eligible for designation under the other provisions of this Act within three years unless assistance is provided." It is further stipulated that "Notwithstanding any provision of this section to the contrary, an area may be designated at any time under the authority of this subsection and may be given a reasonable time after designation in which to submit the overall economic development program required by subsection 202(b) (10) of this Act."

As I understand this particular section of title IV, machinery will be evolved to take care of economically distressed areas with the minimum of waiting time; indeed, in certain cases where the danger signs are clearly apparent, to take remedial action even prior to what appears to be imminent economic dislocation.

Mr. Chairman, I think that this is a very perceptive section and one which is especially deserving of support. I would like to illustrate my point by referring to certain conditions which we in the State of Hawaii have experienced over the years, especially during the past several weeks.

As you may know, the economy of the State of Hawaii depends to a large extent on the existence and maintenance of a sizable defense establishment located on various bases, mainly on the major island of Oahu, but also scattered throughout the islands. Roughly one-sixth of the gross State expenditure is traceable to defense spending. This amounts to approximately \$300 to \$400 million per annum.

Although the State employment picture is one which has seen periodic signs of distress caused by any number of reasons, one of the most basic has been the degree to which defense spending has been increased or decreased in the islands. Hawaii has been reluctant in publicizing this fact because most of us know that defense commitments must be geared to an overall national defense posture and policy. Moreover, Hawaiians are generally a proud and patriotic people who put these national considerations before economic adversities.

However, since the end of the Korean war and the beginning of the crisis in South Vietnam, these fluctuations have become increasingly abrupt with severe consequences to the economic health of Hawaii. For example, just 2 weeks ago, some 7,000 Marines left for Okinawa and elsewhere in the Pacific to meet our country's commitments. When this happened, great shock and consternation resulted in those sections of the business community oriented toward discharging certain service functions patronized by these servicemen. The communities of Kailua and Kaneohe on the Island of Oahu, near which is located the Marine Barracks, suffered, and is suffering from this reassignment.

The community and its citizens have been very reasonable and are fully aware of the reasons for the reassignment. Most of them are prepared to endure their economic distress, knowing full well that far greater sacrifices may be made by the troops affected. Most of them are too patriotic to complain in view of the commitments we have in southeast Asia.

But the economic effect, the loss of business income, the lack of jobs, are all very real and, in some cases, just as devastating as any natural disaster. Service enterprises which were geared to the troops have been especially hard hit. The general situation is as disastrous to those communities as when the automobile companies closed down operations in Detroit during the 1950's, a picture which has been painted for you very vividly by Congressman John Brademas, of Michigan, last Friday.

Probably as a direct consequence of the economic insecurity, rumors have been rife as to the departure of all remaining troops from the islands. Although there appears to be no basis in fact, as of the present, to attribute much credence to these rumors, I can easily see where such moves would cause general alarm throughout the State. Towns in the environs of Schofield Barracks and Pearl Harbor, not to mention the city of Honolulu itself, would be severely affected.

Mr. Chairman, I firmly believe that section 401 will go a long way toward alleviating much of the kind of economic distress to which I have referred. I particularly like the preventive attitude found in that section toward such situations. Instead of ad hoc and temporary arrangements, this section attempts to provide economic assistance in a more orderly and systematic way even before the advent of such disasters. Economic and employment dislocations are as serious and far reaching in consequences as any natural disaster. To understand this phenomena in our contemporary society and to attempt to deal with them in a rational and systematic way is certainly a progressive and prudent attitude.

Mr. Chairman, I thank you for the opportunity to present this testimony.

Senator MUSKIE. This concludes the hearings of the Public Works Committee on S. 1648. The hearings will now move over to the Banking and Currency Committee beginning tomorrow morning. Those hearings will be concluded this week so that by next week we ought to be in a position to review the testimony and consider this and markup the bill and get down to work.

Thank you very much. The hearing is adjourned.

(Whereupon, at 11:10 a.m., the committee adjourned, subject to call.)

APPENDIX

(The following communications and statements were received and were ordered printed:)

STATE OF NORTH DAKOTA,
EXECUTIVE OFFICE,
Bismarck, April 26, 1965.

Senator PAT McNAMARA,
Chairman, Senate Public Works Committee,
Washington, D.C.

DEAR SENATOR McNAMARA: I am informed that S. 1648, the Public Works and Economic Development Act of 1965, will be heard before the Senate Public Works Committee on Wednesday, April 28, 1965.

This is to inform you of North Dakota's interest in and support of this far-reaching legislation. North Dakota has, for many years, expressed a vital interest in the development of our natural resources. Only now, with the advent of giant electric generating powerplants on the upper Missouri, are we on the threshold of utilizing the billions of tons of lignite that lay just beneath our soil. This is only one of the many exciting future possibilities.

It is my understanding that representatives of the basin electric power cooperative have been invited to appear before your committee. I am sure that they will further substantiate North Dakota's interest in passage of S. 1648. We regard this legislation as an investment in the future, not only of North Dakota, but of all America.

Sincerely,

WILLIAM L. GUY, *Governor.*

ATLANTA, GA., *April 23, 1965.*

Senator PAT McNAMARA,
Senate Public Works Committee,
Washington, D.C.:

Your support is respectfully requested of public works and economic development bill as outlined in President's message of March 21. Georgia is particularly interested in industrial and commercial loan aspects of this bill. Our State has secured approximately \$12½ million under the present Area Redevelopment Act of this total \$8½ million has gone into industrial and commercial loans. You are assured of my support for the passage and implementation of this legislation.

CARL E. SANDERS,
Governor, State of Georgia.

PRINCETON CHAMBER OF COMMERCE, INC.,
Princeton, Ky., April 19, 1965.

Hon. PAT McNAMARA,
Chairman, Committee on Public Works,
U.S. Senate, Washington, D.C.

DEAR SENATOR McNAMARA: The city of Princeton, in 1962, gained approval of a \$1,360,000 loan and a \$425,000 grant from the Area Redevelopment Administration. This enabled us to expand and extend our water system to serve two new plants, Arvin Industries and the Princeton Co., of the Grinnell Corp. These industries together now employ over 900 people, and the consequent economic uplift has been tremendous.

In that the pending bill, Public Works and Economic Development Act of 1965, will continue this program, your help in assuring its quick passage will be much appreciated.

Sincerely,

GID S. POOL, *President.*

BOSTON MASS., *April 23, 1965.*

HON. PAT McNAMARA,
Senate Office Building, Washington, D.C.:

The New England Council is pleased to comply with your request of April 21. Edwin Webber, director of the council's interstate relations program will make the formal presentation for the council before your committee. Also in attendance will be James Hostetler, of our Washington office, and myself.

GARDNER A. CAVERLY,
Executive Vice President, The New England Council.

THE FIRST HUNTINGTON NATIONAL BANK,
Huntington, W. Va., April 26, 1965.

HON. PAT McNAMARA,
*Chairman, Public Works Committee,
U.S. Senate, Washington, D.C.*

DEAR SIR: There is a bill pending before Congress to create the Public Works and Economic Development Act of 1965, which we urgently request that you support.

The public works program which has been conducted under Area Redevelopment Administration has been most effective in this area, and from what we hear in all parts of the country, in the fields of street improvement, sewers, health, and recreation.

My associates join with me in urging passage of the bill. Your support will be appreciated.

Very truly yours,

W. TAYLOR BEARD, *President.*

STATE OF INDIANA,
EXECUTIVE DEPARTMENT,
Indianapolis, April 27, 1965.

HON. PATRICK McNAMARA,
*Chairman, Public Works Committee,
Senate, Washington, D.C.*

DEAR SENATOR McNAMARA: I am writing in support of the Public Works and Economic Development Act of 1965 that I understand is pending at this time before your committee.

The Department of Commerce in the State of Indiana as you may be aware is under the jurisdiction of the Lieutenant Governor's office and our department in the past has worked very closely with the ARA program. I feel that this law will help all States and particularly Indiana boost their economy in areas that are needed in each State.

I strongly urge the passage of this act.

Very truly yours,

ROBERT L. ROCK, *Lieutenant Governor.*

CHAMBER OF COMMERCE,
Elkton, Ky., April 27, 1965.

HON. PAT McNAMARA,
*Chairman, Committee on Public Works,
U.S. Senate, Washington, D.C.*

DEAR SIR: Having been the recipient of assistance from both ARA and APW, we here appreciate the benefits that have accrued to our community and our State from these programs.

We herewith, therefore, respectfully request your support of the Public Works and Economic Development Act of 1965, which seems to contain the best features from both programs.

Sincerely,

JACK DAVIS, *President.*

WOODALL & GRIFFITH,
Hamlin, W. Va., April 27, 1965.

Sen. PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: We are a rural county situated between Huntington and Charleston in southern West Virginia. Under the provisions of the APW program we were able to construct a new courthouse which is ready for occupancy. It was desperately needed and would not have been possible without Federal assistance. While this helped us tremendously, there are many other public facilities urgently needed in our county as well as other counties in this area.

We understand that the accelerated public works program will be continued, if it is to be continued at all, under the provisions of the Public Works and Economic Development Act of 1965.

All officials of this county join me in requesting that you lend your active support to the passage of said act in order that our country may continue to progress and develop.

Respectfully,

R. A. WOODALL.

GUARANTY NATIONAL BANK
OF HUNTINGTON,
Huntington, W. Va., April 27, 1965.

Senator PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building,
Washington, D.C.

DEAR SIR: I personally, along with the Guaranty National Bank, urge your support and fair consideration of the Public Works and Economic Development Act of 1965.

The old bill along this line has been deleted and, as you know, West Virginia needs all the help that can be given in order to stimulate and to help the economic conditions here.

Anything that you can do toward this will be greatly appreciated.

Yours very truly,

D. STERLING DIDDLE, *President.*

HUNTINGTON TRUST & SAVINGS BANK,
Huntington, W. Va., April 27, 1965.

HON. PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: It is our firm opinion that the accelerated public works program has been a major factor in improving the image of our section of the country. We believe its benefits should continue and therefore favor the Public Works and Economic Development Act of 1965.

Sincerely trust you will favor the bill and will use your great influence looking toward its passage.

Sincerely,

A. GRANT BECKETT, *President.*

HUNTINGTON CHAMBER OF COMMERCE,
Huntington, W. Va., April 27, 1965.

HON. PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building,
Washington, D.C.

DEAR SENATOR McNAMARA: It is our understanding that provisions for public works, formerly administered in conjunction with the Area Redevelopment Administration, is contained in the presently pending Economic Development Act.

The success of accelerated public works in reversing short-term economic down terms, has been well demonstrated. Your support and favorable consideration will be most sincerely appreciated.

Yours truly,

DON BAKER,
Executive Vice President.

THE GREATER CROWLEY INDUSTRIAL DEVELOPMENT CORP.,
Crowley, La., April 27, 1965.

Reference ARA and SBA funds.

Senator PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

Congressman GEORGE H. FALLON,
Chairman, Public Works Committee,
House Office Building, Washington, D.C.

GENTLEMEN: We cannot too strongly urge your support of legislation to provide additional funds for the ARA and SBA programs.

Our area is in dire need of industry and in our efforts to encourage industry to expand and to come into the Crowley area we find the facilities of these organizations most helpful.

We thank you in advance for any effort which you may make.

Yours very truly,

B. C. DELAHOUSSEY, *President.*

NACOGDOCHES, TEX., April 27, 1965.

Senator PAT McNAMARA,
Senate Office Building,
Washington, D.C.:

It is anticipated and respectfully urged that your committee report out for passage by the Senate public works and economic development bill 1648 without doubt this very timely bill will help us continue economic development and industrialization of rural east Texas where area redevelopment left off.

HERBERT O. WILSON,
BOB L. RUSHING,
Community Inns of America, Inc.

HOUSE OF REPRESENTATIVES,
STATE OF IDAHO,
Boise, April 28, 1965.

HON. PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR MR. McNAMARA: We have learned that the Public Works and Economic Development Act of 1965 is being given a hearing. We urge speedy and favorable legislation on this program.

We believe this to be a very worthwhile program and is most essential to our part of the country.

Yours very truly,

KITCHENER E. HEAD,
Representative, Teton County, Driggs, Idaho.

ASHLAND AREA CHAMBER OF COMMERCE, INC.,
Ashland, Ky., April 28, 1965.

Senator PAT McNAMARA,
Chairman, Public Works Committee,
Old Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: It has been our pleasure since the beginning of the Area Redevelopment Administration program to work with its representa-

tives here in the Ashland, Ky., area. As a result of this agency's financial assistance, we have facilities here which will eventually employ over 150 persons and which would not have otherwise been possible.

We understand that your committee has for consideration and hearings Senate bill 1648 which would continue and expand this program as the Economic Development Administration.

On behalf of needed economic assistance in this area, we strongly urge the early passage of this measure.

Yours very truly,

L. W. PILSTL, *Executive Secretary.*

SPRINGHILL BANK & TRUST Co., April 28, 1965.

Hon. PAT McNAMARA,
Chairman, Senate Public Works Committee,
Washington, D.C.:

We have found the Small Business Administration to be very helpful in our area and believe that the Public Works and Economic Development Act of 1965 would be beneficial to a great many areas of our country.

We would earnestly appreciate your support of this program.

Very truly yours,

J. E. SHULTZ, *President.*

MALVERN INDUSTRIAL DEVELOPMENT CORP.,
Malvern, Ark., April 28, 1965.

Senator PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: Hot Spring County, Ark., is one of the counties in Arkansas declared an ARA county and we are working with an industry to locate at Malvern, Ark., which will add greatly to our economy. The industry in question is the Ozark Foils, Inc., and this new industry is presently being held up due to the lack of funds of the Area Redevelopment Administration.

We would like to urge that you support Public Works and Economic Development Act of 1965 and also urge that the section 6 which deals with industrial and commercial loans be retained in this act.

The passage of this legislation will be a boost for the economy of our area and will help eliminate the problem of unemployment in our county.

Thanking you in advance for your interest and cooperation on this matter, we remain,

Sincerely yours,

RAYMOND HILLIS, *President.*

MALVERN, ARK., April 28, 1965.

Senator PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: Hot Spring County, Ark., is one of the counties in Arkansas declared an ARA county and we are working with an industry to locate at Malvern, Ark., which will greatly add to our economy. The industry in question is the Ozark Foils, Inc., and this new industry is presently being held up due to the lack of funds of the Area Redevelopment Administration.

We would like to urge that you support Public Works and Economic Development Act of 1965 and also urge you help retain section 6 which deals with industrial and commercial loans in this act.

The passage of this legislation will be a boost for the economy of our area and will help eliminate the problem of unemployment in our county.

Thanking you in advance for your interest and cooperation on this matter, we remain,

Sincerely yours,

MALVERN CHAMBER OF COMMERCE,
H. H. FISHER, *President.*

432 PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT, 1965

CHARLOTTE, DICKSON COUNTY, TENN., April 28, 1965.

Senator PAT McNAMARA,
Chairman, Public Works Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR McNAMARA: I am county judge of Dickson County, Tenn. A small rural county of some 20,000 people in middle Tennessee.

It is my purpose to express my desires in favor of enactment of the Public Works and Economic Development Act of 1965, for which your committee is holding hearings.

The Area Redevelopment Act of 1961 and its continuation by the Congress has been of great assistance in defeating the regional and local economic distress at the local roots.

The general economy of Tennessee, especially in the metropolitan areas, is doing very well, probably the lowest unemployment since World War II. This is not true in more rural communities. They will face chronic underemployment as well as unemployment. Without a boost in community facilities and employment, it will be difficult to attract sufficient economic activity for which the people of areas such as ours need, in order that they may have more than a mere subsistence basis.

The impact of this legislation can be widespread and bring about the desired conditions for rural communities that have heretofore only been dreams.

Each county that has been affected with the impact of accelerated public works programs can only say to you: Gentlemen, of that great deliberative body—"Pick up your mantle and walk forth to the future with this great program, saying that we shall make life better for our fellow man."

The cost of our Nation's economy of not coping with these areas of distressed underemployment and unemployment are too great—yes, hundreds of times greater than the appropriations requested; the human cost would be incalculably great.

I sincerely urge immediate passage of the Public Works and Economic Development Act of 1965.

Yours very truly,

MARSHALL S. STUART, *County Judge.*

POINT PLEASANT-MASON COUNTY CHAMBER OF COMMERCE,
Point Pleasant, W. Va., April 28, 1965.

Senator PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: Coming up for consideration by your committee is a bill Public Works and Economic Development Act of 1965. It is our understanding that this bill will be attached to the new ARA bill for 1965 and is basically a continuation of the accelerated public works program now in operation throughout the United States. As president of the Point Pleasant-Mason County Chamber of Commerce, it has been my privilege to view personally some of the results of the accelerated public works program and while this has been much to help our area progress in certain areas, there are a number of things still needed and it is our opinion the act should receive your most earnest and favorable consideration.

Sincerely yours,

CHARLES C. LANHAM, *President.*

TENNESSEE EXECUTIVE CHAMBER,
Nashville, April 29, 1965.

Hon. PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: Reference is made to the proposed "Public Works and Economic Development Act of 1965" recently introduced in Congress reflecting the administration's views with regard to alleviating conditions of low income and high unemployment in certain distressed areas of the country. I want you to know of our interest in this program and our hope that it can receive early favorable consideration by the Congress.

Our communities in Tennessee have been able to take substantial advantage of the various public works assistance under the area redevelopment program during the past 4 years, as well as the financing of commercial and industrial projects which have assisted in improving the economic base and the provision of much needed new employment. In anticipation of this bill and the Appalachian Act, the 84th general assembly recently enacted enabling legislation, a copy of which is attached, providing for regional planning necessary in the development process.

It is my feeling that the proposed bill combines the best features of the area redevelopment program, the accelerated public works program, and the Appalachian program. It also appears to strengthen the States' responsibility in allocating resources in areas that have economic potential and where new job opportunities can be linked to an expanding industrial base.

As your committee and Congress consider the bill further, please advise me if we can be of any assistance in Tennessee.

Sincerely,

FRANK G. CLEMENT.

SPRINGFIELD CHAMBER OF COMMERCE,
Springfield, Tenn., April 29, 1965.

Hon. PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: Springfield has taken good advantage of both the Area Redevelopment and Accelerated Public Works Acts in the past, and have additional need for their use in the future.

We have used ARA to finance one new industry that has been a success. We have used APW for, and expansion of, our water system.

At the present time we have three prospective plants considering Robertson County; all three would be ARA financed. We are desperately in need of an industrial park. Due to our topography, the development of this park will be very expensive, and help will be needed in financing this project.

We believe that the Public Works and Economic Development Act of 1965 can be used by us to help alleviate the unemployment problem that we have—9.9 percent during 1964. Our source of local taxes is too limited to provide the funds that are needed to carry out our economic development program as it should be done.

We sincerely hope that your committee will take favorable action on the Public Works and Economic Act of 1965.

Respectfully,

DON PAYNE, *President.*

CLAIBORNE COUNTY CHAMBER OF COMMERCE,
Tazewell, Tenn., April 29, 1965.

Hon. PAT McNAMARA,
Chairman, Public Works Committee,
U.S. Senate, Washington, D.C.

DEAR SIR: The Claiborne County Chamber of Commerce has been following very closely the proposal in regard to the Public Works and Economic Development Act of 1965.

Prior to the enactment of the Area Redevelopment Act, Claiborne County merely existed. We had a gradual drain in our population and our future looked dark. The passage of the Area Redevelopment Act gave Claiborne County new light. With the assistance of the Area Redevelopment Administration our future looks very bright.

We, the Claiborne County Chamber of Commerce, feel that the enactment of the Public Works and Economic Development Act of 1965 would further assist our economic recovery as well as other communities over this great land of ours.

It is our strong belief that the passing of this act would assist and aid us and other communities so that they may help themselves.

Yours truly,

WILLIAM R. STANIFER, *Executive Secretary.*

LIVINGSTON STATE BANK & TRUST CO.,
Denham Springs, La., April 29, 1965.

HON. PAT McNAMARA,
Chairman, Public Works Committee,
U.S. Senate, Washington, D.C.

DEAR MR. McNAMARA: We are vitally interested in the passage of the Economic Development Act, which is now being considered by your committee. The economy of this area will be greatly assisted by the provisions of this act and we urge your favorable consideration.

Yours very truly,

JACK C. ODOM,
Vice President and Cashier.

HAYESVILLE-CLAY COUNTY PLANNING BOARD,
Hayesville, N.C., April 29, 1965.

Senator PAT McNAMARA,
Senate Office Building,
Washington, D.C.

DEAR SENATOR McNAMARA: I have read H.R. 6991, Public Works and Economic Development Act of 1965, and would like to urge the enactment of this bill as it now stands.

The old Accelerated Public Works and Area Redevelopment Acts did more for the small rural counties than any other legislation of recent times, and I believe H.R. 6991 can be more beneficial.

Very truly yours,

THOMAS C. DAY.

NORTH CAROLINA GENERAL ASSEMBLY,
SENATE CHAMBER,
Raleigh, April 29, 1965.

HON. PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building,
Washington, D.C.

DEAR MR. McNAMARA: The people of North Carolina are greatly interested in the proposed Public Works and Economic Development Act of 1965. Title II of the act will stimulate prosperity in many areas of our State, and we strongly urge you to do all within your power to see that the bill is passed.

Sincerely yours,

J. J. HARRINGTON.

CITY OF HUNTINGTON,
OFFICE OF THE MAYOR,
Huntington, W. Va., April 29, 1965.

HON. PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR MR. McNAMARA: The city of Huntington has received many benefits from the now defunct public works program under the Area Redevelopment Administration. We have been able to construct new streets and sewers that would not have been possible otherwise. I urge you to support the passage of Public Works and the Economic Development Act of 1965 as a much desired program to assist our cities to progress in the construction of the public improvement so necessary in today's urban society.

Very truly yours,

J. B. MEEK, Mayor.

HALF DOLLAR TRUST & SAVINGS BANK,
Wheeling, W. Va., April 29, 1965.

HON. PATRICK McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR MR. McNAMARA: This letter is written in reference to the Public Works and Economic Development Act of 1965, which I understand is now before your committee.

In the writer's opinion, the accelerated Public Works Act and the Area Redevelopment Administration accomplished more for our State and its communities than any of the Federal aid programs. During the past few years, this community has constructed a sanitary sewer system at a cost of about \$7½ million. It is now engaged in modernizing its water system at a cost of approximately \$5 million, both of which have been largely done with local taxes and local revenue.

There remain a number of other services and facilities which are badly needed for health and educational programs, but it will have very little chance of accomplishment if we must depend on local sources for funds.

The writer earnestly solicits your support and favorable consideration of the Public Works and Development Act of 1965.

Yours very truly,

JOHN J. NASH,
Executive Vice President.

STATE OF WISCONSIN,
OFFICE OF THE LIEUTENANT GOVERNOR,
Madison, April 29, 1965.

Hon. PAUL DOUGLAS,
*Chairman, Banking and Currency Subcommittee for Production and Stabilization,
Senate Office Building, Washington, D.C.*

DEAR SENATOR DOUGLAS: I am writing in support of the Public Works and Economic Development Act of 1965.

I feel it is vitally important to the future economic development of Wisconsin's distressed counties, that the important work of the Area Redevelopment Administration be continued. Wisconsin has benefited greatly from the Area Redevelopment Administration's assistance. The distressed areas of this State have received \$7,192,561, through the following types of assistance, since the

Area Redevelopment Administration was established in 1961:

Commercial and industrial loans:

Projects approved.....	5
Total of loans.....	\$5, 527, 000
Persons received employment.....	560

Public facility grants:

Projects approved.....	3
Total amount of grants.....	\$139, 100
Persons received employment.....	265

Training programs:

Projects approved.....	46
Total amount spent.....	\$1, 011, 016

These persons were trained for jobs as nurses aids, machine operators, stenographers, welders, cooks, small engine repairmen, etc.

Technical assistance contracts:

Projects approved.....	11
Total amount of contracts.....	\$515, 445

Thus, the Area Redevelopment Administration's program of assistance to Wisconsin has given direct employment to 825 persons and occupational training help to 1,011 trainees.

I feel that my support of the Public Works and Economic Development Act of 1965 reflects the attitude of a great many community leaders in Wisconsin's distressed areas. I urge prompt consideration and passage of this legislation.

Sincerely,

PATRICK J. LUCEY,
Lieutenant Governor.

ECONOMIC DEVELOPMENT COMMISSION OF CECIL COUNTY,
Elkton, Md., April 29, 1965.

Senator PATRICK V. McNAMARA,
*Chairman, Public Works Committee,
Washington, D.C.*

DEAR MR. McNAMARA: The proposed bill being presently considered by your committee pertaining to public works and economic development has been brought to my attention this past week. Our commission has studied it with

relation to the particular problems which recur in our efforts to expand our local economy. The consensus of opinion is that this bill will implement our State help and provide another tool to do the job.

Our problem primarily is one of underemployment, necessitating a second wage earner to provide the various items now considered necessities. A recent labor survey, which we made for the purpose of establishing the availability of female help for a garment industry contemplating settlement here revealed the existence of 1,500 women who were actually available. Yet, from a statistical study it would appear that only 20 percent of this number were available. Our statistics, garnered from our local employment service agency, do not reflect a true picture of this area.

Many married women leave the labor market to rear their children, then reenter when the youngsters reach school age. Few of these register for employment being content to wait until they hear of openings through others.

Our commission heartily endorses the program which your bill outlines and recommends its being brought to fruition.

Sincerely,

CHARLES M. HUESTER, *Chairman.*

LACKAWANNA COUNTY PLANNING COMMISSION,
Scranton, Pa., April 29, 1965.

Senator PATRICK V. McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: At a meeting of the Lackawanna County Planning Commission today, the proposed Public Works and Economic Development Act was discussed in detail. Our county, which has been classified as a 5(a) redevelopment area, has profited greatly under the Area Redevelopment Act and the Accelerated Public Works Act.

The much broadened scope of the proposed Public Works and Economic Development Act of 1965 will do much to improve the economy of our region.

To paraphrase President Johnson's message on area and regional economic development on March 25, "We have the resources and the skill—this program will help give us the instruments to match our determination to eliminate poverty."

We commend your efforts most heartily and we strongly recommend that the act, as introduced, be passed.

Thank you for your efforts.

Sincerely,

JOHN F. MURPHY, *Chairman.*

REEDSPORT, OREG., *April 29, 1965.*

Subject: Public Works and Economic Development Act of 1965.

Senator PAT McNAMARA,
Chairman, Public Works Committee,
U.S. Senate, Washington, D.C.

DEAR SIR: After reading the committee report on this new proposed legislation, I would like to submit my observations and recommendations.

Each day in my work I am confronted with a lack of adequate tools through which we can establish or assist in establishing new industries; expand, strengthen, or stabilize existing businesses. Too often we see worthwhile projects and their potential employment and community economic values lost because of inflexible or unworkable regulatory restrictions.

The local Oregon ARA office and each member of its staff has been most helpful and cooperative in the past; however, it is my personal feeling that enactment of this new Public Works and Economic Development Act would greatly improve its ability to assist industry and communities in their struggle to create greater economic growths.

Again, I wish to recommend favorable consideration of this new bill.

Yours very truly,

DELBERT PALMER,
Hardwood Consultant.

TACONITE ELECTRIC Co.,
Virginia, Minn., April 29, 1965.

Senator PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: Here in northern Minnesota we have experienced a period of uncertainty and doubt as to the economic future of this iron mining area. This area was faced with a labor surplus due to the fact that one mine after another was closing and no new industry was being located in northern Minnesota.

There is now an optimistic outlook and future growth seems assured due largely through the efforts of the Area Redevelopment Administration and the funds made available for new business.

I had made a personal effort to induce my former employer of 11 years to locate a service facility here in Virginia, Minn. During that period of localized depression, it did not seem economically feasible for that company to invest in this uncertain area. I then made an effort to obtain bank financing to open a facility and was again unsuccessful, apparently for the same reason. I then turned to the Area Redevelopment Administration and the necessary funds were made available. After procuring our equipment, we opened our business in January 1965 with two men. We now employ 7 men and by all indications we will be employing 10 or 12 men by the fall of this year.

In view of the fact that our business was made possible by the Area Redevelopment Administration and has had a marked impact on this area, I would like to go on record as being in favor of the Public Works and Economic Development Act of 1965, and sincerely request that your committee do whatever possible to allow other depressed areas to work toward their economic development.

I thank you for your attention on this important issue.

Most respectfully,

VERNON B. SMYTHE,
Vice President, General Manager.

OFFICE OF THE MAYOR,
Butte, Mont., April 30, 1965.

HON. PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR: I urge you to use all the influence you have as chairman of the Public Works Committee to obtain the quick passage of "The Public Works and Economic Development Act of 1965.

As mayor of the city of Butte, Mont., it is my feeling that the passage of this act will aid in the growth and development of the entire country, and particularly, the areas suffering from economic recession.

Sincerely yours,

TOM POWERS, Mayor.

CITIZENS BANK OF JACKSON,
Jackson, Ky., April 30, 1965.

Re Public Works and Economic Development Act of 1965.

Senator PAT McNAMARA,
Chairman, Senate Public Works Committee.

Representative GEORGE H. FALLON,
Chairman, House Public Works Committee.

GENTLEMEN: You have before your respective committee for early consideration a bill known as the Public Works and Economic Development Act of 1965. I have read this bill very carefully and would like to call your attention to some facts as this bill relates to the economy of the Appalachians.

For many years I have been interested and worked toward the development

of the eastern Kentucky mountains. It is my considered judgment, from long experience, that the Area Redevelopment Act, the Accelerated Public Laws Project Act, and the Appalachian Recovery Act are the most important laws that have ever been enacted for our area. These laws have attempted to do things for the people of eastern Kentucky that they could not do for themselves.

It is generally agreed by experts that before the problems of this area can be solved there must be massive spending on: (1) Roads; (2) flood control; (3) public facilities; and (4) education. Possibly one of the best examples of the need for massive Federal spending in this area is illustrated by this fact: The cost of a modern four-lane highway in the mountains of eastern Kentucky averages approximately \$1 million per mile. The total assets of the two banks in Breathitt County, Ky., is approximately \$6 million. This means that if the total assets of both Breathitt County banks were spent on highways we could only build approximately 6 miles.

When you become fully aware of the expense of a modern highway system, plus the expense involved in developing health facilities, libraries and classrooms, it is readily seen that these problems cannot be solved by local effort.

I would like to assure you that our people are ready and willing to help, but to expect our area to, "pull itself up by its own bootstraps," is simply impossible. I urge you, therefore, in all sincerity, to see that this legislation is reported favorably to the Congress at the earliest possible date. This legislation is important for all the States, but most especially for a State such as ours.

Very sincerely,

JERRY F. HOWELL,
Chairman, Breathitt County Development Committee.

GREENSBURG CHAMBER OF COMMERCE,
Greensburg, Ky., April 30, 1965.

HON. PAT McNAMARA,
Chairman, Public Works Committee,
U.S. Senate, Washington, D.C.

DEAR SIR: The Greensburg Chamber of Commerce respectfully requests your support for the Public Works and Economic Development Act of 1965. The Green County Historical Society has made application to the ARA for a loan to build the Jane Todd Crawford Park tourist complex. This undertaking is extremely important to Green County and all of central Kentucky and will use the heritage of the past to provide employment and progress for the future.

As you may know Green County was the site where the "Long Hunters" camped and also Daniel Boone prior to Kentucky becoming a State. We have the oldest courthouse west of the Allegheny Mountains. Also this is the home of many famous leaders and people such as Mentor Graham, Lincoln's teacher; and Mary Owens, Lincoln's sweetheart; and Herndon, Lincoln's law partner; the people who did most to influence Lincoln's life.

The proposed Jane Todd tourist complex would give employment to at least 100 people when in initial operation. As it develops this could very easily increase to 300 to 500. Indirectly this could also create that many more new jobs in river floating trips, services, recreation facilities, novelties, and in addition would make central Kentucky more interesting to industry when considering plant location, and of course being a part of Appalachia with an average income in this county of only \$800 per person we need this to employ our people and start the area on the road to catching up with the rest of the Nation.

We have received very enthusiastic support from the people of the Mammoth Cave area which is within 40 miles for they feel that the 854,000 tourists who visit the national park each year, but stay on the average only 1½ days in the area, would remain an entire week if they had a facility such as this for a family to enjoy. To retain just half of them is something this facility could easily do with considerable impact on the economy of the entire area.

The chamber of commerce and community feel the Public Works and Economic Development Act of 1965 will help us and have a very forceful effect on many areas of the United States.

Respectfully yours,

L. V. GRIFFITHS, Jr., *President.*

WOOD PRODUCTS, INC.,
Savanna, Ill., April 30, 1965.

Mr. PAT McNAMARA,
Chairman, Public Works Committee,
Washington, D.C.

DEAR SIR: AS chairman of the Carroll County Resource Development Board, I would like to take this opportunity to express myself in regard to ARA and the economical development of our Nation.

It is my belief that we need to protect our free enterprise system as we are all benefiting from the fruits of our labor—that through this system we are the greatest Nation on earth, with the best fed and clothed people of any in the world.

Yet, our system has had major depressions and ups and downs that still haunt the older generations of our people, causing an overconservative attitude in many communities. This overconservative attitude tightens up the finances and stops growth. If this is allowed, we soon find ourselves mired down from the lack of confidence and we create our own depressions—soon, we could create a crisis that would destroy our system in just the fact that though we still have too much of everything, yet, our unemployed people cannot purchase the goods we produce.

I started out in 1932 when one could not even buy a job; so I was forced to create my own opportunity, which I did. We used second-hand trucks and a sawmill that was made in 1898. We financed our own trucks with 30-percent money. By 1939 we were getting along very well, still using machinery which was 5 to 30 years old. Still the high cost of interest ate into our profits to the point that we could not buy new machinery even at a time that our Nation had millions unemployed and was on the brink of a major war.

Since the war we prospered until 1958; then under a tight-money policy of our Government to hold down inflation we again found our credit shut off at the local banks and were forced to go to finance companies and pay 12 percent interest on moneys borrowed.

Even with a payroll of \$80,000 a year and \$15,000 in accounts receivables, we were unable to buy the machines we needed to stay in business. We were about to sacrifice all of our holdings and tighten our belts for a recession when ARA came into being.

We were still too conservative and only put in part of what we needed which was a \$46,500 investment. Now, since our ARA loan, we have improved our financial picture and put in another \$75,000 in new machinery, trucks, and tractors. We are now in a strong competitive position and are growing stronger.

If it had not been for the ARA program, we would have been unable to keep the 25 employees we had; let alone employ another 20.

Carroll County united under this program and changed from a depressed area to a prosperous one. The success of this program here can be measured in many ways. First, we united our people into teams, dedicated to make our county into "one great community." This built bridges of friendliness among our people; where before they built fences between our seven communities. We analyzed our resources to see what we had and found that we had plenty, then we used our history for guidance. Consequently, we have gained new factories and new hope, making "Carroll County, one great community, united for progress," with 20,000 people living within 30 minutes of one another.

Our cities have found a friendlier attitude and I am sure that you are acquainted with our success. If you should desire me to come to Washington, I would be happy to at my own expense to tell you more.

I am of the opinion that once the people learn that our Nation will never allow depressed areas to exist; and we use the power we have to combat them with positive thinking rather than negative thinking, we can solve any problem that exists.

There is much to be said in favor of some sort of stand by laws to insure the future prosperity of our Nation. There will be many mistakes made and changes needed to correct the mistakes, but the biggest mistake we could make would be to do nothing at all.

Respectfully,

WALTER HELLE.

DEEP EAST TEXAS DEVELOPMENT ASSOCIATION,
San Augustine, Tex., April 30, 1965.

Senator PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: I have before me a copy of bill, S. 1648, which I have reviewed, and I would like to urge its passage by the Congress. I am president of our development association, and have reasons to believe that if this bill passes in substantially the form it was introduced, it will be very important in the economic development of our eight-county area. Our association is 5 years old, and is composed of some of the best of our people in eight counties. We have had substantial success in planning and executed program that in time can be of great aid in raising the low annual income to a more satisfactory level for our people.

Yours very truly,

D. N. BEASLEY, *President.*

BOWERS, FILE, HODSON & PAYNE,
Beckley, W. Va., April 30, 1965.

Re Public Works and Economic Development Act of 1965.

Hon. PAT McNAMARA,
Chairman, Senate Public Works Committee,
U.S. Senate, Washington, D.C.

Hon. GEORGE H. FALLON,
Chairman, House Public Works Committee,
House Office Building, Washington, D.C.

DEAR SENATOR McNAMARA AND CONGRESSMAN FALLON: On Monday of this week I was in Gassaway, W. Va., for a meeting of the board of directors and officers of the West Virginia Forest Products Co., of which I am an officer, stockholder, and director. This company has been in production since the last week in December on a highly advanced type of flake board which is in demand for building and furniture industries.

We have just been going through the shakedown period and currently are operating two shifts and expect to put on a third shift within the next few days.

While in Gassaway I was talking to Nolan Hamric, who is president of the Bank of Gassaway, a member of our board of directors, and one of the chief community supporters of the project out of which this plant has grown. He had just received a copy of the Public Works and Economic Development Act of 1965, which I understand your two committees will be considering in the next few days and possibly having public hearings concerning the same.

I have now requested and received a copy of this bill and without purporting to understand all of its provisions, it is apparent that it is designed to renew a large part of the Area Redevelopment Administration program, which I understand is to expire on June 30 of this year.

As you probably know, the West Virginia Forest Products Co. plant has been made possible only through the complete cooperation of the Area Redevelopment Administration, the Small Business Administration, the Industrial Development Authority of the State of West Virginia, and the Braxton County Redevelopment Corp.

When this plant was originally proposed all of us had serious misgivings about the possibility of obtaining the necessary local participation to meet the requirements of the Area Redevelopment Act. I take no credit for the fact that the people of Braxton County, in which this plant is located, surprised and amazed us all by oversubscribing the \$341,800 which was their proportionate part of the financing. Beckley, in which I reside, is approximately 100 miles from the plant and in another county, so that I feel that I can brag upon the people of Braxton County without embarrassment.

The purpose of this letter is not, however, to compliment the people of that county and such persons as Mr. Hamric, but to express a personal opinion, from observation of the development of this plant over the past 2½ years, on the need for and practical application of the program with which we have worked involving the Area Redevelopment Administration and the other agencies.

A number of articles have been written by such nationally known publications as the Christian Science Monitor on the success to date of this project. It is impossible, however, to cover in an article, or a series of articles, the impact, which is apparent to even an outsider, which the success of this project has had on the economy of Braxton County. This project and the hope which it brings has caused expansion of local businesses, improvement of local property, construction of one new bank building (in Sutton) and a general uplifting and revitalization of the spirit and determination of the people of that county. The effect of seeing this handsome new plant building in operation and the confidence which its appearance and activity creates has awakened the entire county and the two communities of Gassaway and Sutton to a realization that they have not been abandoned by the Federal and State Governments and has not only to outside appearances, but also in the opinion of the leaders of this area, caused a complete turnabout in the attitude of its citizens. For example, on my visit Monday I learned that the unpaved airstrip on which my clients in South Carolina had been landing at great hazard is now being taken over by the county court and shortly will be paved. My clients have had one wreck on this airfield and several close escapes, so that less hardy visitors to the area have customarily landed in Charleston or other distant airports, with the consequent loss of time.

As a result also of the location of this plant in the best location available, the State road commission with the cooperation of the Area Redevelopment Administration and with the help of a grant from this Administration to defray a portion of the cost, has constructed a bridge across the Elk River linking the highway to a large area which previously had been virtually inaccessible, except by a swinging bridge. This not only was essential to the construction and operation of our plant, but opened up a large area served by the B. & O. Railroad for possible other plant sites and for the convenience of residents of the area.

I have mentioned some of the above at the risk of rambling in this discussion merely to state my personal observation of the remarkable secondary effects of a project of this nature in a previously dormant area.

I understand that this act has certain more liberal provisions. I refer particularly to the reduction of the amount of required community participation. While the leaders in this community were successful in their effort to meet the present minimum requirements for the current project, it would probably be impossible to have a similar participation or similar project in that county and many other areas where persons have not in the past acquired the savings from which the Braxton County Redevelopment Corp. subscription funds were largely drawn. The effect would be to compound an already critical condition. In other words, in areas with the most serious depressed condition the attrition of savings and other potential capital funds during the depressed period would steadily deplete the source of any such matching funds. The result obviously would be that the neediest areas would have the least likelihood of meeting the requirements for aid. We speak, of course, of minimum requirements. If such funds, in fact, are available there would be no reason why amounts in excess of the minimum could be required as the condition to ARA or similar participation.

Another provision of the proposed legislation is the provision for grants for public facilities in the area in which a project is under consideration. Many areas lack the most rudimentary public facilities, such as adequate water and sewage systems and because of the depressed condition are unable to match Federal funds which are now available for aid in this regard. For example, the bonding capacity by revenue bonds of a great number of areas in this State, including my own county of Raleigh, are currently below the minimum requirements to service revenue bond issues for amounts necessary to match the 30-percent health, education, and welfare grants which are available. Most of this State lies in unincorporated areas, leaving to public service districts the burden of providing essential water and sewage services. However, public service districts have no taxing power and no bonding power, except through revenue bonds. Many of these areas, including two in which I have been personally involved, have taken full advantage of the accelerated public works grants with excellent results. Other areas are currently ready to move if such grants are again made available. The difference between a 30-percent grant and a 50-percent or larger grant is the difference between success or failure for these projects.

The only other element of the proposed legislation upon which I will comment at this time is the liberalization of the provisions of loans for working capital. I am not sufficiently familiar with the act to comment in detail on this subject. However, in the above project in which I am interested, we felt the ARA and SBA authorities agreed with us that the maximum available by loans for working capital was unrealistic, but was the best that could be done under the legislation in effect. We feel that this provision should be liberalized so that, where it is apparent to everyone in a project that additional amounts are needed for working capital to be used as needed, much strain on and risk to the project could be avoided. Obviously, if not needed, funds available for this item would not be drawn on. It is manifestly difficult, in a project based principally upon loans, later to obtain loans for working capital, there being no assets readily available to pledge to lending institutions for this purpose, because of the lien initially required to start the project.

The above is not in any sense intended to be a critique of the proposed legislation, but is intended as an endorsement of some of the principal features which the act is intending to accomplish.

My only interest in writing this letter is to express an opinion of one person who has seen a project rise from nothing to an apparently successful beginning and as an interested outsider, but neighbor, who has seen a whole community benefit therefrom.

I might mention that as one of the stockholders and officers of this corporation, we expect no dividends for years to come because of the loan burden the project is carrying, but once having undertaken it, the challenge is such that we feel that ultimately it will be worth the risk and trouble.

Respectfully yours,

W. H. FILE, Jr.

HAZELTON, PA., May 1, 1965.

Senator PAT McNAMARA,
Public Works Committee,
Senate Office Building, Washington, D.C.:

I am president of the Greater Hazelton Chamber of Commerce and the Economic Development Council of Northeastern Pennsylvania. I heartily endorse S. 148, Public Works and Economic Development Act, now pending before your committee and urge its passage. It is my opinion that this bill will fill a great void, and it is very much necessary in order to accomplish the aims of the administration as well as the aims of both local areas and regional areas. I shall be glad to detail my thoughts to you or if you so desire I shall be glad to appear before your committee.

LOUIS G. FELDMAN.

OFFICE OF THE GOVERNOR,
Frankfort, Ky., May 3, 1965.

Hon. PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: This is my unqualified endorsement of the objectives of the Public Works and Economic Development Act of 1965 which is now before your committee. This legislation will materially assist economic growth in the underdeveloped areas of Kentucky.

Kentucky's redevelopment areas have received significant amounts of dollars for growth from the Area Redevelopment Administration and the accelerated public works program. Thus new legislation, in my opinion, has been made more effective to meet the needs of such areas by combining the best features of ARA and APW, plus the addition of new and liberalized programs.

We see definite improvements in the light of Kentucky's needs, such as:

1. More realistic provisions for grants for development facilities both as to purpose and matching formula.
2. The ability to make loans for the purchase or development of land and facilities for industrial or commercial usage within redevelopment areas.
3. The authority to guarantee loans for working capital.
4. Encouragement of greater utilization of private capital in redevelopment projects.
5. Reducing the local participation in industrial and commercial loans from 10 to 5 percent and allowance of concurrent repayment.

6. Authorization of a more flexible organizational structure for development planning and action.

Be assured of the cooperation of this office and all departments of Kentucky government in regard to the Public Works and Economic Development Act of 1965.

Sincerely,

EDWARD T. BREATHITT, *Governor.*

KONX PIER, INC.,
Rockland, Maine, May 3, 1965.

Re S. 1648, area and regional economic development bill.

Senator PATRICK G. McNAMARA,
Chairman, Public Works Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR McNAMARA: As president of a small development corporation in a town of approximately 8,000 people, I have been in a good position to observe the benefits that we have derived here from ARA.

Small towns, such as ours, find it very difficult to seek and get economic development help and advice—we are, of course, unable to hire the high-priced talent that might be employed by a more metropolitan area.

The people of this business community are very much aware of the great advantages that ARA has brought to this area and we urge its passage by the Congress so that this good work can continue.

Yours very truly,

E. CLIFFORD LADD, *President.*

ESSEX COUNTY DEVELOPMENT CORP.,
Port Henry, N.Y., May 3, 1965.

Senator PAT McNAMARA,
Chairman, Public Works Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR McNAMARA: Essex County, N.Y., which our development corporation represents, has found that the currently expiring Area Redevelopment Act and Accelerated Public Works Act have been both beneficial and fruitful to the people in our area.

Through the efforts of these two agencies we have been able to bolster and improve our economy by means of new and improved water and sewer lines, technical assistance, and business loans. Prior to the advent of these two acts, we had no capital available in this depressed area for such measures. Our committee which represents Essex County is desirous of the continuation of this assistance and I, myself, would be most grateful if you could support the Public Works and Economic Development Act of 1965.

My sincere thanks and appreciation for your time and attention.

Very truly yours,

KARL L. HOFMANN, *Executive Secretary.*

TOWER CHAMBER OF COMMERCE,
Tower, Minn., May 3, 1965.

Hon. PAT McNAMARA,
U.S. Senator, Washington, D.C.

DEAR SENATOR: We are very much interested in the Public Works and Economic Development Act of 1965 which we understand will soon be voted upon and we strongly urge you to give it your support.

Our community suffered a severe blow in 1962 when the Soudan Mine which was owned and operated by the United States Steel Corp. closed. This was the only major industry that we had and its closing took away an annual payroll of \$1½ million and with it the employment of some 240 miners.

Since that time we had made every effort to bring in new industries but have had no results.

The Tower Soudan Development Council made application for Area Redevelopment Act funds with which to build a marina and improve our campgrounds, etc., but this has not materialized because there are no funds available.

Anything that you can do, Senator, to aid in the passage of this bill will be very much appreciated.

Sincerely,

HERMAN T. OLSON,
Secretary-Treasurer.

RESOLUTION

Whereas the Congress of the United States has under consideration the continuance of the Area Redevelopment Administration; and

Whereas in the past the Area Redevelopment Administration has participated in the programs of great benefit to the people of Northumberland County; and

Whereas a continuance of the Area Redevelopment Administration holds the prospect of continued and future benefits to the people of Northumberland County: Now, therefore, be it

Resolved, That we, the Commissioners of Northumberland County, record our approval of the area redevelopment program and urge the Congress of the United States its continuance.

NORTHUMBERLAND COUNTY BOARD OF COMMISSIONERS.
W. FRED KOHLE, Jr.
FRED E. HOFFMAN.
OSCAR KEHLER.

I hereby certify that the above is a true and correct copy of a resolution passed unanimously at the regular meeting of the Northumberland County Board of Commissioners held May 3, 1965.

DAVID W. ARNOLD, *Chief Clerk.*

STATEMENT BY THE MUNICIPAL DIVISION, INVESTMENT BANKERS ASSOCIATION OF AMERICA

RE S. 1648, PROPOSED PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

The Investment Bankers Association of America has a membership of 732 firms and they have over 2,100 branch offices throughout this country. These firms (which collectively underwrite a large portion of the new issues of bonds issued by States and municipalities and act as financial advisers for States and municipalities) have a professional knowledge of the ability of States and municipalities to finance public facilities and the factors which determine the interest rates paid in such financing.

The comments in this statement are directed to sections 101 and 201 which would authorize Federal grants (for part of the cost) and loans for public works in a redevelopment area. We believe that the Federal financial assistance proposed by these two sections is unnecessary and undesirable because (1) many municipalities which are fully able to finance facilities without Federal assistance would be eligible for the proposed assistance; (2) there are already numerous Federal programs which provide substantially the same type of assistance through grants or loans; and (3) such a program is particularly unsound at a time when the economy is operating at a high level.

SUMMARY OF SECTIONS 101 AND 201

Section 101 would authorize \$250 million annually in Federal grants for public works within a redevelopment area. A direct grant could not exceed 50 percent of the cost of a project, but supplementary grants also would be authorized to enable States or other entities within redevelopment areas to take maximum advantage of designated Federal grant-in-aid programs for which they are eligible but for which, because of their economic situation, they cannot supply the required matching share; but in no event shall the non-Federal share of the aggregate cost of any project be less than 20 percent.

Section 201 would authorize \$170 million annually in Federal loans to assist in financing public works in a redevelopment area, if the funds requested for such projects are not otherwise available from private lenders on reasonable terms. Such loans could have a maturity up to 40 years and would bear interest at a rate not less than (1) a rate determined taking into consideration the current average market yield of the outstanding marketable obligations of

the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 percent, less (2) not to exceed one-half of 1 percent (this rate currently would be about 3½ percent).

Section 401 provides that there be designated as "redevelopment areas":

(a) Those areas in which it is determined, upon the basis of standards generally comparable with those set forth in paragraphs (A) and (B), that there has existed substantial and persistent unemployment for an extended period of time and there would be included among the areas so designated any area—

(A) Where the Secretary of Labor finds that the current rate of unemployment, as determined by appropriate annual statistics for the most recent available calendar year, is 6 percent or more and has averaged at least 6 percent for the qualifying time period specified in paragraph (B), and

(B) Where the Secretary of Labor finds that the annual average rate of unemployment has been at least (1) 50 percent above the national average for 3 of the 4 preceding calendar years; (2) 75 percent above the national average for 2 of the preceding 3 calendar years; or (3) 100 percent above the national average for 1 of the preceding 2 calendar years.

(b) Those additional areas which have a median family income not in excess of 40 percent of the national median, as determined by the most recent available statistics for such areas.

(c) Those additional Federal or State Indian reservations which manifest the greatest degree of economic distress on the basis of unemployment and income statistics.

(d) Upon request of such areas, those additional areas in which it is determined that the loss, removal, or closing of a major source of employment has caused or is about to cause an unusual or abrupt rise in unemployment or underemployment of such magnitude that the area can reasonably be expected to become eligible for designation under other provisions within 3 years unless assistance is provided.

(e) Those additional areas which were designated redevelopment areas under the Area Redevelopment Act on the date of the enactment of this act, provided that the continued eligibility of such areas after the first annual review of eligibility shall be dependent on their qualification for designation under the standards of this act.

(1) Unnecessary Federal assistance would be provided to municipalities which are able to finance facilities without the proposal Federal assistance

The ability of State and local governments to finance public facilities is best indicated by the fact that sales of new issues of State and municipal bonds in 1964 set a new record, aggregating over \$10.5 billion. Many of the myths, that municipalities which qualify as redevelopment areas, or are small in size, cannot finance their own public facilities or cannot obtain financing at reasonable rates, are best destroyed by a complete record of all of the sales of new issues of State and municipal bonds in 1964, giving the net interest cost paid by the issuer where such information is available.

"Unemployment" as determined for purposes of the proposed act is not a reliable indicator of the ability of a community to finance public facilities. Part of the reason for this is the fact that many of the persons included technically among the "unemployed" by the U.S. Department of Labor are really not indicative of a "depressed area." For example, the April 1965 issue of the Monthly Report on the Labor Force (published by the U.S. Department of Labor) indicates that in March 1965 the total number of unemployed persons was 3,740,000; but of this number about 783,000 (over 20 percent) were aged 14 to 19 years, 605,000 were looking for part-time work and 720,000 were married females with husbands present (there is some overlapping in these groups with some persons included in more than one of the groups).

As a few examples, including both cities and counties from different geographical areas, of municipalities which were in eligible "redevelopment areas" on January 1, 1965, but which financed facilities through bond issues in 1964, include the following:

Laurence County (Alabama) Board of Education, \$917,000 at 3.884 percent.

Navajo County (Arizona) High School District, \$290,000 at 3.606 percent.

Bristol (Connecticut) School, \$235,000 at 3.094 percent.

Raleigh County (West Virginia) School District, \$5,469,000 at 3.239 percent.

Philadelphia (Pennsylvania) Various Purpose, \$5 million at 3.296 percent.

Allegheny County (Pennsylvania), \$6,600,000 at 3.177 percent.

(2) *Numerous existing Federal grant and loan programs provide substantially the same assistance proposed in this bill*

For those communities where unemployment is acute there are numerous existing Federal grant and loan programs which provide substantially the same assistance as that proposed under sections 101 and 201 of S. 1648.

Federal grants are already available for practically all types of public facilities. The recently enacted Elementary and Secondary Education Act of 1965 authorizes Federal grants to local educational agencies serving areas with concentrations of children from low-income families and over \$1 billion has been requested for such grants for the first fiscal year.

The Water Pollution Control Act authorizes Federal grants for construction of waste treatment works.

The Mass Transportation Act of 1964 authorizes Federal grants for urban mass transit facilities.

The Health Professions Educational Assistance Act of 1963 authorizes grants for construction of new teaching facilities for physicians, nurses, and professional public health personnel.

The Mental Retardation Facilities and Community Mental Health Centers Construction Act of 1963 authorizes Federal grants for the indicated types of facilities.

The Federal Airport Act authorizes Federal grants for airport construction.

The Hospital Survey and Construction Act authorizes Federal grants for hospital construction.

The Higher Education Facilities Act of 1963 authorizes Federal grants (and loans) for construction of college academic facilities.

The proposed Housing and Urban Redevelopment Act of 1965, on which hearings have been completed in both the Senate (S. 1354) and the House (H.R. 5840), would authorize Federal grants under separate programs for (1) construction of basic water and sewer facilities and (2) neighborhood facilities.

The loan program proposed under section 201 is substantially identical with the present public facility loan program administered by the Housing and Home Finance Agency under which Federal loans are authorized for public facilities at an interest rate determined under a formula in the law (presently 4 percent) if the financing is not available from other sources on reasonable terms. Section 201 would provide Federal loans at a lower interest rate (3½ percent) than the public facility loan program. We believe that section 201 would be unsound in providing loans at one-half of 1 percent less than the current average market yield of the outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans (adjusted to the nearest one-eighth of 1 percent).

Most of the financing by municipalities can be handled in the private market at rates which are reasonable in relation to current market rates. However, in any case where Federal assistance might be needed there are still ample funds available under the community facilities loan program (which, as amended by the Housing Act of 1961, authorized an aggregate of \$650 million of loans and still has substantial funds uncommitted).

Additional Federal assistance for rural areas is already available from the Farmers Home Administration for water conservation, irrigation, and rural water supply and distribution systems under the Watershed Protection and Flood Prevention Act. Also, the Consolidated Farmers Home Administration Act authorizes loans or the insurance of loans for water supply or water conservation projects.

From this brief summary it is apparent that there are already available numerous Federal grant and loan programs to provide basic public facilities and that it would provide a wasteful duplication of administrative personnel and financial resources to authorize a new program.

(3) *The proposed program is unnecessary with the economy operating at a high level*

The economy of the United States currently is operating at a high level and unemployment is at the lowest level in many years. There is strong demand

for labor in many areas and large segments of those still currently unemployed can find employment in other areas.

Since (i) the term "unemployed" is used officially to include many persons who are not adults seeking full-time employment and who are not the head of a household, (ii) the standards for eligibility for classification as a "redevelopment area" are broad and (iii) eligibility under the Area Redevelopment Act has been extended by administrative interpretation to include areas adjoining an area which actually qualifies or to include an area which does not qualify simply because it is located in a State which has no eligible areas, we find it difficult to justify the special Federal gifts under this program to an area which qualifies under arbitrary standards of questionable validity at the expense of other taxpayers. Furthermore, the experience under the present Area Redevelopment Act raises serious question as to its effectiveness.

Consequently, with the economy operating at a high level, we believe that the funds which would be authorized under this program could better be used for a further reduction in Federal income taxes—which recent experience indicates to be a strong stimulus to the economy—and that any "pockets of poverty" can be given effective assistance through intelligent direction of existing Federal grant and loan programs.

Finally, we would emphasize a fact which should be apparent, that an enthusiastic group of supporters who expect to be beneficiaries of Federal assistance and a long list of applicants for such assistance does not demonstrate a need for the proposed assistance. Obviously, when free prizes are given out by the Federal Government at the expense of taxpayers, one can expect a large group of willing recipients.

CONCLUSIONS

For the following reasons, discussed above, we strongly believe that section 101 and section 201 of S. 1648, the proposed Public Works and Economic Development Act of 1965 are both unnecessary and undesirable:

(1) Unnecessary Federal assistance would be provided to municipalities which are able to finance facilities without the proposed Federal assistance.

(2) Numerous existing Federal grant and loan programs provide substantially the same assistance proposed in this bill.

(3) The proposed program is unnecessary with the economy operating at a high level.

MANY, LA., May 3, 1965.

HON. PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: As mayor-elect of the town of Many, La., I am most interested in favorable consideration of the Economic Development Act of 1965 which I understand is before your committee and was anxious for you to have my views in this regard.

With best wishes, I am

Yours very truly,

Mrs. VIRGINIA G. GODFREY.

UPPER PENINSULA COMMITTEE FOR AREA PROGRESS,
Escanaba, Mich., May 3, 1965.

Senator PATRICK McNAMARA,
Senate Office Building,
Washington, D.C.

DEAR SENATOR McNAMARA: I again would like to express my appreciation for the opportunity of appearing before the Committee on Public Works last Tuesday, April 27, in support of S. 1648.

As a followup to my testimony and my subsequent telephone conversation with Harold Beaton of your staff, I would like to formally recommend the following inclusions to title VII, sections 707 (a) and (c): "Use of Other Facilities."

We would appreciate these inclusions as an expression of legislative intent and have italicized our suggested additions to the existing sections below:

SEC. 707. (a) To the fullest extent practicable in carrying out the provisions of this Act the Secretary shall use the available services and facilities of

other agencies and instrumentalities of the Federal Government *and including those services available through the Nation's land-grant institutions*, but only with their consent and on a reimbursable basis * * * etc.

SEC. 707. (c) Funds authorized to be appropriated under this Act may be transferred with the approval of the Director of the Bureau of the Budget between departments and agencies of the Government *and including the Nation's land-grant institutions*, if such funds are used for the purposes for which they are specifically authorized and appropriated.

In light of my testimony of April 27, we feel that the above inclusions would significantly add to the strength of the total resources available to the people of the Nation through S. 1648.

I would appreciate your consideration and reaction to our suggestions as outlined above.

Sincerely,

HAROLD DETTMAN, *Chairman.*

CLARKSVILLE, TEX., May 3, 1965.

Senator PAT McNAMARA,
U.S. Senate, Washington, D.C.:

Red River County has benefited greatly from the Area Redevelopment Act. Some legislation such as this is essential for the survival of rural areas like ours, enabling us to help ourselves to a place in our modern society. We believe S. 1648, H.R. 6991 will be of tremendous assistance to our redevelopment. The Red River County Commissioners Court, our governing body, wholeheartedly supports this legislation and earnestly requests your favorable consideration.

GAVIN WATSON, Jr., *County Judge.*

NATIONAL WIRE FABRIC CORP.,
Star City, Ark., May 3, 1965.

HON. PATRICK McNAMARA,
Chairman, Public Works Committee,
U.S. Senate, Washington, D.C.

DEAR SIR: Our company was fortunate to be granted the first industrial loan from the Area Redevelopment Administration for the State of Arkansas. We have brought a skilled industry to the town of Star City, and it has worked to the satisfaction of all concerned.

We have finished our initial stage profitably. Now that we are sure of our labor supply and market, it is urgent that we go into our first expansion, in order to give full benefit of ourselves and to the community. Therefore, we respectfully beg your support for the Public Works and Economic Development Act of 1965, and most important, the old section VI, which concerns the commercial and industrial loans.

Please feel free to write us for any information you may need.

Very truly yours,

JOSEPH A. PASCALE, *President.*

NEPHI, UTAH, May 4, 1965.

Senator PATRICK V. McNAMARA,
Chairman, Public Works Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR McNAMARA: We the Juab County Commissioners, Juab County, Utah, do urge your support to the Public Works and Economic Development Act that is now being considered in Congress. It can be highly beneficial to ours and like areas.

R. L. ELGIN GARDNER, *Chairman.*
ALTON S. GADD.
KARL GALLOWAY.

RESOLUTION ADOPTED BY TOWN COUNCIL OF THE TOWN OF SMITHFIELD, R.I., ON
MAY 3, 1965

Resolved, That this council endorse and it hereby does endorse the economic development and accelerated public works program of the 89th Congress of

the United States and that the town clerk be and she hereby is directed to forthwith notify Senator Patrick McNamara, chairman, Public Works Committee, the Senate Office Building, Washington, D.C., and Congressman George Fallon, chairman, Public Works Committee, House Office Building, Washington, D.C., of this endorsement.

A true copy.

Attest:

[SEAL]

MARGARET A. CREPEAU,
Town Clerk.

CARPENTER & SHIRLEY LUMBER CO., INC.,
Gordo, Ala., May 4, 1965.

Re ARA 192,244 ATL.

CHAIRMAN, PUBLIC WORKS COMMITTEE,
Senate Office Building, Washington, D.C.

DEAR SIR: We would like to take this opportunity to express our feelings about the impact to the economy of our community resulting from our ARA loan. Had we not been eligible and received the ARA loan mentioned above, we would not have been able to open the sawmill and planer mill that had been idle for several years in Gordo.

There was a number of people that had been out of work, or from one small job to another, due to this mill being closed. Now these people are back to work with a feeling of job security. We employ approximately 52 people in our plant, and approximately 25 to 30 persons have work resulting from logging and trucking crews.

We have had various reports from the merchants and businessmen of Gordo and surrounding small towns that they have felt the results of our weekly payroll. Many have been able to collect past due accounts which they had just had to carry because the men were out of work. Besides our payroll and other related jobs, the farmers have a close market for their timber, whether it be a large or small tract.

We feel that our lumber business has been a help to Gordo and the surrounding parts of Pickens County, Ala. We are proud to have been able to secure the ARA loan. Without this loan our progress would have been very slow.

We want to further state that we fully support the Public Works and Economic Development Act of 1965. We hope the committee will pass on this act and that it will be written into law. Based on our own experience, this act can help many such businesses or communities as it has helped us.

Yours very truly,

W. L. CARPENTER, *President.*

WOODBURY, GA., *May 4, 1965.*

Senator PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.:

City of Woodbury, Ga., urges your support in passage of the Public Works and Economic Development Act. This program critically needed to improve essential services for the public and industry of our community.

MAYOR AND COUNCIL, *City of Woodbury, Ga.*

SPRINGFIELD, ILL., *May 4, 1965.*

Re S. 1648.

Senator PATRICK V. McNAMARA,
Old Senate Office Building,
Washington, D.C.:

As director of the State's economic development activity, I have seen firsthand the results of and worked with the area redevelopment program. The importance of this to the continuing growth of parts of our State cannot be overemphasized. I urge your favorable consideration.

GENE GRAVES,
Director, Illinois Board of Economic Development.

SPRINGFIELD, ILL., May 4, 1965.

Senator PATRICK V. McNAMARA,
Old Senate Office Building,
Washington, D.C.:

S. 1648 is a very important bill to Illinois. Under the preceding legislation, we are able to both train and provide jobs for many of our unemployed in our redevelopment areas. We are very interested in its passage and urge your favorable consideration.

OTT KERNER,
Governor, State of Illinois.

BUFFALO, N.Y., May 4, 1965.

HON. PATRICK McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.:

A bill before your committee entitled "Public Works and Economic Development Act of 1965" is of great interest to me and the people of Buffalo as our city has been designated as a redevelopment area eligible under this new act. As mayor I enthusiastically endorse this bill we are particularly interested in title 1 of this act, the grants for public works, and also title 2, the industrial loan program. My OEDP Committee and I as mayor would like to see additional industrial expansion financed by this act.

Mayor CHESTER KOWAT.

NATIONAL CONGRESS OF AMERICAN INDIANS,
Washington, D.C., May 4, 1965.

Senator PAT McNAMARA,
Senate Office Building,
Washington, D.C.

DEAR SENATOR McNAMARA: On behalf of the National Congress of American Indians and its member tribes, let me express the thanks of the Indian people for your leadership in sponsoring S. 1648. It is our hope that this bill will soon be a law and that the vision of what can be will become the facts of constructive programs and progress for all people of depressed and undeveloped regions.

Too often legislation has asked the American Indian to jump from the stone age to the computer age in a matter of generations. We feel that this bill is different and will allow us to venture the first few steps toward a better understanding of what makes your culture work without destroying the values we have held sacred for so long. As we develop programs under the provisions of this bill, we will be able to teach our people the simple facts of modern living without having them thrown unprepared into another world. We feel that this is probably true of people of many ethnic backgrounds in other regions of our country.

This legislation can correctly be interpreted as the real beginning in the search for the American soul and as Indian people, we look forward to sharing in this search. Our love for the land will be seen in constructive programs of recreational and development of our reservations, and we feel that we can be the leaders in the recreation of America, the beautiful. A recent study, "Beyond the Melting Point," shows that America is richer for the distinctive contributions of ethnic groups and that these groups adapt to ongoing social development rather than disappear in it. Your vision in developing this legislation to fit regional needs is also a recognition of the richness that will belong to us all as each group is allowed to contribute the positive values it holds dear to the fabric of our culture as a whole. We believe that, through programs provided by S. 1648, the American culture will be varied and colorful as was Joseph's robe, and that all of our citizens will feel comfortable in it. It is through compassionate leadership that we will be able to develop our country in this manner and again may we thank you for your most constructive leadership in the sponsorship of this bill.

Sincerely,

VINE DELORIA, Jr., *Executive Director.*

POTATO SERVICE, INC.,
Presque Isle, Maine, May 6, 1965.

HON. PAT McNAMARA,
*Chairman, Public Works Committee,
 U.S. Senate, Washington, D.C.*

DEAR SENATOR McNAMARA: Potato Service, Inc., a Maine corporation, presently the largest processor of potato products in Maine and along the Atlantic seaboard, urges favorable consideration of Senate bill 1648, Public Works and Economic Development Act of 1965.

This company is an outstanding example of how cooperation between the Federal Government and local industry can result in benefits accruing to the Government, business, and the general public alike. The company was organized during 1960, and its initial financing for plant construction was a loan from Old Colony Trust Co. for \$1 million, insured by the Maine Industrial Building Authority. Equity funds equal to 10 percent of said loan was furnished by the citizens of Presque Isle, Maine, acting through a local industrial development corporation, with the owners supplying machinery and working capital.

The company, which works on a 50-week basis, processes potatoes into frozen products for the retail and institutional trade, under its own, as well as its customers' labels; and prepeels and preserves potato products for its specialty customers. During its first year of operation, the company production was small, due to the late availability of plant facilities. The company had an average employment of 150 persons with an annual payroll of \$112,929.

As the demand for these products soon outstripped our ability to produce, the management decided to expand its facilities. Unfortunately, at that time Aroostook County was in the throes of a depression resulting from several years of potato prices lower than cost of production. As potatoes are Aroostook's main business, all segments of the economy were affected resulting in a sharp increase of mortgage foreclosures, the placing of productive land in the soil bank to earn enough to meet capital charges, an abnormal drop in bank deposits, and finally, a drastic reduction in employment opportunities, with many inhabitants leaving Aroostook County in search of jobs.

Because of the above, the company was unable to arrange private or State-supported financing for its expansion program. Fortunately, through the efforts of local businessmen and governmental agents, Aroostook was designated a depressed area and eligible to receive financial assistance under the program of the Area Redevelopment Administration.

Before our first application to the ARA, our production of finished product was 40 million pounds per year; employment, 250 persons with an annual payroll of \$849,540; and our annual purchases of supplies was approximately \$1,087,845. On April 3, 1963, the ARA granted the company a loan of \$1,040,000, with an enthusiastic citizenry furnishing the required 10-percent equity funds. The proceeds of this loan were used to expand production and warehousing facilities. During the year 1963, our production rose to 73 million pounds annually, employment increased to 515 persons with an annual payroll of \$1,650,000, and purchases increased to \$4,885,979.

To insure a more efficient operation and to guarantee our increased production facilities, availability of potatoes on a year-round basis, the company, in the spring of 1964, started a farming operation in the Ashland-Masardis area, located 20 miles westerly of its plant. This was once a flourishing farming area that went into decline during the late fifties with only a handful of owners engaged in potato farming. Our entry into this area stimulated the landowners to start farming anew, and provided an impetus to the entire economy in this locale. This farming venture was followed by a livestock feeding program to utilize the plant's potato waste. During 1964, with the cooperation of the Farmers Home Administration, we initiated the first large-scale early harvest program. Normally, potatoes are harvested after September 15, necessitating purchasing of potato supplies from other areas after August 1, if production is to be maintained on a year-round basis. This new program allows a participating farmer to efficiently utilize his land and equipment at company expense and risk, while earning a fair return thereon.

These ventures, coupled with an additional increase in demand for our products, made further expansion of facilities advisable. At the company's fiscal year closing on October 30, 1964, production had increased to 132 million pounds; employment rose to 600 with an annual payroll of \$2 million; and purchases increased to \$8,358,400.

During December 1964, a second ARA loan of \$1,200,260 was granted, with the local citizens contributing the required 10 percent of equity money. Proceeds from this loan were used for improving waste disposal facilities, a new production line, and additional cold storage warehousing. This expansion has led to an increase of employment to a peak of 775 persons, with a payroll of \$3,500,000; production increase to 180 million pounds; and purchases of \$14 million, all being on an annual basis.

Our management is aware that these expansions, so necessary to the company's financial well-being, would not have been possible without the ARA program. But this ARA assistance has also had a far-reaching effect on the entire economy of Aroostook County, for not only has our employment more than doubled, but new enterprises have started, creating additional jobs in the area; while existing businesses have expanded to meet the demands and opportunities afforded them. Further, the processors have opened up a new market for local farmers and this is having a stabilizing effect on the potato price structure. The company has already paid Federal, State, and local taxes in excess of the original ARA loan and expects a similar performance with respect to the second ARA loan by the end of 1965.

Our substantial contribution to the economic well-being of the area is generally recognized, and this in itself is the measure of success of the ARA program of assistance. We, and other processors in the area, are planning further expansions, as well as ventures into new and allied enterprises. Therefore, in view of our past experiences we cannot impress too strongly upon you and your committee the necessity for a realistic and workable Government program having the aims of, and fashioned along the lines of the ARA.

Very truly yours,

T. B. ANGELOS,
Controller and Assistant to the President.

DORCHESTER INDUSTRIAL DEVELOPMENT CORP.,
Cambridge, Md., May 4, 1965.

Senator PATRICK B. McNAMARA,
Chairman, Public Works Committee,
Washington, D.C.

DEAR SENATOR McNAMARA: I have recently reviewed the pending legislation entitled "Compilation of Documents on Public Works and Economic Development."

As president of our local, nonprofit industrial development corporation, we have had a wide range of experience with the Area Redevelopment Administration; and the projects that our corporation and ARA have shared cooperatively have been most successful ones.

I should like to add our voices in support of this legislation.

Very truly yours,

ROBERT B. DAVIS, *President.*

IMPACT R.I., INC.,¹
Providence, R.I., May 3, 1965.

HON. PAT McNAMARA,
Chairman, Public Works Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR McNAMARA: I have recently read the compilation of documents on public works and economic development prepared by your Committee on Public Works. Both the Presidential message to Congress and the Presidential letter of transmittal are most persuasive.

In the past we in Rhode Island have enjoyed a great many benefits of both the accelerated public works legislation and the area redevelopment legislation.

The pending bill, S. 1648, which combines both the accelerated public works program and the area redevelopment program for the new fiscal year, we strongly endorse and support in its entirety.

Sincerely,

FRANK G. SHEA, *Counsel.*

¹ An Independent Movement To Promote Action by Citizens for Tomorrow's Rhode Island, Inc.

ROBBINS PRODUCTS, INC.,
Tusculumbia, Ala., May 4, 1965.

Hon. PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: When I first heard that the Area Redevelopment Act was to be superseded by a new economic development measure to be called the Economic Development Administration, I sent for and received a copy of the committee print "Compilation of Documents on Public Works and Economic Development." I have read this booklet thoroughly.

I am in favor of the provisions of the new Economic Development Administration, but I strongly urge that the loan provisions under both title I and title II be expanded as to the amount of the loan authorization available to industry for the purpose of redevelopment of distressed areas. I feel that the amounts of the funds allowable under title I and title II are insufficient to do the job that the new Economic Development Administration will be expected to do, and I strongly urge that these loan amounts authorized be expanded and increased.

With every good wish,
Sincerely,

GLENN A. TAYLOR.

CITY OF OGDENSBURG, N.Y.,
May 3, 1965.

Senator PAT McNAMARA,
Senate Public Works Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR McNAMARA: I have been interested in the new Public Works and Economic Development Act of 1965, S. 1648, which now is before your committee. I sincerely hope you and your committee will pass this bill as soon as possible as there is a need for this bill all over the United States, which have been long overdue.

Under the former Area Redevelopment Act, many long-needed public works projects were accomplished for the first time in 30 years or more. The continuance of this great work will be carried on if Senate bill 1648 is passed as soon as possible.

I join with all the citizens of our city and the surrounding area in urging you to give deep consideration to this bill. It is needed in our area and other areas of the United States.

Sincerely,

EDWARD J. KEENAN, Mayor.

SENATE CHAMBER,
STATE OF KANSAS,
Topeka, May 3, 1965.

Hon. PAT McNAMARA,
U.S. Senate, Washington, D.C.

SIR: Rice County has been privileged to be an economic development county for the past 2 years. As you know, the funds for projects have been short during this time. We do hope that S. 1648 will pass and Rice County will keep its designation.

I served as a county commissioner here for 6 years and realize the great need for the use of this tool in our development. We must have new methods of employment, new industry, to retain our people.

Very truly yours,

JACK W. JANSSEN.

MARINE TRUST CO. OF WESTERN NEW YORK,
Buffalo, N.Y., May 4, 1965.

Hon. PATRICK V. McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: Please record my strong endorsement of the proposed Public Works and Economic Development Act of 1965. The Marine Trust Co.'s banking area includes three geographic areas which are now classified as

"redevelopment areas." These are Chautauqua and Orleans Counties and the city of Buffalo. Within the former, ARA financing was of vital importance in permitting the construction in Dunkirk, N.Y., of a substantial continuous-casting steel mill which has been of outstanding importance in furthering the development of the area. Elsewhere in the region more modest projects have also been helpful in furthering the industrial development of their localities.

While as in most new and experimental programs there undoubtedly have been inadequacies in the ARA program, in my opinion it is soundly conceived, and, when properly and adequately supported, can be of great importance in enabling private enterprise to develop soundly to further the growth of redevelopment areas. Since the financial need of small growing businesses frequently is for working capital rather than for the finance of real estate, I am particularly pleased to see that section 202 calls for the guarantee of working capital loans. I am also pleased to see that the bill calls for broadly based regional plans for development often of a multicounty nature.

In taking specific measures to further the economic advance of our regions where growth has lagged, I feel that the Federal Government can contribute significantly to the overall growth of the U.S. economy. Of course, the whole process depends ultimately on the vigor, ingenuity, and aggressiveness of private enterprise, but I feel that the proposed bill can go a long way toward enlarging the environment in our redevelopment areas for further growth by private enterprise.

Very truly yours,

GEORGE F. RAND, Jr., *Vice President.*

AMERICAN HOTEL & MOTEL ASSOCIATION,
New York, N.Y., May 7, 1965.

HON. PAT McNAMARA,
Chairman, Committee on Public Works,
Washington, D.C.

DEAR SENATOR: This letter is in reference to S. 1648, the proposed Public Works and Economic Development Act.

I have discussed the pending measure with Mr. Richard B. Royce, of the committee staff, as it pertains to the interest of the innkeeping industry. Mr. Royce has suggested that I formally write to you.

The hotel-motel industry is undergoing a period of great transition and the availability of Federal loans or guarantees for the construction of hotels or motels could endanger substantially private investments unless certain safeguards are provided. Both the Senate Committee on Banking and Currency in its Report 250 (to accompany S. 1163) dated June 13, 1963, and the House Committee on Banking and Currency in its Report 633 (to accompany S. 1163) dated August 3, 1963, recognized a possible danger on the innkeeping industry in the use of ARA funds. We believe that there is a parallel to be drawn in your consideration of the pending legislation.

The association recommends that title II of S. 1648 include language along the following lines:

"No such assistance shall be extended for the new construction of hotels, motels, or other housing for transients' use under this title unless the community in which the project is located, under regulation prescribed by the Secretary has caused to be made a competent, independent analysis of the local supply of transient housing and as a result thereof has determined that there exists in the area a need for additional units of such housing."

The foregoing is similar to language contained in section 106 of the Housing Act of 1959, as amended (Public Law 86-372).

It would be appreciated if this letter were brought to the attention of the committee members and made a part of the record.

Kind regards.

Sincerely,

ALBERT L. McDERMOTT,
Washington Representative.

SOUTHEASTERN PENNSYLVANIA ECONOMIC DEVELOPMENT CORP.,
Philadelphia, Pa., May 4, 1965.

HON. PATRICK V. McNAMARA,
*Chairman, Public Works Committee,
 Senate Office Building,
 Washington, D.C.*

DEAR SENATOR McNAMARA: Pending before your committee is the Public Works and Economic Development Act of 1965.

The Southeastern Pennsylvania Economic Development Corp., which is concerned with the economic growth of the five-county area in and around Philadelphia, strongly urges passage of this measure to utilize to better advantage all the tools which will strengthen and promote the job opportunities for this area and the Nation as a whole.

We have seen how those programs already in effect and to be continued by this act have been helpful for an area's economic growth potential. Passage of the measure before you would aid in furthering this growth through existing and new programs.

Sincerely,

WILLIAM ZUKER, *President.*

OFFICE OF THE GOVERNOR,
 STATE OF WEST VIRGINIA,
Charleston, W. Va., May 3, 1965.

HON. PAT McNAMARA,
*Chairman, Committee on Public Works,
 U.S. Senate, Washington, D.C.*

DEAR SENATOR McNAMARA: We in West Virginia favor wholeheartedly the Public Works and Economic Development Act of 1965 introduced by you in the House of Representatives on March 31. I offer this letter as an official statement of our support.

While economic progress in our State during the last four and a half years has been of record proportions, unemployment still is too high and we have many difficult problems which this proposed legislation would help immeasurably to relieve. It would be extremely advantageous in a number of ways to our counties and communities, most of which simply do not have the financial resources required for the attainment of desirable and essential public improvements.

For the benefit of your committee, I would like to review briefly how West Virginia has been aided by the accelerated public works and area and redevelopment programs.

Under APW, 115 communities have been strengthened by 215 projects totaling \$37,568,396. Under ARA, 80 communities have been able to move ahead as a result of 112 projects (11 of them on a statewide basis) totaling \$42,111,000.

Information as to the exact number of jobs created by APW activity is not available, although much employment at good wages has been provided by this fine program. Under ARA, it is estimated a total of 4,835 jobs have been created in this State.

It is my hope the Public Works and Development Act of 1965 will be carried to a successful conclusion at the earliest possible date.

Be assured your own interest in, and commendable work for, this vital bill is appreciated deeply.

With warm good wishes,

HULETT C. SMITH, *Governor.*

CARSON CITY, NEV., *May 5, 1965.*

Senator PATRICK V. McNAMARA,
*Chairman, Public Works Committee,
 Senate Office Building, Washington, D.C.:*

I warmly endorse the proposals contained in the Public Works and Economic Opportunity Act of 1965 for long-range development of the human resources and the economic potential of our 50 States. I believe this legislation can open the door to new job opportunities and increased social stature for a large segment of our national population.

GRANT SAWYER,
Governor of Nevada.

TOMAHAWK, WIS., May 7, 1965.

Senator PAT McNAMARA,
Senate Office Building, Washington, D.C.:

Tomahawk gained 35 new jobs plus industrial plant under ARA programing. As president of development group, respectfully urge passage of Public Works and Economic Development Act of 1965.

KENNETH KEENAN,
Tomahawk Area Corp.

PITTSBURGH, PA., May 6, 1965.

Senator PATRICK McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.:

I fully endorse Senate bill 1648, the Public Works and Economic Development Act of 1965. This is vital and important legislation. We would hope that your committee act quickly and affirmatively.

Thank you.

JOSEPH M. BARR, Mayor.

POLICY STATEMENT OF THE UTAH MUNICIPAL LEAGUE REGARDING THE ACCELERATED PUBLIC WORKS ACT

In Utah we are engaged in two major efforts to develop our economic growth. First, we are creating and encouraging the creation of industrial development in all parts of the State. In particular, we are seeking to bring industrial development into the remote areas of Utah which are steadily losing in population and in economic importance. Secondly, we are doing all in our power to encourage tourism throughout the State. Many of our greatest natural attractions are situated in the remote areas or in the vicinity of extremely small communities. Both of these objectives require, above all, purity of culinary water, and secondarily, adequate sewage disposal facilities which will protect the employees of new industries, as well as the tourists, from unnecessary health hazards.

Of the 321 public water systems in the State of Utah, only 51 percent are fully approved or about to be fully approved as safe and acceptable sources of culinary water. These serve our populated areas, but 49 percent of our public water systems are on the "unapproved list." These, in general, serve the more remote areas of the State, but are serving the areas where tourism and industrial development may have the greatest impact.

In Utah we have 102 waste-water systems, of which 60 are considered adequate and as reasonably safeguarding the health of our citizens. Again, these approved systems, comprising 59 percent of our sewer systems, serve the great bulk of the population, but the fact remains that there are 41 percent of our waste-water systems, again serving primarily remote areas, which are in need of further development in order to constitute safe sewer systems.

Most of the municipalities in need of further construction and development of their water and sewer systems are of such small size that they are normally unable to borrow on the public market enough money to carry out the necessary construction projects. In many instances, these municipalities are at their bond limits as far as their general obligation bonds are concerned and cannot market strictly revenue bonds because of size, remoteness, and stagnant economic circumstances. Increased mobility of the people of both the State of Utah and of the other States of the Union, make the above-mentioned community facilities, as well as many others, extremely critical.

It is the consensus of the members of the Utah Municipal League that a continuation of the Accelerated Public Works Act comprise one of the only ways in which these remote municipalities will ever be able to provide safe drinking water and healthful conditions. We support a program of continued Federal financial assistance to aid in this much-needed public improvement area, and recommend that the Accelerated Public Works Act be continued and necessary funds authorized and appropriated.

OFFICE OF THE GOVERNOR,
Springfield, Ill., May 5, 1965.

Senator PATRICK V. McNAMARA,
Chairman, Committee on Public Works,
Old Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: On behalf of the State of Illinois I wish to urge your favorable consideration of Senate bill No. 1648 the Public Works and Economic Development Act of 1965.

The Area Redevelopment Act, although rather limited in scope, showed that new jobs and increased individual opportunities could be created in distressed areas. The Public Works Act will greatly strengthen our efforts to enhance the economic potential of areas in Illinois which have not kept pace with the economic growth of other areas.

As Governor of Illinois, I wish to lend my sincere support to Senate bill No. 1648. This bill will provide an opportunity for us, in cooperation with the Federal and local governments, to increase the educational and economic level of our citizens.

Thank you for your consideration of this letter.

Sincerely,

OTTO KERNER, Governor.

NATIONAL ASSOCIATION OF COUNTIES,
Washington, D.C., May 6, 1965.

Hon. PAT McNAMARA,
Chairman, Committee on Public Works,
U.S. Senate, Washington, D.C.

DEAR SENATOR McNAMARA: On behalf of the National Association of Counties, I must lodge the strongest possible objection to the creation of "economic development districts" in the manner provided for in section 403(a)(1) of S. 1648, the Public Works and Economic Development Act of 1965. We feel the creation of these districts without the concurrence of the counties involved is undesirable, will jeopardize the success of the program and is not in keeping with the basic principles of the proposal as set forth by President Johnson in his special message on public works and economic development. In that message, he stated: "No economic development district will be designated unless the State and local people want it to be designated. No plan will be approved unless it also has the approval of State and local authorities."

As you know, in section 403(a)(1), the designation of an economic development district requires the concurrence of the States in which such districts will be located. However, the language does not require the concurrence of the counties in which such districts will be located. To this point, we would refer to the previously mentioned statement of President Johnson, and especially the words, "approval of State and local authorities."

We suggest section 403(a)(1) be amended to read as follows: (1) to designate appropriate "economic development districts" within the United States with the concurrence of the States [and counties] in which such districts will be wholly or partially located, if * * *.

The National Association of Counties is firmly on record in support of the Area Redevelopment Agency and the accelerated public works program. Additionally, the National Association of Counties strongly supports the principle of voluntary cooperation among all levels of government concerned, particularly between counties and other local officials. We note the evolution of various voluntary regional cooperation groups consisting of local units of government, whose officials sit down together, study the problems and, in the spirit of the give-and-take of the conference table, evaluate the facts in an endeavor to arrive at sensible, politically acceptable solutions.

Our American county platform also notes that "certain common problems facing our citizens, such as transportation, planning, water supply and sewage, civil defense, open space, industrial development, and others which transcend local geographical borders, must be approached from an areawide point of view because existing governmental units, acting alone, are not capable of finding equitable and effective solutions."

However, we believe the key to the solution of these problems rests, in the first instance, with the officials whom the citizens select and control through the election process.

As you can see, we are in accord with the concept of a regional approach to many of our problems; however, such an approach should be guided by three basic principles of regionalism:

1. It must be voluntary.
2. It must be under control of the elected officials.
3. It must preserve the integrity of existing units of government.

We feel S. 1648 has great merit and the concept of the economic development district is excellent if its creation and operation are guided by the above described principles. We do not envision the suggested amendment to be a hindrance to the program; rather, just the opposite. The State of Georgia already has in existence a program which creates an organization somewhat similar to the proposed economic development districts. The regions created are called area planning commissions and in that program, the county must vote to participate in the commission. As of today, there are 16 of these commissions which include 134 of the 159 Georgia counties. There are currently plans underway to create another new commission, comprised of approximately five counties.

Aside from the basic governmental principles involved, there is the practical problem of implementing the economic development district plans and coordinating them with the existing programs and plans of the constituent counties. It will be the counties and other units of local government who will continue to have the responsibility of such functions as highways, land use, zoning, etc. They will also be required to provide the matching funds for the public works and development facilities proposed in title I of the bill.

By requiring the concurrence of the counties, you obtain their commitment, involvement, and cooperation from the beginning, all of which are vitally important for the success of the program.

We urge your consideration of this proposal and your assistance in securing its inclusion in the bill.

We request that this letter be included in the official hearings on this legislation.

Sincerely yours,

BERNARD F. HILLENBRAND,
Executive Director.

HARBOR DEVELOPMENT COMMISSION,
New Bedford, Mass., May 5, 1965.

HON. SENATOR PAT V. McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: The city of New Bedford, through its Harbor Development Commission, has greatly enhanced its economic structure by the aid of Area Redevelopment Administration and Community Facilities Administration funds.

With Area Redevelopment Administration and Community Facilities Administration cooperation, we have completed a 500-foot maritime terminal pier and bulkhead, directly behind which an 18-million-pound capacity freezer has been built, creating several jobs for the community, plus a building which is on the tax rolls in excess of \$1 million.

We also have had Area Redevelopment Administration participation through the Research Foundation of the Southeastern Massachusetts Technological Institute, which did surveys on the fishing industry as to its needs, its prospects, and its future.

The members of the Harbor Development Commission and this office feel strongly that in any way you can aid and assist the public works and economical development toward an Area Redevelopment Administration appropriation is not only needed, but essential to the economic survival of the United States.

This letter applies particularly to S. 1648 and any amendments that may be necessary for the enactment of S. 1648.

Very truly yours,

HOWARD W. NICKERSON, *Director.*

STATE OF NEW HAMPSHIRE,
Concord, May 6, 1965.

HON. PAT McNAMARA,
*Chairman, Committee on Public Works,
Senate Office Building, Washington, D.C.*

DEAR SENATOR McNAMARA: I support the Public Works and Economic Development Act of 1965. I urge that it be enacted as soon as possible in order to continue the progress which has been made under the area redevelopment program and the accelerated public works program.

New Hampshire benefited from both of these programs and now has a number of applications pending new appropriations.

The Area Redevelopment Act, in addition to providing specific assistance, stimulated new interest in the problems of economic development. Through the establishment of rural areas development committees in all 10 of New Hampshire's counties it has been possible to focus upon the problems of both the rural and urban economies. Although New Hampshire has only three counties designated under the ARA legislation, the activities of the rural areas development committees in the three counties has generated new awareness of the economic problems existing in all of New Hampshire.

I credit the Area Redevelopment Act with being the basis for creating this new spirit of cooperation. I only regret that the original program was not adequately financed to do the job which the local committees identified as necessary.

Sincerely,

JOHN W. KING, *Governor.*

JAMES E. FISHER,
Kenai, Alaska, May 4, 1965.

Senator PAT McNAMARA,
*Chairman, Senate Public Works Committee,
Washington, D.C.*

DEAR SENATOR McNAMARA: I understand the fund bill for continuing the area redevelopment program, S. 1648, is presently pending before your committee. I would urge that you give most serious, favorable consideration to this legislation.

This recommendation is based on my knowledge in an undeveloped area which also suffers from a high unemployment rate as well as an underemployment rate. This unemployment situation also falls even more severely on the Indian portion of the population, my neighbors on Alaska's Kenai Peninsula.

I would appreciate your assistance in this matter. Further information, probably even more accurate than my own, can be provided by the members of Alaska's most able congressional delegation.

Yours truly,

JAMES E. FISHER,
Chairman, Western Kenai Peninsula Redevelopment Committee.

VAHLSING, INC.,
Easton, Maine, May 6, 1965.

Senator PATRICK V. McNAMARA,
*U.S. Senate Building,
Washington, D.C.*

DEAR SENATOR McNAMARA: I am pausing to take the time to write to you, as I feel it is my duty, as a citizen, to impress upon you the important role that the Public Works and Economic Development Act of 1965, S. 1648, will play.

During the last few years the Area Redevelopment Act, Public Law 87-27, has been active within the State of Maine and has created between 12,000 and 13,000 additional new jobs through industry by means of the able management of those dedicated public officials connected with the Department of Commerce, Area Redevelopment Administration.

Their action under the Area Redevelopment Administration (Public Law 87-27) has changed the State of Maine from one of rising unemployment to one of decreasing unemployment. It has also raised the income of all segments of the population of the State of Maine to a level which could possibly be conceived as reaching toward the national average.

The people of the State of Maine, in my opinion, feel that Area Redevelopment Administration (Public Law 87-27) has accomplished substantial forward strides in continuing the great progress that the administration has demonstrated in the last few years.

I am sure that you, in wishing to continue this great progress, will take active and determined action with respect to the Public Works and Economic Development Act of 1965, S. 1648.

Sincerely yours,

JOHN C. FARLEY, *Vice President.*

STATE BANK OF TOWER,
Tower, Minn., May 4, 1965.

HON. PAT McNAMARA,
*U.S. Senate,
Washington, D.C.*

DEAR SIR: For a period of 76 years up to December 15, 1962, the two communities of Tower and Soudan depended almost solely on the operations of the Soudan mine and underground iron ore property which employed from 275 to 300 people the year around. Since December 15, 1962, we have been without any industries and have depended largely on tourism in the area. Because certain proposals of the Public Works and Economic Development Act of 1965 have features which we feel will be of much benefit to areas such as ours, we are heartily in favor of its enactment and urge you to support it. Any assistance you can give it will be appreciated by a most gratified people.

Yours very truly,

JOHN DRAGAVON, *President.*

LYONS CHAMBER OF COMMERCE,
Lyons, Kans., May 5, 1965.

HON. PAT McNAMARA,
*Chairman, Committee on Public Works,
Senate Office Building, Washington, D.C.*

DEAR SENATOR McNAMARA: I am writing you as president of the Lyons Chamber of Commerce and as a citizen regarding Senate bill 1648, subject Public Works and Economic Development Act of 1965.

My county of Rice has enjoyed a redevelopment designation under the Area Redevelopment Act of 1961. We are likewise designated under the RAD program, Department of Agriculture. Rice County worked diligently and hard through 1960 and 1961 to qualify as a redevelopment county through our pilot research project in conjunction with Kansas State University, land-grant college.

A number of businesses have made applications for technical assistance, grants, aids, loans, and some of the communities in the county have engaged in accelerated public works project through the past 4 years. I sincerely believe future economic development of Rice County definitely has a bearing on the county's capacity to maintain and keep its redevelopment designation.

I realize many things have been said in reading testimony, magazine stories, newspaper articles, and itinerant speeches about our designation being questionable, but as a citizen, residing and operating a business in the county seat town of Rice County and my position in city endeavor, points out to me the great need for outside help and technical aids which those of us within the county are unable to supply on our own effort.

If this bill passes the National Congress in its near present form, I trust that Rice County will be permitted to retain its designation as a redevelopment county. I have studied S. 1648 and I am pretty well familiar with its contents. The bill can serve as a great incentive as well as provide finance to develop implementation of our projects into reality.

Yours very truly,

THOBURN KELLER, *President.*

UTAH INDUSTRIAL COMMISSION AND
UTAH LABOR RELATIONS BOARD,
Salt Lake City, Utah, May 4, 1965.

HON. PATRICK V. McNAMARA,
*Chairman, Committee on Public Works,
U.S. Senate, Washington, D.C.*

DEAR SENATOR McNAMARA: I would like to voice my support of the new Public Works and Economic Development Act, S. 1648. It is certainly something our

country needs, and would greatly aid the development here in the Western United States.

Respectfully,

CARLYLE F. GRONNING,
Chairman, Safety Division.

COLLINGSWORTH COUNTY OVERALL
ECONOMIC DEVELOPMENT PLANNING BOARD,
STEERING COMMITTEE,
Wellington, Tex., May 4, 1965.

Hon. PAT McNAMARA,
*Chairman, Public Works Committee,
U.S. Senate, Washington, D.C.*

DEAR SENATOR McNAMARA: The ARA has proven a very vital tool in our community's fight against unemployment, outmigration of our people, and blight conditions in our town.

We sincerely hope your committee revitalizes this agency through the Public Works and Economic Development Act. We strongly support the industrial loan section of this act.

Sincerely,

HENRY C. SULLIVAN, *Chairman.*

MAINE DEPARTMENT OF ECONOMIC DEVELOPMENT,
Augusta, Maine, May 4, 1965.

Senator PATRICK V. McNAMARA,
*Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.*

DEAR SENATOR McNAMARA: It is my understanding that hearings on bill S. 1648, to create an economic development administration in place of the present Area Redevelopment Administration, are coming up in the immediate future.

We are highly in favor of this legislation since we feel it will provide the State of Maine a great deal of economic development assistance. We strongly urge its favorable consideration and passage by the Congress.

Sincerely,

STANDISH K. BACHMAN, *Commissioner.*

ANCHORAGE, ALASKA, May 4, 1965.

Senator PAT McNAMARA,
*Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.*

DEAR SENATOR McNAMARA: I support and urge the passage of S. 1648, the President's proposed Public Works and Economic Development Act.

This act would assist in no small measure the people of the State of Alaska in developing the necessary public works and facilities which will support the continued industrial growth of Alaska, thereby making it possible to contribute to the prosperity of the people of Alaska in particular, and to the country in general.

Sincerely,

DAVID J. PREE,
Attorney and Counselor at Law.

STATE OF ILLINOIS,
BOARD OF ECONOMIC DEVELOPMENT,
Springfield, Ill., May 5, 1965.

Senator PATRICK V. McNAMARA,
*Chairman, Committee on Public Works,
Old Senate Office Building,
Washington, D.C.*

DEAR SENATOR McNAMARA: I submit this letter to request your favorable consideration of Senate bill 1648, the Public Works and Economic Development Act of 1965.

In our work with the economically distressed areas of this State, particularly in southern Illinois, I have found the Area Redevelopment Act to be an effective

and necessary aid in alleviating the problems of persistent unemployment and providing increased economic opportunities. However, the ARA and other Federal assistance programs recently passed by the Congress have not fully provided all the necessary tools for comprehensive economic development.

I believe that under the comprehensive provisions of Senate bill 1648 that we can, in cooperation with the Federal Government and local governments, increase the economic opportunities for our citizens. This Federal assistance will greatly enhance the potential of our development programs, and the economic strength of Illinois.

Please accept my appreciation for your consideration.

Sincerely,

GENE GRAVES, *Executive Director.*

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., May 6, 1965.

Senator PAT McNAMARA,
Chairman, Senate Committee on Public Works,
Washington, D.C.

DEAR SENATOR: I have just had the opportunity to look over your committee publication in which are compiled the basic facts on public works and economic development. This is an extremely useful publication which I appreciate very much getting, and I share completely your views as stated in the preface concerning the importance of a national public works policy.

With best wishes and kindest personal regards,

Sincerely yours,

ED EDMONDSON,
Member of Congress.

COMMITTEE OF ONE HUNDRED,
TEXARKANA CHAMBER OF COMMERCE,
Texarkana, May 5, 1965.

Senator PAT McNAMARA,
Chairman, Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: It might be of interest to you and your committee to know that the Area Redevelopment Administration's financed project of Cooper Tire & Rubber Co. for Texarkana, Ark., has been one of the finest developments ever occurring in our community. The \$11 million tire production plant, of which approximately 60 percent was financed through a loan of the Area Redevelopment Administration, has been completed and is now in its first phase of full production—4,300 tire units per day.

Over 300 people have been employed in accomplishing this production. Because of increased demands for their product, the Cooper Tire & Rubber Co. has recently announced the expansion of its facilities in the amount of \$2 million in buildings and equipment, which will increase its output capacity by 50 percent, or to a total of 6,300 tires per day. In connection with this expansion program, over 100 new jobs will be created, and this will be accomplished through Cooper's own financial capabilities.

It is our opinion the Cooper Tire & Rubber Co. project has achieved the goals of the area redevelopment program. It has provided additional job opportunities in an area of substantial labor surplus, on a sound, businesslike basis. Normal channels of financing were not available when this company wanted to expand its operation, but the industrial loan that was made has enabled it to meet its market demands, provided job opportunities for people in a labor surplus area, and, at the same time, the Government has a good, sound loan in this project.

Sincerely yours,

L. E. GILLILAND, *Executive Director.*

PUBLIC WORKS AND ECONOMIC DEVELOPMENT

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON BANKING AND CURRENCY

UNITED STATES SENATE

EIGHTY-NINTH CONGRESS

FIRST SESSION

ON TITLES II AND IV OF

S. 1648

A BILL TO PROVIDE GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES, OTHER FINANCIAL ASSISTANCE AND THE PLANNING AND COORDINATION NEEDED TO ALLEVIATE CONDITIONS OF SUBSTANTIAL AND PERSISTENT UNEMPLOYMENT AND UNDEREMPLOYMENT IN ECONOMICALLY DISTRESSED AREAS AND REGIONS

MAY 4, 5, 6, AND 7, 1965

Printed for the use of the
Committee on Banking and Currency



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1965

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PUBLIC WORKS AND ECONOMIC DEVELOPMENT

TUESDAY, MAY 4, 1965

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON PRODUCTION AND STABILIZATION,
Washington, D.C.

The subcommittee met at 10 a.m., in room 5302, New Senate Office Building, Senator Paul H. Douglas (chairman of the subcommittee) presiding.

Present: Senators Douglas, Proxmire, Muskie, Mondale, and Bennett.

Senator DOUGLAS. The subcommittee will come to order.

First, I think it advisable, without objection, to include the correspondence between Senators McNamara, Robertson, and myself relating to the handling of this bill.

(The correspondence follows:)

SENATE COMMITTEE ON PUBLIC WORKS,
Washington, D.C., April 6, 1965.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: As you know, Senator Douglas and I introduced last Thursday S. 1648, a bill for public works and economic development which was referred to the Committee on Public Works.

However, since that measure contains two titles which relate closely to legislation previously handled by the Banking and Currency Committee, it would be most helpful to have these titles considered by your appropriate subcommittee.

The Public Works Committee would hope that the appropriate subcommittee would expeditiously consider titles II and IV of the bill and hold such hearings as it may deem appropriate, and would advise the Committee on Public Works of its opinion on the legislation contained therein.

The Committee on Public Works will begin hearings April 26. A letter to Senator Douglas inviting his subcommittee to join with the Public Works Committee at that hearing is enclosed. It would be my hope that this measure could be reported to the Senate by mid-May, and that your committee might forward to the Committee on Public Works the results of its consideration prior to that time.

Sincerely yours,

PAT MCNAMARA,
U.S. Senator, Chairman.

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C., April 7, 1965.

HON. PAT McNAMARA,
Chairman, Committee on Public Works,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: I have received your letter of April 6 concerning S. 1648, the Public Works and Economic Development Act of 1965. In your letter you request that this committee consider and make appropriate recommendations to your committee concerning title II of the bill, which involves public works and development facility loans, and title IV, which involves area and district eligibility. As your letter indicates, these titles relate closely to legislation under the jurisdiction of the Banking and Currency Committee, the Area Redevelopment Act.

I agree that it is appropriate for the Banking and Currency Committee to consider the provisions of titles II and IV of S. 1648, and, incidentally, the savings provisions and the transfer of functions, contained in sections 702 and 703 of S. 1648, as these involve matters under the jurisdiction of the Banking and Currency Committee.

I agree with you also that there is merit in making arrangements for the Banking and Currency Committee to consider these provisions of S. 1648 on the basis of an informal reference, rather than requiring a formal second referral of the bill. However, this is a matter on which I believe it would be appropriate for me to consult the members of this committee, to ascertain whether there would be general agreement with this arrangement.

I note you hope that S. 1648 might be reported by your committee to the Senate by mid-May and, I trust that it will be possible to formulate this committee's views before that time. However, I feel I should advise you that there are several other legislative proposals of considerable urgency which the committee also hopes to act on by that time, and scheduling necessary hearings and executive sessions may be difficult.

I appreciate your advising me of the invitation extended by the Committee on Public Works to this committee's Subcommittee on Production and Stabilization to attend the opening hearings on S. 1648 on April 26. The privilege of attending this meeting of the Committee on Public Works will be helpful to members of that subcommittee, and I trust the members of the subcommittee will be able to take advantage of the opportunity.

In view of their interest in the matter, I am sending copies of this letter to Senator Douglas and Senator Bennett.

With kind personal regards, I am,

Sincerely yours,

A. WILLIS ROBERTSON, *Chairman.*

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C., April 12, 1965.

HON. PAUL H. DOUGLAS,
U.S. Senate, Washington, D.C.

DEAR SENATOR DOUGLAS: I enclose a copy of S. 1648, the Public Works and Economic Development Act of 1965, which was referred to the Committee on Public Works. I also enclose a copy of a letter from Senator McNamara, chairman of the Committee on Public Works, pointing out that titles II and IV of S. 1648 relate closely to legislation previously handled by the Banking and Currency Committee—the Area Redevelopment Act—and suggesting that this committee consider those titles and give the Public Works Committee our opinion about them.

I enclose a copy of my reply in which I said I should like to consult the members of the committee before agreeing to such an arrangement.

If the committee approves, I should consider titles II and IV of S. 1648, together with any of the related provisions of title VII, to be pending before the committee, as though formally referred to us. In other words, I should request comments from the appropriate agencies, refer the bill to the Subcommittee on Production and Stabilization, and work out arrangements for hearings on those titles at times convenient to the members of the subcommittee and compatible

with other committee plans. Following hearings, the subcommittee would consider these titles in executive session and report to the full committee, which, instead of filing a formal report in the Senate, would forward a letter to the Public Works Committee, to be printed as a part of the report filed by that committee on S. 1648. Such a letter, like a report, might be accompanied by individual letters from members of the committee expressing their individual views. These supplemental letters would, I expect, also be printed with the report of the Committee on Public Works.

Senator McNamara's letter indicates that he hopes to be able to report the bill by mid-May and, therefore, would appreciate advice from this committee before then. In my letter I pointed out that the committee expects to consider within the next month several other urgent legislative proposals—for example, the housing bill on which hearings have been held and the anticipated legislation relating to silver in the coinage—and that this might make it hard to meet the time schedule suggested by Senator McNamara.

If you agree with the procedure suggested above, I should appreciate your letting me know as soon as possible. The committee is having a meeting April 15 on a nomination, and I should like to discuss the procedure to be followed with respect to S. 1648 at that meeting unless, of course, I have heard by then from the members of the committee that the suggested procedure is satisfactory.

With kind personal regards, I am,

Sincerely yours,

A. WILLIS ROBERTSON, *Chairman.*

(Same letter sent to all members of the Banking and Currency Committee.)

Then, without objection, I would like to insert in the record the text of S. 1648 along with an analysis of sections II and IV and also a brief section-by-section comparison and the highlights of the bill. Also any agency reports received should be included. (See pp. 210-262.)

Finally, I would like to insert in the record a preliminary statement which I prepared, which in the interest of time, I do not intend to read.

If there is no objection that will be done.

(The statement follows:)

Senator DOUGLAS. Today we will begin hearings on titles II and IV of S. 1648, the Public Works and Economic Development Act of 1965. Senator McNamara, the chairman of the Committee on Public Works, to which this bill was referred, has requested that the Banking and Currency Committee review titles II and IV since these titles are quite similar in scope to the Area Redevelopment Act which passed this committee and the Congress nearly 4 years ago.

Economic stagnation in the midst of general prosperity has long been a paradox in our society. The rapid shifts in 20th-century technology have left many communities and regions grappling with the cruel facts of economic hardship. Perhaps Adam Smith would argue that the citizens of these regions should cheerfully accept the discipline of the "invisible hand" and live out their remaining years in abject, but silent poverty. A modern nation can no longer afford such a callous solution, for in the long run, the growth of our vast and complex economy depends upon the health of all its regions and communities.

For many years some argued that those who find themselves in an economically distressed area should pack their bags and move where jobs were supposed to be more plentiful.

But how is the city to provide the housing, the social and municipal services, the retraining and financial assistance needed to launch these individuals upon a new and productive career? We may as well attempt to meet and solve the problem where it is rather than trying to shift the whole burden to our overcrowded and underfinanced cities.

I have advocated a Federal program of assistance to economically distressed communities and areas ever since 1955 when the Joint Economic Committee issued a report on the subject. It took 6 years of long and tedious work to enact an economic development bill. The efforts was temporarily set back by two vetoes by President Eisenhower, but finally, in May of 1961, success was realized when President Kennedy signed into law the Area Redevelopment Act of 1961.

I am proud to have been the sponsor of this bill and to have played a part in securing its passage.

As much as the Area Redevelopment Act was needed, it was only the first step. Essentially, the Area Redevelopment Act was an experimental program to test the feasibility of the economic redevelopment concept and to develop new methods for revitalizing local and regional economies. In this respect, the Area Redevelopment Act program has been an outstanding success. Since the act was passed in 1961, 115,000 new jobs have been created by the program. But perhaps even more important, the Area Redevelopment Act was the pioneer and forerunner of many other Federal programs designed to foster local and regional economic growth.

For example, the Area Redevelopment Act contained a modest program for training unemployed workers. The start made under the Area Redevelopment Act led to the passage of the Manpower Development and Training Act of 1962. This act has achieved broad, bipartisan support and has been a notable success. Training has been approved for nearly 320,000 trainees. The program was extended and strengthened in the current session of Congress.

Second, the original Area Redevelopment Act contained a provision to stimulate economic development by constructing needed public works. The experience gained under this provision led to the Accelerated Public Works Act 1 year later. This act provided nearly \$900 million to speed construction of essential public works in labor surplus areas. Although the funds for this program are nearly exhausted, a sizable backlog of essential public works still remains.

Third, the experience acquired under the Area Redevelopment Act program led to the passage of the Appalachian Regional Development Act of 1965. Although it is too early to judge, this act promises to help restore the economy of an entire region on a scale reminiscent of the earlier TVA.

Therefore, I am proud to be the chief sponsor along with Senator McNamara of this new program embodied in S. 1648. I welcome these hearings on S. 1648, the Public Works and Economic Development Act of 1965. In many respects it combines the best features of the original Area Redevelopment Act, the Accelerated Public Works Act, and the Appalachian Regional Development Act. Perhaps the most notable feature of the bill is the encouragement of economic development planning on a regional basis and the provision of assistance to the more economically viable sections of a region. We have many distinguished witnesses scheduled to testify on this bill and I shall look forward to hearing their remarks.

Senator DOUGLAS. We have received a number of letters and telegrams in support of this bill from various private groups. I am going to ask that they be inserted in the record at the conclusion of the testimony this morning.

There is a letter from the Northern Hardwood Veneers Co., Inc., of Butternut, Wis.; one from the National Housing Conference, Inc.; one from the Lieutenant Governor of Wisconsin; telegrams addressed to Senator McNamara from various persons—Community Inns of America; from Crockett State Bank, Crockett, Tex.; and from Sandersville (Ga.) Chamber of Commerce; McNairy County Chamber of Commerce, Selmer, Tenn.; Planning and Development Commission, Augusta, Ga.; county judge, Somerset, Ky.; the mayor of Sandersville, Ga.; mayor of Michie, Tenn.; and mayor of the town of Adamsville, Tenn.

Also the Huntington (W. Va.) Chamber of Commerce—U.S. Chamber of Commerce, take notice; from the Lieutenant Governor of the State of Indiana; from the Dawson Springs Chamber of Commerce of Kentucky; from the Citizens National Bank of Russellville, Ky.; from the Point Pleasant-Mason County Chamber of Commerce, Point Pleasant, W. Va.; from the mayor of Dawson Springs, Ky.; the First Huntington National Bank, of Huntington, W. Va.; the Huntington Trust & Savings Bank of West Virginia; and the county judge of Trigg County, Cadiz, Ky.

(The letters and telegrams begin on p. 43.)

There will be more coming later, but this will be a beginning. Perhaps we shouldn't delay any further because your time is very precious, Mr. Secretary.

We deeply appreciate your coming, Mr. Secretary, so will you proceed in your own way. I understand you are accompanied by Mr. Batt, and by Mr. Williams.

Secretary CONNOR. I have Mr. William L. Batt, Jr., Administrator, ARA; Mr. Harold W. Williams, Deputy Administrator, ARA; and Mr. Thomas W. Harvey, Chief Counsel, ARA.

Senator DOUGLAS. Thank you very much.

**STATEMENT OF HON. JOHN T. CONNOR, SECRETARY OF COMMERCE;
ACCOMPANIED BY WILLIAM L. BATT, JR., ADMINISTRATOR,
AREA REDEVELOPMENT ADMINISTRATION; HAROLD W. WIL-
LIAMS, DEPUTY ADMINISTRATOR; AND THOMAS W. HARVEY,
CHIEF COUNSEL**

Secretary CONNOR. Mr. Chairman and members of the committee, I am grateful for the opportunity to present this additional testimony on behalf of S. 1648, the President's proposed Public Works and Economic Development Act of 1965.

Since the chairman and representatives of this subcommittee were present at the time of my testimony on this bill before the Committee on Public Works on April 26, I believe that it would save time if I were to submit for the record the statement I made on that occasion, and extend my remarks in connection with titles II and IV of the bill, with which this subcommittee is primarily concerned.

Is that acceptable, Mr. Chairman?

Senator DOUGLAS. Yes; that is the understanding.

Secretary CONNOR. Thank you, sir.

I think I can best accomplish this purpose by discussing the principal provisions of these two titles in relation to the provisions of the Area Redevelopment Act in which they had their origin.

TITLE II—OTHER FINANCIAL ASSISTANCE

Section 201 would continue the program of public facility loans initiated under section 7 of the Area Redevelopment Act, but would considerably broaden the criteria of that act in order to enable the Secretary to make loans to assist in the acquisition and construction of needed public works, public service, or development facilities which would either directly or indirectly assist in the creation of additional long-term employment opportunities or else primarily benefit the long-term unemployed and members of the low-income families.

Under the Area Redevelopment Act, as you know, it was necessary for us to limit our assistance to projects which were directly and immediately related to the creation of specific and identifiable new employment. As a result, many communities were unable to obtain assistance in acquiring the public facilities they needed as prerequisites to the establishment of new industry in their areas. Our purpose under the present bill is to enable loans, as well as grants, to be made for environmental facilities—those which will enhance

the infrastructure of the community—as well as for those which will immediately result in the expansion of industry.

Loan criteria under this new section would remain substantially the same as under the Area Redevelopment Act, except that a new interest formula would be substituted to apply to appropriated funds, rather than to funds obtained under Treasury borrowing authority, an authority which was never used under the Area Redevelopment Act and which is not contained in the new act. The new formula would vary interest rates according to Federal borrowing costs for obligations of comparable maturities, but less one-half of 1 percent in order to keep our development facility interest rates in line with the borrowing costs for similar projects incurred by communities in more prosperous areas where a private market is more readily available. On the basis of current Federal borrowing costs, our initial interest rate to borrowers would probably be $3\frac{5}{8}$ percent. Another technical change has also been made in the so-called nonduplication provision of section 201(a)(2), in order to avoid the dilemma which results when neither of two Federal agencies can make a loan if it is available from the other on “reasonable” terms.

Section 202 continues the business loan program begun under section 6 of the Area Redevelopment Act, with what we believe are major improvements. These improvements are the following: First, there has been a reduction in the so-called 10-percent local share—originally contained in subsection 6(b)(9)(B) of the Area Redevelopment Act—from 10 to 5 percent, with provision for concurrent repayment of the local funds along with the repayment of the Federal loan, and with provision for the Secretary to waive the 5-percent local share requirement when this requirement would constitute an undue burden on the community.

However, the proposed act retains the requirement that at least 15 percent of the aggregate cost of the project must be subordinated in lien position to the Federal loan.

We believe this modification is of major importance because of the problems, with which most of you are familiar, encountered by local communities in attempting to raise the funds necessary for industrial or commercial projects of any substantial size. In fact, we found that the difficulties encountered by the communities with respect to this requirement were directly proportional to their degree of economic distress, so that the neediest communities incurred the greatest disadvantage in obtaining ARA assistance.

Second, new authority is provided to guarantee loans for working capital made by private lending institutions in connection with projects receiving direct loans under the new program. These guarantees, which may not exceed 90 percent of the balance outstanding at any time on any loan, will be of great value to us in insuring that projects do not fail in their early stages for lack of operating funds, which again was a major problem under the previous program. At the same time, these guarantees will insure a greater involvement in the program by private lending institutions, particularly those outside the immediate area of the project. We intend initially to impose a charge of one-half of 1 percent of the outstanding loan balance on these guarantees to help defray the costs of the program and to provide a reserve for anticipated losses.

Third, the new bill contains a feature which has never before been tried in this country; that is, authority for the Secretary to enter into contracts to reduce by 2 percentage points the interest costs incurred by private businesses which can finance their projects from private sources, provided they agree to establish or expand within a redevelopment area.

As Senator Douglas observed during the hearing before the Public Works Committee, this provision would enable us to provide an incentive for a one-quarter billion dollar new annual investment in our depressed areas by means of an annual Federal cost for this investment of only \$5 million. And, as an equally important result, we could attract more stable companies into redevelopment areas and make greater use of private lending institutions, without a proportional outlay of direct Federal funds.

It should be noted that while this new authority could ostensibly entail an annual expenditure at the end of 10 years of as much as \$50 million, our calculations indicate that the required annual amortization of principal would in fact reduce outstanding balances over the 10-year period in such a way that the maximum outlay in any one year for all contracts outstanding would never exceed \$30 million. We feel very strongly that some incentive, such as the one provided by this proposed new authority, is absolutely essential to attract the sounder and more viable firms into the areas where new industry is most needed.

This section also authorizes the Secretary to require periodic revisions of overall economic development programs, and it contains the same provision with respect to availability of funds which I discussed in connection with the previous section. Interest would be charged to borrowers in accordance with the same formula contained under the development facility loan section, except that the rate would not be reduced by one-half of 1 percent. Thus, the initial rate which would be charged to borrowers under the new program would probably be $4\frac{1}{8}$ percent, or one-eighth of 1 percent higher than under the present ARA program.

Another modification which affects both sections 201 and 202 is that a single total authorization of \$170 million annually is provided for both sections, rather than a separate authorization for each section. We believe this change would add greater flexibility to the use of funds appropriated for these programs.

Section 203 establishes an economic development revolving fund in the Treasury of the United States for funds obtained by the Secretary under section 201, for loan funds under section 403, and for collections and repayments. The fund would be available to the Secretary for the purpose of extending loan assistance under sections 201, 202, and 403. Repayment of obligations outstanding under the Area Redevelopment Act would be credited to the fund, and it would pay interest to the Treasury on the amount of the total loans outstanding, based on current average market yield on outstanding Treasury obligations of comparable maturities.

TITLE IV—AREA AND DISTRICT ELIGIBILITY

Rather than take the time to discuss the details of title IV, I would like to refer the members of the committee who have not had an opportunity to familiarize themselves with its provisions to the section-by-

section analysis contained in the excellent Public Works Committee print entitled "Compilation of Documents on Public Works and Economic Development," dated April 14, 1965.

Essentially, the changes made in the area eligibility criteria of the new act, with respect to redevelopment areas, are intended to provide a more fair and equitable basis for determining which areas ought to be included in the program.

Our experience under the Area Redevelopment Act has shown that while data regarding unemployment rates in predominantly urban areas enabled us to make a reasonable judgment as to the relative needs of areas designated under section 5(a) of that act, the criteria of section 5(b) provided little or no administrative guidance and bore an inadequate relationship to the needs of these areas. Consequently, while the new act retains the 5(a) criteria in subsection 401(a)(1), we have substituted a percentage of the national median family income as a basis for designating the predominantly rural areas. We believe that this new system will greatly improve our ability to use funds where they are most needed, rather than basing eligibility on participation in previous programs and similar criteria.

A new provision has also been added to the proposed act which enables the Secretary to designate areas experiencing a sudden rise in unemployment of such magnitude that the area would become eligible under the regular criteria of the act within 3 years unless assistance is provided. Areas now eligible under the Area Redevelopment Act would remain eligible for assistance for a period of approximately 1 year, after which they would be required to qualify on the basis of the regular income or unemployment criteria. Under the new act, no area would normally be designated which is smaller than a labor area, a county, or a city with a population in excess of 250,000 and no area could be designated if it has a population of more than 1,500 persons.

Another improvement is contained in section 402, which replaces section 13 of the Area Redevelopment Act, dealing with the termination of redevelopment areas. Under the new system, areas would be terminated only once a year, on the basis of an annual statistical review of eligibility, so that minor unemployment fluctuations and seasonal variations would not suddenly endanger or threaten to endanger an ongoing redevelopment program within an eligible area. This section would also explicitly require 30 days' notice prior to termination and allow projects submitted prior to termination to be considered for assistance.

Section 403 involves an entirely new experimental program predicated on experience which indicates that many areas of the country can be effectively assisted only in relation to a larger economic unit in which there exists a viable center for future economic development. Under this section, any two or more redevelopment areas having common problems and common potential could combine with one or more centers of economic growth in order to plan projects which would benefit both the areas and the district as a whole. The Secretary would be authorized to designate certain economic development centers within the district as eligible for projects which would fulfill the objectives of the district program, and the redevelopment areas within the district would be eligible for 10 percent additional grant assistance as an incentive for combining with other areas.

And authorization of \$50 million annually is provided for assistance to these centers and for bonus payments to participating redevelopment areas. However, in order to insure careful and adequate planning of district organizations and district programs, this authorization would not become effective for a period of 1 year after enactment.

As I am sure the members of this committee are aware, I have been able in this short time to discuss only the main features of these two titles of this bill. However, the area redevelopment program has a 10-year legislative history, despite only 3½ years of actual operating experience, and I am sure that many members of this committee are thoroughly familiar with the reasons for each provision of the new act.

I therefore will conclude my presentation at this point and will be glad to try to answer any questions that you may have.

(The original statement of Secretary Connor follows:)

STATEMENT OF THE SECRETARY OF COMMERCE

Mr. Chairman and members of the committee, I appreciate this opportunity to testify in support of the President's proposed Public Works and Economic Development Act of 1965.

The need for the bill you are considering in these hearings, S. 1648, arises from the fact that many areas and regions in the United States are not keeping up with the Nation's unparalleled economic growth.

We are now in our 50th month of steady economic expansion.

The national unemployment rate is at its lowest point in 7 years, although it is still too high at 4.7 percent.

Every month sees new records set in industrial production, gross national product, factory payrolls, total employed, and average income.

But in many areas and regions of our Nation, these impressive, continuing achievements of our total national economy only serve to highlight the chronic failure of many areas and regional economies to share in our national prosperity.

For example, the Nation's 100 hardest hit unemployment areas, in 28 States, had an annual average unemployment rate in 1964 of 13.6 percent, or more than 2½ times the national average.

At the same time, the hardest hit rural areas, on the basis of 1960 census figures, typically had incomes of less than one-third of the national median, which amounts to less than \$1,900 a year on which to support a family. Individual counties had much lower figures. For example, the 100 poorest counties as a whole had median family incomes ranging from \$1,260 to \$1,766, or nearly 70 percent below the national average of \$5,660.

Moreover, because many of these distressed areas are characteristically clustered together, they often form what can be considered as districts and regions of economic distress, covering large portions of our country which have fallen behind economically.

We cannot afford to be complacent about this situation. One out of every five Americans lives in an area where economic opportunities are deficient. One out of every four American counties can be identified as having serious economic problems.

As the President emphasized in his message on area and regional economic development, we must be concerned when "any of our fellow citizens is denied the chance to build a full life for himself and his family."

To the people of an area suffering from economic distress, the meaning of that distress is abundantly clear: it usually means poor environment, poor health and sanitation facilities, poor clothing, less chance for an adequate education, inadequate food, and substandard housing.

To the people of other areas, the meaning of area economic distress may not be as clear, but it is just as real. It means fewer customers for their products. It means larger taxpayments to make up for the smaller tax receipts from the distressed areas and to pay the costs of welfare and similar emergency programs. It means that our Nation's economic growth is being held back by our inability to use the full potential of our national resources.

The Congress has not been unmindful of these considerations. In 1961, recognizing that substantial unemployment and underemployment were causing

hardship to many individuals and families and detracting from the national welfare, it passed the original Area Redevelopment Act to assist in the creation of new employment in the depressed areas. We learned much from this act, and it laid the groundwork for three other measures of great promise.

Among other things, we learned that while it is possible for new jobs to be successfully created in areas previously devoid of economic promise, it cannot be done easily, and it requires a great deal of preparation in terms of public service and development facilities. These are the minimum public facilities required for the long-range economic improvement of an area, if it is to be capable of producing sustained industrial and commercial growth. We have also learned that there are substantial benefits for other areas when economic development begins in a depressed area. For example, a recent survey of the source of nearly \$52,500,000 worth of machinery and equipment purchased for certain major ARA projects, showed that significant portions of that total expenditure went to each of 45 different States. There is good reason to believe that this multiplier effect of new area and regional development spreads throughout the economy and provides immediate and tangible benefits for the Nation as a whole.

The three other Federal enactments which grew out of needs brought to light by the distressed areas problem were the Manpower Development and Training Act of 1962, the Public Works Acceleration Act, passed the same year, and the Appalachian Regional Development Act of 1965.

Of these measures, only the manpower development and training program and the Appalachian regional development program will continue to be in effect after June 30, 1965. The Area Redevelopment Act will expire on June 30 and has virtually exhausted its authorizations. The public works acceleration program has exhausted all of its appropriated funds and nearly all of its authorization. Yet, as President Johnson emphasized in his message of March 25, much remains to be done. It is for that reason that he has proposed a bill combining the best features of the previously related programs.

By "best features," I mean that the proposed Public Works and Economic Development Act contains three primary areas of emphasis, each based upon valuable knowledge and experience gained under a previous program or enactment. These areas of emphasis include the following:

First, the provision of \$250 million annually for the sorely needed public works and development facility projects which both the APW and ARA programs have shown to be prerequisites for successful and sustained industrial and commercial development.

Second, an improved and expanded industrial, commercial, and development facility loan program, based upon the provisions of the Area Redevelopment Act, but including new authority to guarantee loans for working capital in connection with direct loan projects, and to provide assistance in the form of two-point interest rate rebate contracts to induce sounder firms to establish their new plants or new expansions in redevelopment areas. A total annual authorization of \$170 million is provided for all types of loans and guarantees in order to insure maximum flexibility. In addition, new annual interest-rebate contracts are authorized which cannot exceed \$5 million annually.

Third, authority is contained in the bill to take advantage of the possibility of more effective economic development and redevelopment when counties and States having common economic problems and common interests are encouraged to unite in seeking common solutions with Federal help, as was done under the recent Appalachian Regional Development Act.

The development facility grant program, set forth in title I, includes authority for both direct and supplementary grants, for the acquisition and construction of needed public works and public service facilities directed toward long-range economic development. Direct grants would be provided, at 50 percent of project cost, and supplementary grants would be used to increase the Federal share of the cost of such projects, and of related projects under other Federal grant-in-aid programs, to a maximum of 80 percent of project cost. The purpose of the supplementary grants, as in the Appalachian Act, is to enable the States and other entities within depressed areas to take advantage of Federal grant-in-aid programs for which they are eligible, but for which because of their economic situation, they are unable to supply the required matching share.

It would be our intention to publish objective standards and regulations, setting forth the principal types of projects which would be eligible for assistance and the amount of assistance they might expect to receive within each classifica-

tion of distressed area, similar to the procedure followed under the accelerated public works program. Title I would differ from the APW program, which was essentially a supplementary grant program, principally in requiring a relationship of the proposed project to general economic development, and in concentrating Federal assistance within areas of chronic or severe (rather than merely temporary) distress. The new program would differ from both the ARA and APW programs in also making grants available to designated economic development centers, located within multicounty districts, which I will discuss in connection with title IV.

We believe that the authorization figure of \$250 million annually for development facility grants is both adequate and realistic. While \$400 to \$450 million was obligated under the accelerated public works program in 1963 and 1964, this was a one-time effort designed for immediate stimulation of the economy as contrasted to the present \$250 million authorization available each year. Moreover, by requiring development projects to be related to the general economic development of the area and concentrating assistance where it will have the maximum economic benefit for areas in greatest need, Federal assistance can be used more efficiently and to better effect for long-term growth.

The development facility loan program under title II is necessary to provide funds to assist the local nongrant share of project cost, particularly in those cases where supplementary grants can be reduced by revenues produced by the facility itself. The business loan program contained under the same title is of vital importance if we are to provide not only the environmental facilities necessary to future economic development, but also the means by which new businesses can be established—or old businesses expanded—to take immediate advantage of the development facilities provided and to create the new industrial and commercial employment which is the fundamental and underlying purpose of the act.

As I have mentioned, the business loan program would provide not only direct financial assistance for the acquisition and construction of new land, buildings, machinery, and equipment, but also guarantees for working capital for projects assisted under the direct loan program. In addition, the new interest rate rebate provision would provide a new means of bringing more stable and promising business enterprises, which are able to obtain private financing, into depressed areas. While the cost to the Federal Government of this inducement is relatively small, and does not require the outlay of large sums from the Federal Treasury, the \$5 million in new contracts authorized annually would enable the financing of \$250 million worth of industrial expansion in redevelopment areas each year.

The 10-percent local share requirement, which proved to be the greatest single impediment to business loan projects under the ARA program, has been modified under the new program to require only 5 percent from the community, and to allow concurrent repayment of the community's investment along with the Federal Government's loan. It is anticipated that this new provision will greatly increase our ability to bring new projects into areas of greatest distress.

All funds appropriated under the new act for the purpose of making loans would be deposited in an economic development revolving fund, which would be available without fiscal year limitations for receipts and expenditures in connection with the development facility and business loan programs.

Title III of the bill would provide \$20 million annually for technical assistance in the development of plans and studies for the alleviation of unemployment and underemployment in areas throughout the country which have substantial need for such assistance. It would also authorize grants-in-aid, not exceeding 75 percent, for administrative expenses of appropriate State and intra-State organizations, in order to assist them in planning for long-range economic development. A program of research and information to combat unemployment is also authorized under this title.

Title IV sets out area and district eligibility criteria under the proposed new act. Section 401 of this title establishes detailed and objective standards for the designation of eligible "redevelopment areas" on the basis of unemployment, low family income, and projected unemployment based on economic emergencies. In addition, Indian reservations would be specifically eligible for designation in accordance with area size criteria applicable to all areas; and areas designated under the present Area Redevelopment Act would continue to be eligible for a period of approximately 1 year until a first annual review of area eligibility in accordance with section 402. It should be noted that the use of annual (rather than monthly) unemployment data will not only facilitate the orderly administra-

tion of the program, and allow for greater accuracy of data by the elimination of seasonal factors, but will also permit a greater period of time for economic improvement within the eligible areas prior to their formal termination of eligibility for assistance.

Finally, title IV makes provision for the formulation of multicounty "economic development districts," composed of two or more redevelopment areas and at least one "economic development center" of relatively promising potential for economic growth. Such centers would be eligible for loan and grant assistance under the act for projects which would be of benefit to the general economic development of the district. To provide additional incentive to designated redevelopment areas to form such districts, they would be eligible for 10 percent bonuses on development facility grants (subject to the 80 percent Federal maximum) on projects within designated development districts. To allow time for effective planning, the provisions of the act pertaining to financial assistance to districts would not take effect for a period of 1 year. The availability of funds for planning purposes under title III, however, would be immediate. A total of \$50 million annually would be authorized for assistance to centers and for 10 percent bonuses on grants after the first year.

Another main feature of the new bill, of course, is the provision of title V which authorizes the establishment of appropriate multi-State regional action planning commissions to aid in regional economic development. It is our intention to insure that the commissions are formulated in a manner consistent with the purposes of the act, and that their emphasis will be on fostering economic development in areas and regions lagging behind the national economy generally. Title V authorizes a total of \$15 million annually for technical assistance to such regions and for grants-in-aid up to 100 percent of the administrative expenses of the commissions for the first 2 years of their existence. Thereafter, the Federal Government and the States in each commission would share expenses equally.

Title VI authorizes the appointment of an Economic Development Administrator within the Department of Commerce, to perform duties in connection with the economic development program. It also directs the Secretary to appoint a national public advisory committee on regional economic development and to consult with persons and agencies who can assist in meeting problems of area and regional unemployment and underemployment.

Finally, title VII contains the provisions customary and necessary for the administration of this type of program. It provides the Secretary with certain powers in connection with loans and collateral, and is intended to insure a smooth transition between the area redevelopment program and the program authorized under the new act. The other provisions of title VII are substantially the same as under the Area Redevelopment Act, except that the provisions of the Davis-Bacon Act have been applied to industrial and commercial projects as well as to public facility projects, and there is a final section intended to extend benefits available to present redevelopment areas (designated under the Area Redevelopment Act) to redevelopment areas and centers designated under the new act.

It would be well at this point for me to emphasize the three basic principles laid down by the President in his message to Congress, and which I want to assure you will guide us in the conduct of this new program.

First, we are interested in helping to establish the conditions under which private enterprise can provide the maximum number of jobs for our distressed areas. We look to private enterprise to do the job, and everything we do under this program will be pointed toward helping local, area, State, and regional officials provide the environment and the assistance which will create improved conditions for private enterprise profits, and thereby make it possible for more jobs to be created.

Second, we are interested in local initiative. No amount of Federal help can do the job for the local people. As the President said, the requests for assistance must come to Washington, not from Washington. We want local areas to be stronger and more self-supporting because of this program, not weaker and more reliant on outside help.

Third, we are interested in getting full value from every dollar spent or loaned under this program. We intend to administer it so that it will create new jobs, assist national and regional economic growth, and at the same time enrich the Federal Treasury with new tax dollars arising out of our increased economic activity.

To these principles, I wish to add a few of my own :

First, we will see to it that the new employment created under this program constitutes truly new jobs and not a mere relocation of jobs from one area to another. We will police the antipirating provisions of the law stringently. We will go over every application thoroughly and meticulously to see to it that no relocation is involved, and this applies equally to requests for all forms of aid under the act.

Moreover, we are not only concerned with guarding against relocations of the same business. We are also concerned where there is excess capacity in an industry and where the effect of a new capacity would be to replace effective existing capacity. Our goal will be to assist and promote the economic growth of those areas and regions where this growth has been denied in the past. But we do not intend to take from one area to benefit another.

Second, we will be diligent and careful in the administration of the loan and grant program. We recognize that a development program requires the taking of risks which go beyond conventional banking standards. We recognize that we must be prepared to suffer some monetary losses. But we do not intend to allow the unscrupulous or the irresponsible to promote or finance unsound projects under this program. We will examine every project as thoroughly and completely and objectively as possible.

Third, we look upon the new public works and development facilities program as geared primarily toward the long-range economic development of the distressed areas. A massive public works program to bolster a sagging national economy is, fortunately, not needed at the present time.

Fourth, we intend to try our best to administer this program as simply, expeditiously, and economically as is practicable. Consistent with proper care and caution, we will try to eliminate unnecessary delays and needless red tape.

The President has said that the conditions of our depressed areas can and must be righted and that, in this generation, they will be righted.

The bill before you will, in my opinion, provide effective and useful tools to achieve the goal the President has set for us.

I urge the committee to approve this proposed legislation.

Senator DOUGLAS Thank you very much, Mr. Secretary, for a very concise and excellent statement.

I will ask Senator Muskie to begin the questioning.

Senator MUSKIE. Thank you very much, Mr. Chairman.

Mr. Secretary, I detect in your statement this morning combined with your statement earlier to the Public Works Committee some recommendations which are based in part at least upon experience the agency and program has had in my State, so I can't help commending the agency and you, Mr. Secretary, for your recommendations.

I think you have some good changes and modifications in the new bill.

Basically, your testimony this morning focuses on: One, the problem of more effectively dealing with problems of the redevelopment area once it has been identified by putting to work the elements of economic strength and viability which it may have; second, the establishment of eligibility for bringing in the areas which are truly in need and which can use the program usefully; and, finally, terminating the program at the right time. These seem to be the three key points in your testimony this morning.

I would like to turn to page 8 of your testimony for a comment. You describe section 403, involving what you describe as an entirely new experimental program predicated on experience which indicates that many areas of the country can be effectively assisted only in relation to a larger economic unit in which there exists a viable center for future economic development.

Actually, this is the sort of thing that has been done in Aroostook County in Maine, as I am sure Mr. Batt could document for you. Aroo-

Aroostook County is a large county. It is the size of the State of Massachusetts, and it is a one-crop county. Only recently has it developed an industrial complex in addition to its agriculture base, and we were besieged both in my office and in the agency with requests from some of the outlying rural areas of the county for designation. It was our belief that we were helping the citizens of that county to remake their economy, that we ought to do so in the context of the entire county, which was a single economy, rather than to try to work in some of the fringe areas. The entire county was designated and I think you have in Aroostook County a capsule demonstration of the theory which is contained in the section which you describe in your testimony. I think that the success of the program in Aroostook County is worth noting at this point, as documentation of the validity of the section.

ARA has approved \$11,533,000 industrial loans to industries in Aroostook County. As a result of this, 3,015 direct jobs are existing or projected for the area; the average cost per job is \$3,900, which is considerably below the \$20,000 figure that was current as the cost for establishing new industrial jobs a year or two ago, at least.

And the average annual total income resulting from this direct effort is over \$10 million.

I think that the citizens of Aroostook County would add their voices without dissent to approval of this concept of the viable center as a sound approach to the development of undeveloped areas.

I am particularly interested in the commercial loans or the business loan feature of the program because it has been of such great assistance in Maine and I notice in your testimony that there are three changes which you consider to be important and valid and necessary in the light of the experience in the program since it was instituted.

First, there is the reduction in the so-called 10-percent local share. I would like to document the importance of this provision and the validity of the rationale behind it. One of the latest applications of the direct loan feature of the program has been in Lisbon Falls, Maine. Here a textile mill closed last fall and the community immediately launched an effort—as a matter of fact, two textile plants closed, and the bulk of the industrial employment of the community was terminated. The citizens of the community and the surrounding area immediately launched an effort to accumulate the resources necessary to try to rescue the community from a disaster.

ARA did come forward and with the assistance of ARA—it would not have been possible without that assistance—one of those plants has been reopened under new ownership and new management which is proving successful and which clearly is going to make a profit. But in order to do it, this community which suddenly lost all of its economic base had to raise, I think it was on the order of \$100,000 to meet its requirement under the law. It finally managed to do so by spreading its appeal through the State. But there still remains another plant to be opened.

Frankly, I don't know how that community would raise the additional community share once a new operator for that industrial plant is found. So this improvement is very helpful. I recognize the need for community participation, community initiative, and community responsibility, and we certainly ought not to waive the community share to some degree, but I would agree with you that the greatest disadvantage lies in the communities that need the program most.

Up to this point I haven't asked any questions; I have simply been commending you.

Secretary CONNOR. You are doing fine, Senator. [Laughter.]

Senator MUSKIE. Your second point is the one which would guarantee loans for working capital. I think this is an excellent device. I might have some reservations about direct loans for working capital, but I think by utilizing existing lending institutions with the guarantee technique you have a check on any possible abuses of this provision of the new program. That is very wise.

The third point is the one that I would like you to expand upon, because it has been subject to some attack in the hearing in the Public Works Committee and outside. That is the provision that reduces by 2 percentage points interest costs incurred by private business.

The rationale that you gave on page 5 of your testimony for this provision is that some incentive is absolutely essential to attract the sounder and more viable firms into the areas where new industry is most needed.

Now, no one can quarrel with that objective—certainly not I. It isn't going to help an undeveloped economic area to bring in weak economic units and weak industries to try to build it up. So I wonder if you could build up the record with further comment.

Is this one of the incentives which would indeed attract sounder and more viable firms? What are the reasons why sounder and more viable firms are not as likely to go into these undeveloped areas as we would like to see?

Secretary CONNOR. Senator Muskie, a large national manufacturing organization, for example, in considering its expansion plans, has many alternative choices as to where it can locate one new plant and then another and so forth. And it is usual that as part of its planning activity it would be taking various sections of the country into consideration and making comparative judgments as to the relative advantages and disadvantages of locating new plants in many different sections.

Now, in one of these, shall we say, underdeveloped parts of the country, there are some obvious economic disadvantages for such a company locating its plant there. And in the competition with other communities or localities that have a greater infrastructure in depth, or better transportation facilities, or are in a physical location that is closer to the market, one of these redevelopment areas might well lose out in the competition unless there is some kind of added incentive.

The experience in several European countries, particularly Belgium and West Germany, is that if there is some public need for assisting and giving incentives for the location of new industries in locations where there are some problems such as higher rate of unemployment, than an incentive of this kind can be instrumental because a company in looking at the competitive advantages and disadvantages can be attracted to an area where there is, say, a labor surplus and some other advantages that would be helpful in the long run, if it can get some incentive that would offset the immediate economic disadvantages of such an area. We think this is a good experiment to try. We, of course, are not sure of its success because it never has been tried, but after looking at the various types of incentive that would bring these stronger, large national corporations into these areas where their help is needed most, we think this has a reasonably good chance of success.

Senator MUSKIE. What, if any, other kinds of incentives were considered?

Secretary CONNOR. Well, other kinds have been considered, Senator Muskie, but the ones considered would involve greater financial outlay by the Federal Government. We think that this leverage effect that we obtain from the use of the 2 percentage points with the company putting up its own money will do at least as effective a job as the others and at least cost to the Federal Government.

Senator MUSKIE. Did you test this out as an incentive—the objective I don't quarrel with, the purpose I don't quarrel with, the need I don't quarrel with, but I am wondering whether the incentive will work. Have you tested it in any way?

Secretary CONNOR. We have had discussions. Of course, something like this can be tested only in the facts of a particular situation by a company that is considering its location in one of these redevelopment areas in competition with an area where greater public services and facilities are available.

Senator MUSKIE. One other point I would like to touch on and then I will allow my colleagues to ask some questions because I am sure there will be some.

I referred a moment ago to the fact that we are concerned, and your statement is also concerned, with the termination of the program in an eligible area once it has been eligible and has gotten underway.

In the hearing before the Public Works Committee, I refer to the particular problem of the Kittery Naval Shipyard and the fact that under the announcement of the Secretary of Defense it will not be closed for 10 years from the date of the announcement.

In fact, the 10 years was provided by the Secretary to enable the area to adjust to the economic impact of the closing. And yet I am not sure even under this bill or the existing ARA program that the fact of that closing can be given weight in establishing and retaining eligibility for the area unless the other criteria of unemployment, median family income and so forth, are also met. I wonder if you have been able to give that any consideration, since we raised the question in the Public Works Committee and what your present reaction is. I know that Senator Mondale has a proposed amendment which he may get into in his questioning that also bears on this problem, but I wonder if you had had an opportunity to review the question?

Secretary CONNOR. We have, and if you don't mind I think Mr. Batt is in the best position to talk about this point.

Mr. BATT. Senator, as you know, of course, Portsmouth is the only single area in the United States that has this 10-year phaseout opportunity or plan, so that it is difficult to design a bill that is intended for the entire United States around Portsmouth. And in the Kittery situation we do visualize this kind of assistance: First of all, we have no geographic limitations on technical assistance, so far as planning help is concerned, to help the community adjust, and this could be made available to them immediately. They have at the moment a very tight labor force, as I understand it. There would be no labor presumably to staff new industry at this point. We think what they need now most is planning assistance and at such a time when

the planned phaseout would be 3 years away, the financial assistance parts of the act could become applicable and we could throw in these kinds of resources.

Senator MUSKIE. May I say this with reference to what you have just said, Mr. Batt: although the labor force in the immediate Portsmouth area is tight, and will continue so probably for as much as 3 years under present projections of the Department of Defense, nevertheless, outside the immediate area, I think there are possibilities for economic development now and the use of the direct loan program, for example, which we ought to be in a position to capitalize upon.

For instance, immediately north, in Biddeford area, for almost a year now, the agency has been considering terminating the eligibility of the area. Now that area is a prime area for development which can gradually take up the slack from the Portsmouth area as that slack begins to appear.

I won't press the point further at this time, because I think Senator Mondale, who ought to be allowed to get into his own amendment, has a suggestion which I would like to commend to your attention and which I think could be useful, not only in the Portsmouth area but in many, many areas which establish eligibility and then are threatened with loss of it because of unemployment figures or median income figures which may not truly reflect the need of the area for further attention.

Mr. Chairman, I think that is all.

Senator DOUGLAS. Before I call on Senator Bennett, I am very happy to note that the junior Senator from Utah is here with us also, Senator Moss, and I know he has a very busy morning. We will be very glad to hear from him at this point.

Senator Moss. Thank you, Mr. Chairman, for your courtesy and for inviting me to sit here at the table with the committee.

I am on the Public Works Committee and I have been hearing testimony on this bill down there. And I didn't come to make any particular statement for the committee this morning.

I did come to confer with Senator Muskie, and that is the reason I sat up here beside him.

I do want to say that I am very interested in this discussion of the bill which amplifies some of the discussion we had in the Public Works Committee. I will express my support of this bill in general terms because I think this is an extension of what has proven to be a very successful program, and I am glad that it is being supported as we carefully try to fashion new tools that will be even broader and more effective in meeting this chronic problem of underemployment in selected areas of our country.

Thank you very much, Mr. Chairman. That is all I have to say.

Senator DOUGLAS. Thank you, Senator Moss.

Senator Bennett?

Senator BENNETT. Mr. Secretary, may I ask a question before I begin: Is Mr. Batt going to make a statement or is he here simply to help you.

Secretary CONNOR. He is here to assist me in the answering of questions, Senator.

Senator BENNETT. Fine, because if he were going to make a statement, I might reserve some of my questions until after his statement.

Is it contemplated that the present Area Redevelopment Administration will continue to administer this law if it is passed? I am referring to the Administration as a whole and not to any specific individual in it.

Secretary CONNOR. Senator, we haven't made any final decisions with respect to the administrative setup under the new law. We will obviously draw on the experience of ARA, both in its organization and the experience of the personnel in it. But we have not come to any conclusion as to the exact setup or the people in it.

Senator BENNETT. When ARA was set up, there was arrangement for five supergrade positions. There is no arrangement for continuing these five in this bill. Is it contemplated that these five supergrade positions will be carried over?

Secretary CONNOR. Senator, I think that it is fair to say that the demands under the new legislation will be at least as great and in many respects greater than on the present ARA organization, so that I think that we will need that level of personnel in this new organization.

Senator BENNETT. Are these five positions now filled?

Secretary CONNOR. All five are currently filled; yes, sir.

Senator BENNETT. I am not sure then, Mr. Chairman, we may have to have an amendment to authorize the continuation of these five positions if they become necessary.

Senator DOUGLAS. May I interject? Would you suggest that possibly you need more than five?

Secretary CONNOR. We may well need more than five, Mr. Chairman. The program is much larger, the added responsibility in the public works area, which is combined with the ARA, and other features of this bill, make for a larger area of responsibility than is presently carried by ARA.

Senator DOUGLAS. I think I was one who insisted that not more than five be in the bill because I was afraid of building up a high-paid bureaucracy. But since you, coming from private business, are willing to contemplate the addition of more positions, I would say you will overcome my Scotch tendency toward economy. [Laughter.]

Secretary CONNOR. Mr. Chairman, it has been my experience that it is worth the money to get competent management and particularly, when you are dealing with a program of this complexity and importance, and the amount of money involved, I think that it is wise to spend some money on management.

Senator BENNETT. Do you expect, then, that the number of people in the staff will be necessarily larger, the number required to administer the new legislation will be larger than that that has been administering the Area Redevelopment Act?

Secretary CONNOR. Senator, as is evident from the bill, the scope of responsibility is larger because of the public works aspect and we would expect that there will be a larger staff needed to administer the entire responsibility contained in this bill; yes, sir, than compared with the present Area Redevelopment Act organization.

Senator BENNETT. Going back to the question of supergrade positions, will you then recommend to this committee or to the other committee, wherever the responsibility lies, the number of additional supergrade positions you expect will be required?

Secretary CONNOR. Senator, it is my understanding that there are certain general regulations within the administration as to the number of supergrades that any department of Government can have and that there are certain regulations with respect to the allocation of them within the Department and they have to be looked at in light of the appropriations made available. It was not our intention to ask specific authority of this committee for the exact number of supergrades needed for this program any more than we asked of the Commerce Committee, and other committees, for legislation with respect to supergrades needed in other programs in the Department of Commerce.

We think this is already well taken care of under the limitations imposed on us through the regular budget and presidential review and appropriation procedures.

Senator BENNETT. You probably can absorb the requirement for supergrades from your present entitlement?

Secretary CONNOR. I don't think so, sir. If this authorization is made by Congress, we will, of course, have to request the appropriations needed to carry it out and this question then will be raised with the appropriations committees.

Senator BENNETT. Fine.

Do you contemplate that the new agency will continue to use SBA for counsel on loan applications?

Secretary CONNOR. It is my understanding that we will, but there is a question of degree, and Mr. Batt, I think, is in the best position to discuss that, Senator Bennett.

Mr. BATT. Senator Bennett, we would plan to use SBA under an accelerated procedure which we have worked out with Mr. Foley of much closer working relationships between the two agencies and if this accelerated procedure doesn't work, we will have to try and find some better way to process projects.

Senator BENNETT. Under the existing Area Redevelopment Act legislation, you have authority to make 100-percent grants. Under the new legislation, 80-percent grants. Is it contemplated that there are any conditions in the law under which grants can be pushed up above 80 percent?

mentary grants to meet the local shares of other grants-in-aid proposed bill.

Senator BENNETT. Does section 403(a)(4) of part B of title IV indicate a situation in which the grants can go up to 90 percent?

Secretary CONNOR. That is the proposed authorization of the districts, and it does provide for increasing grants for development areas within the districts up to 10 percent. But that is still within the 80-percent limitation, as I understand it.

Senator BENNETT. Also in section 101, there is authority for supplementary grants to meet the local shares of other grants-in-aid programs. Could this push the grant up above 80 percent?

Secretary CONNOR. No, sir; the 80-percent top limit would still be applicable.

Senator BENNETT. I am a little bit concerned as to how you are going to operate practically this question of setting up areas which you think within 3 years will become eligible because of loss, removal, or closing of a major source of employment. What is a major source of employment?

Secretary CONNOR. Well, of course, Senator Bennett, it will depend upon the facts in a particular State. But in a community where there is only one large industrial employer and when that closes down, obviously that is a major source of employment.

Senator BENNETT. That is easy, but suppose there are 50 and 1 of them closes down?

Secretary CONNOR. I would not think that would be a major source, depending upon the size of the other 49, but in a situation where they are roughly equal or where 1 is just slightly larger, this would not be—

Senator BENNETT. So this is going to be a matter of administrative judgment?

Secretary CONNOR. Yes, sir.

Senator BENNETT. What happens if within the 3 years the area never qualifies under any other section of the act?

Secretary CONNOR. It is my understanding that what amounts to a temporary qualification would then subside.

Senator BENNETT. Be terminated?

Secretary CONNOR. Yes.

Senator BENNETT. Would this provision deter or inspire local effort to overcome this loss of employment, this idea that you have a 3-year waiting period here or 3-year period of special status?

Secretary CONNOR. Senator Bennett, we think that by obtaining this status the community would have the help needed to make up for this catastrophic type of loss that it has experienced and this would provide some of the means for doing that.

Senator BENNETT. The application has to come from the community?

Secretary CONNOR. Oh, yes; this remains a local responsibility and our help is completely supplementary to what the local community leaders would be able to do through their own efforts.

Senator BENNETT. Under title II there is broad authority for loans for eligible areas to public works and facilities including the purchase of land. How have you protected against overlapping of the privileges under this bill and those that were considered in the housing bill?

Secretary CONNOR. That has been considered and Mr. Batt can talk about it.

Mr. BATT. This is similar, as I understand it, Senator Bennett, to the authority we now have and this simply relates to the land connected with a particular loan, a particular project, that in Park City, for example, where we were able to finance the loan that was essential for the rest of the project without which the other facilities would have been meaningless. We have had no problem of overlap whatsoever.

Senator BENNETT. This is not an extension into a new area?

Mr. BATT. No, sir.

Senator BENNETT. It is a carryover of existing ARA authority?

Mr. BATT. That is correct.

Senator BENNETT. I have two questions here, Mr. Chairman, that have been handed to me. The criteria relating to unemployment and no more than 40 percent of the national median family income appear to be antipoverty criteria rather than economic development criteria.

The emphasis appears to be more on aiding areas which have a history of unemployment or with low median family incomes rather than aiding underdeveloped areas experiencing outmigration because of lack of jobs. Would you comment on this?

Mr. BATT. I would be happy to, sir. These are the same criteria we have used under ARA program. We found to classify areas with the heaviest underemployment, the only decent comparable standard as between State data we could find in relation to underemployment was family income, and so we began to use the census family income data. Their shortcoming is that they are only available once every 10 years.

Now, the 40 percent provision you speak of, sir, would in point of fact raise our base from something like \$1,826, which it is now, and that figure subject to correction, up to about \$2,265. It is primarily a measurement of underemployment for those essentially rural areas where there are really no measures of unemployment, because people are employed on the farms and they are not counted as partially unemployed despite the fact that they may be only working a fraction of their time and have very low income.

Senator BENNETT. In rural areas, do you take into consideration the value of the things produced and consumed directly on the farm or just cash income?

Mr. BATT. We take census data, which is the only data available, and that is concerned with cash income. But I think it is fair to say that this cutoff point is so low that there is no hidden affluence in these counties. There are no eligible counties, even on an income basis, which are living off of the fat of the land.

Senator BENNETT. I agree with you there, but there are some counties where they have that kind of a situation without the benefit of whatever private consumable products are developed and consumed, so you still can have a variation in the basis on which you are making your calculation.

Mr. BATT. It is an imperfect figure, Senator Bennett, but it is the best one available.

Senator BENNETT. You are now using the 1960 census figures?

Mr. BATT. That is correct.

Senator BENNETT. Do you expect to use any method of upgrading these, estimating changes, or are you bound by the 1960 census figures until the 1970 census comes out?

Mr. BATT. There are some adjustments, as I understand it, that the Census Bureau makes. Mr. Williams can answer that.

Mr. WILLIAMS. We are also experimenting with trying to use tapes from the Internal Revenue Bureau and relating the annual income by county from the Internal Revenue figures to Census Bureau figures. We hope within a few years to have a system by which we can determine the changes in annual income, county by county, through the use of Internal Revenue figures. We do not now have it, but we are experimenting with it.

Senator BENNETT. The next question, and I didn't write it, I am reading it. Please explain what programs proposed in this bill will not be operative unless and until eligible areas have developed an overall economic development plan?

Mr. BATT. I think that is true of nearly all of them.

As you know, Senator, it wasn't in the law, but administratively we required that first of all, the local economic development group must pass upon them, and then the Governor must pass upon them, and then the Agency passes upon them for the Federal Government.

Senator BENNETT. My last question—

Senator MUSKIE. Would the Senator yield just a moment?

Senator BENNETT. Yes.

Senator MUSKIE. I think I ought to ask a question of clarification. On this question of the existence of OEDP as a precondition to any one of these programs, the exception is technical assistance?

Mr. BATT. You are quite right. Also, an emergency designation under section 401(a)(4) may be made without an OEDP.

Senator MUSKIE. Assistance can be provided to formulate the overall economic plan.

Mr. BATT. Yes, that is a part of technical assistance, which has no designation requirement.

Senator BENNETT. My next question is a matter of policy. I have tried to get certain information from ARA, and it has not been given to me. And the ARA has taken the position that only the chairman of this committee has the right to receive information about the operation of the Agency. And I wonder if that policy will continue. If it is likely to, I will offer an amendment making clear that the facts and figures of the operation of the Agency should be available to any member of the Banking and Currency Committee.

Senator DOUGLAS. Will the Senator yield?

Senator BENNETT. Yes.

Senator DOUGLAS. I don't know what you are referring to. Are you referring to the question of making public the defaults in payment?

Senator BENNETT. I asked for a list of foreclosures, the amounts involved, and the reason for foreclosure. I don't think that is making it public, and was told that it would only be given to the chairman of the committee.

Senator DOUGLAS. As a matter of fact, I never asked for that information myself. I don't think I have ever received it. So that I have never made a request for it. I can understand, the feeling of the ARA that if this is their position, that it might work an injury to the financial status of companies which may be in some default as to their payments and that this could injure them financially if there is any publicity. Without this publicity, they might be able to get on their feet again, and get supplementary loans. I had not realized that private banks publish a list of defaults, but I think it would be proper for the administration to furnish us some information—not the names but with A, B, C, D, X, and so forth cases, the amount of default, and then with statistical summary.

Senator BENNETT. Well, the Senator from Utah disagrees with the chairman. I feel that the members of this committee should be able to inquire about any specific agency or case, or about the status of cases as a whole, just as a bank's board of directors might do, and I made such an inquiry and was refused.

Senator DOUGLAS. May I say, offhand, this is a matter which could be developed in executive session, with the understanding that members of the committee will not make it public. I would not take it

as proper to be given at a public hearing, nor given without limitation to individual members, including the chairman.

Senator BENNETT. The Senator from Utah did not ask that the information be given in public. He asked the Secretary whether the policy would be continued which refused the information to members of this committee.

Senator DOUGLAS. Well——

Senator BENNETT. I think that is a perfectly legitimate question.

Senator DOUGLAS. It is a perfectly legitimate question. But it has sort of a twist and implication and I was simply trying to clear the record.

I have not asked for the information myself, because I felt that you never know about leakages in one's office and I didn't want to have anything getting out to injure the credit standing and reputation of firms which may be able to get on their feet. But I would say that a listing of these firms without their identifying names and a classification by types of loans, and statistical summaries of the number of percentage of these loans, both in terms of cases and in terms of amounts involved, should be made public and I hope that will be included in the record. (See p. 296.)

Senator BENNETT. My request for the list is the loans that had been foreclosed.

Senator DOUGLAS. Senator Bennett, as I understand it, that information in summary form has been provided. The only thing that was not given were the names of the firms.

Now, there is no——

Senator BENNETT. I have what was provided but it was denied me and only provided after the chairman of the Banking and Currency Committee wrote a personal letter. And I was told that this information would be furnished only to the chairman.

Now, I am just asking you, as a matter of policy, whether you expect to continue to deny this information to members of the committee as individuals, and insist that it be furnished only the chairman.

Secretary CONNOR. I suggest that this is a matter not—there must be some misunderstanding. There is no policy against providing this information to the members of the committee. We will be glad to do it.

Our only concern is about the names of the companies in default, and this can be provided as the chairman suggested in an executive session type of situation so that there will be every reason——

Senator BENNETT. I have never asked for names in default. I have no information on names in default. I have only the list of foreclosures and that is all I asked for.

Senator DOUGLAS. Do you want the names?

Senator BENNETT. I don't want the names in default.

Secretary CONNOR. There is no problem, Senator.

Do you have them?

Senator BENNETT. I have them.

Secretary CONNOR. There is no policy against that, so we will be glad to do that from time to time.

Senator BENNETT. I am happy to get the Secretary on the record.

I have no further questions.

Senator DOUGLAS. Senator Mondale?

Senator MONDALE. Mr. Secretary, I wish to express my appreciation to you for the fine presentation and to the Department for present-

ing what I think is a very wise proposal for improving upon the original ARA Act.

The ARA program has been most helpful to Minnesota. We have had good relations with the able ARA staff, although I think there are some built-in procedures of ARA in duplicating agencies, and some of the regional and national overlapping of procedures that delay project applications longer than necessary, I think in the main—I speak for most everyone involved with ARA in Minnesota—it has been a very useful and important tool and one which we will continue and one which I think is markedly improved by the bill which we are discussing today.

Secretary CONNOR. Thank you, Senator Mondale. We agree that there is room for improvement on the administrative side and we will continue to work toward that objective.

Senator MONDALE. We in Minnesota in 1961 adopted a State ARA Act to work in conjunction with the Federal program.

Senator Muskie might be interested to know that we administratively established industrial loan programs, lending at the rate of 3 percent, which has some of the characteristics of the interest subsidy we are talking about. We lend up to 20 percent on industrial projects, on a loan inferior to the 65-percent participation of Federal ARA for up to 25 years at 3 percent. I think this has been a helpful additional incentive for industries to locate or expand in areas which are economically distressed. It has been helpful to us.

I think perhaps just as helpful as this additional assistance in Minnesota has been the administrative funds that have been made available under the State ARA for a staff to help local communities: to help explain the program, to help them prepare applications, to help them identify their own economic potentialities, and to assist them in harnessing the local resources for these objectives.

That is why I am particularly pleased with the economic development center concept embodied in this proposal, because I see this as a basic need in generating intelligent, sophisticated economic projects and proposals.

In northeastern Minnesota, we assisted in the creation of a private development corporation, funded with a million dollars of local, private funds from all of the interested industries, to establish an economic staff of economists, of industrial analysts, and also give us funds to promote the area. And this, in a sense, was made with privately solicited funds to accomplish the same objective and same need that the economic development centers seek to serve. I think this is a most worthwhile and valuable improvement in the law.

I also feel that the changes that you recommend in reducing and under some circumstances waiving the local governmental share is important. This has been one of our big barriers and we have often discussed this with the national ARA administrators and it is true that it interferes the most with the communities that need the most help.

One particular problem that we have in Minnesota is, I think, best exemplified by the problem of St. Louis County. This county is one of our largest counties. It is primarily our iron range area of Duluth, Virginia, Hibbing, and the range communities.

As you know, we have been blessed by a substantial new commitment by mining companies in the taconite industry. We have close to a billion dollars of new investment underway in the construction of new taconite facilities across the range; expansion of the Erie Mining Co.; a taconite facility being built by Ford Motor Co.; close to a 4-million-ton capacity program in the eastern end of the range by the M. A. Hanna Co.; close to \$400 million of new investment by the United States Steel Corp.; the announcement by Jones & Laughlin that proposes to build a taconite plant at Biwabik; and another hoped-for new taconite facility and allocated in the traditional communities in the range—a very helpful and exciting new proposal.

But this has a direct impact upon their eligibility under ARA. First of all, we will have—I am not sure of these figures, but these are approximately correct—close to 5,000 or 6,000 construction-related employees on the range during the construction period, which will last for 3 or 4 years. In the construction of taconite-related activities, for example, there will be close to a \$10 million natural gas pipeline laid across the center of the range. But when the construction is completed, there will be probably no more than 1,800, or at the most, 2,000 new permanent operational jobs. So that the effect of the peak construction employment may cause a decertification for ARA eligibility. But once the construction period is over, we may find ourselves in a serious unemployment situation once again.

We hope we won't; maybe we won't. But we fear we might.

I proposed, to begin the discussion, an amendment to appear on page 25, line 6, which reads as follows, starting with the beginning of that eligibility section:

No eligibility shall be made in previously designated areas unless in the judgment of the Secretary present diversification and economic expansion in such area will substantially prevent future persistent and substantial unemployment.

I don't know if you follow that, but basically, what I would like to do is to provide you with authority to continue certification beyond the year presently permitted in this proposal, if you determine that the need for diversification and the need to prevent this area that has once been designated, will not slip back into substantial and persistent unemployment.

This would give you administrative leeway, not to just bring us to a point where for the moment we are not eligible under BLS statistics, but permit you to continue to let us work our way into fuller economic health.

And I would like to have your comments on such a proposal.

Secretary CONNOR. Senator Mondale, we will be very glad to give this consideration. We have not looked at this specific type of situation, but we will be glad to do that and then give our recommendations to the committee very shortly.

I am somewhat familiar with this taconite development, because I had the pleasure of being with the Vice President at the New York World's Fair and we went to the Minnesota exhibit where, with great enthusiasm, he pointed to the map exactly where this is going to take place and gave an outline of the tremendous difference it would make

in the economic condition of the State as a result of these new developments.

It is an exciting development and it will have this up-and-down effect on the unemployment situation during this construction and then getting into the production stage. So we will be glad to look at this type of situation.

Senator MONDALE. I believe there is a second point. The first point is the nonrecurring peak employment during the construction period. This may be unique to St. Louis County. I understand this is one of the largest crash private construction programs any community has ever experienced.

But, in addition to this, what I am trying to reach here is the problem of diversification. After we return to what we consider to be our peak taconite employment period, we still anticipate that we will have unemployment problems. And we hope never to have to return to a situation where we have to rely on a single industry. It is obvious that most of these distressed areas have at their bases a community or communities that relied upon a single industry or a single resource, the resource or industry is depleted or becoming economically uncompetitive, and the whole community is suffering.

We would like to be able to work to a point where we have sufficient diversified industries of all kinds, development of tourism, acceleration and use of the port of Duluth, and all of the rest, so we will never find ourselves once again in this area of dependence. So it is not just this peak employment problem I am talking about.

But I would also like to have authority vested in you to find on the basis of diversification, the objective of a healthy, balanced economy that this area should be permitted to continue to be eligible so that never again would it have to return to the depressed area that it once was.

Secretary CONNOR. Senator Mondale, I think that part of Minnesota is a good illustration of the advantages of having the authority to explore tourism possibilities, because in many parts of that area, as I understand it, there the natural advantages are such that outdoor recreational and tourism facilities would be very beneficial to the whole economy and attract visitors from outside the State.

Furthermore, it would be very difficult to encourage industry to be placed in some of the farther reaches of that lake country, so that this is a good illustration of the need to look at diversification and to include as an important part of the thinking these recreational and other facilities that do build up the tourist industry.

Senator MONDALE. We are probably going too long on northeastern Minnesota, but the ARA has been very helpful in lending money for ski facilities, and for year-round modern tourist facilities in northeastern Minnesota.

I was pleased to see this winter that there was a tremendous increase in the number of Minnesotans and people from the upper Midwest who were up there enjoying these new facilities and it assisted the range a great deal during a difficult time of the year. And there is no question but that tourism is very important.

Senator DOUGLAS. Senator Mondale, you addressed a letter to me on this subject, with a draft amendment. Would you like to have that made a part of the record?

Senator MONDALE. I would so move, And I would like to have the informal comments of the Department, which I understand they will be giving us soon.

Senator DOUGLAS. That will be done.

(The letter and draft amendment follow:)

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
April 30, 1965.

HON. PAUL DOUGLAS,
Chairman, Production and Stabilization Subcommittee, New Senate Office Building, Washington, D.C.

DEAR SENATOR DOUGLAS: I have attached a draft amendment to title IV, section 402, of S. 1648, the Public Works and Economic Development Act of 1965.

In my opinion, this language is extremely vital to the health of the program, and will insure that the long-range effect of the bill will be to promote stable and solid economic expansion in those areas which will be eligible. It provides that the Secretary of Commerce should not terminate area eligibility unless he feels that a recurrence of the economic collapse will not likely happen.

In many one-industry areas or in one-natural resource area, diversification is an absolute necessity for permanent economic viability. Many of the areas which will be eligible under the act suffer the problem of reliance on a single resource or industry, and will go into economic decline as soon as their eligibility is terminated. Then, as persistent and substantial unemployment once again asserts itself, the area must once more be primed with Federal assistance.

It would be far better, in my judgment, to extend the eligibility period for a little longer to assure a sound recovery, and would in all likelihood cost the Federal Government less money in the long run.

I think the language of my proposed amendment is self-explanatory, but I would be more than happy to discuss it with you at your convenience.

With warmest personal regards.

Sincerely,

WALTER F. MONDALE.

PROPOSED AMENDMENT TO S. 1648

On page 25, line 6, strike the word "section" and insert the following language: "section, or (4) be made in previously designated areas unless in the judgment of the Secretary present diversification and economic expansion in such area will substantially prevent future persistent and substantial unemployment."

Senator DOUGLAS. Mr. Secretary, let me see if I understand the overall features of the bill.

You asked for annual authorizations of \$250 million for public works and development facilities grants of up to 80 percent of the cost. Is that right?

Secretary CONNOR. Yes, sir, Mr. Chairman; that is right.

Senator DOUGLAS. And then \$170 million of loans for business stimulation in areas of high unemployment or underemployment?

Secretary CONNOR. Mr. Chairman, that \$170 million would include not only those industrial and commercial loans, but also the loans under title II, section 201, providing assistance in financing public works or development facilities.

Senator DOUGLAS. Those are in addition to the grants?

Secretary CONNOR. Yes, sir; they are.

Senator DOUGLAS. Then you have an interest subsidy program of 2 percent up to \$5 million a year on loans made by private financial interests to business concerns?

Secretary CONNOR. That is right, Mr. Chairman.

Senator DOUGLAS. And this will, if authorized, make it possible for \$250 million a year to be so loaned?

Secretary CONNOR. That's right.

Senator DOUGLAS. These sums are cumulative. The cost the first year would be \$5 million; added loans would be \$250, the second year would be \$10 million, and \$500 million; the third year, \$15 million, \$750 million. Is that correct?

Secretary CONNOR. Mr. Chairman, because of the amortization of those outstanding loans, it works out mathematically so that at the end of 10 years it would total only about \$30 million and its works up to that figure by annual increments.

If you like, we have an exact computation of that, which we can make available for the record.

Senator DOUGLAS. I wish you would.

(The computation follows:)

Comparison of 2 points interest cost between even reduction of principal and even payment method

[In millions of dollars]

Liability at end of—	Based on even reduction of principal		Based on even payment principal and interest	
	Outstanding debt balance	Subsidy of 2 points	Outstanding debt balance	Subsidy of 2 points
1966.....	\$250	\$5.0	\$250	\$5.0
1967.....	475	9.5	481	9.6
1968.....	675	13.5	692	13.8
1969.....	850	17.0	882	17.6
1970.....	1,000	20.0	1,049	21.0
1971.....	1,125	22.5	1,193	23.9
1972.....	1,225	24.5	1,311	26.2
1973.....	1,300	26.0	1,402	28.0
1974.....	1,350	27.0	1,465	29.3
1975 and thereafter.....	1,375	27.5	1,497	30.0

Senator DOUGLAS. Do I understand this final year you estimate the cost will be \$30 million, and you have the accumulated figures—but that this, you believe, will result in an addition of \$2.5 billion of loans?

Secretary CONNOR. The \$2.5 billion would be the total that would have been invested at the end of the 10th year to use this 2-percentage-point advantage.

Senator DOUGLAS. This is an interest subsidy rather than a direct loan?

Secretary CONNOR. That is correct, Mr. Chairman.

Senator DOUGLAS. Now, this can only be used for fixed capital? Plants, buildings, machinery, and equipment?

Secretary CONNOR. Yes, sir; that is right. It is limited to those fixed-capital requirements.

Senator DOUGLAS. Now, in addition to this, you guarantee loans for working capital, purchase of materials, payment of labor, subject to an administrative charge of one-half of 1 percent; is that right?

Secretary CONNOR. That is right, Mr. Chairman. That is within the \$170 million figure—

Senator DOUGLAS. That is not in addition to the \$170 million?

Secretary CONNOR. No; it is part of that \$170 million figure.

Senator DOUGLAS. That is a direct loan feature?

Secretary CONNOR. Yes, sir.

Senator DOUGLAS. I thought these were private loans?

Secretary CONNOR. The \$170 million figure includes the loans for the public works facilities, plus the private industrial and commercial loans, and it is part of that private side of it. There is this working capital authority. But the authorization for working capital guarantees is within the \$170 million.

Senator MUSKIE. Will the Senator yield?

Is there any cost to the Government of that guarantee feature?

Secretary CONNOR. The estimate is that from \$5 to \$15 million would be allocated out of the \$170 million for this working capital guarantee purpose.

Senator DOUGLAS. I see. The reserve against losses will be taken out of that \$170 million?

Secretary CONNOR. I didn't make that clear. This is the reserve that I have been talking about.

Senator DOUGLAS. That is not the capital value of the loans themselves?

Secretary CONNOR. No, sir; it is the reserve for the guarantee by the Government.

Senator DOUGLAS. Then in addition to this, you provide an assessment of one-half of 1 percent upon loans guaranteed to meet administrative costs and to also add to the reserve, is that correct?

Secretary CONNOR. Yes, sir, Mr. Chairman.

Senator DOUGLAS. Now, this is the addition under FHA, is it not, one-half of 1 percent?

Secretary CONNOR. Yes, sir; I think this percentage is standard throughout the Government.

Senator DOUGLAS. And it is also followed by Small Business, is it not?

Secretary CONNOR. Yes, sir.

Senator DOUGLAS. So that this is simply on all four's with existing guarantee provisions?

Secretary CONNOR. Yes, sir.

Senator DOUGLAS. Both for business and for home building?

Secretary CONNOR. Yes, sir.

Senator MUSKIE. May I ask whether this can be used to provide 100 percent of the working capital requirements of an industry? Is there any limit in the amount of working capital requirements that can be underwritten under this provision?

Secretary CONNOR. There is no limit provided for, Senator Muskie, but administratively, of course, it could be limited.

Senator DOUGLAS. But it is not 100-percent guarantee?

Secretary CONNOR. There is no limit. It could go to 100 percent—90 percent, I am sorry.

Senator DOUGLAS. It is 90 percent of whatever amount is involved?

Secretary CONNOR. Ninety percent of their working capital needs, yes, sir, would be guaranteed under this provision—could be guaranteed under this provision.

Senator DOUGLAS. This is comparable to FHA.

Secretary CONNOR. Mr. Batt has a little amplification here, Mr. Chairman, which I think would be helpful.

Mr. BATT. Senator Douglas, I think that the question of Senator Muskie and your question at the same time would need a little clarification.

We would probably, as a matter of administrative practice, never use this to cover all of the working capital needs of an enterprise. You would want the entrepreneur to have working capital in there to some extent. That is one question, I think, that is Senator Muskie's question.

Now, of a given loan application, for \$100,000 of working capital, we could only guarantee 90 percent of that given amount.

Senator DOUGLAS. Then you have \$50 million for economic development of districts to build up growth centers; is this money to be a grant or a loan or may it be both?

Secretary CONNOR. The estimated use of that \$50 million, Mr. Chairman, I think would be of interest. It comes under three headings: The first is public works grants, which are estimated in the range of \$30-\$40 million of the 50; the second, public works and development facility loans, \$3-\$10 million; and the third, industrial and commercial loans and guarantees, \$7-\$12 million.

Senator DOUGLAS. Thank you.

Then, as I understand it, there are two technical assistance appropriations authorizations, one of \$20 million for ordinary technical assistance, and another \$15 million for multi-State regional action commissions?

Secretary CONNOR. Yes, sir; Mr. Chairman, the \$20 million under title III is primarily for the kind of technical assistance activity that has been done before. The \$15 million authorization would come under title IV, and this is for the regional action planning commissions and related activities.

Senator DOUGLAS. I think this provision for aid to growth centers which may not themselves have high unemployment ratios is a very important one, and it is one which we experience in our State.

The southern part of Illinois has been an area of very heavy unemployment, 15 percent or more. One community, Carbondale, has very little unemployment because it has a flourishing State university, which has tremendous attendance. But, it is also a growing center and in the period when the county had an unemployment ratio very much above 6 percent, the loan was made for a plant to come in and was subject to criticism, that this area needed it less than any other part of the region.

Nevertheless, we got the company to agree that it would distribute its employment broadly over the entire area, and with automobiles and hard roads, a firm can now draw its labor 30 miles from the factory gate, and it has helped the whole area.

I think this is a very good provision and I congratulate you for including it and I hope we will be able to defend it.

Secretary CONNOR. Thank you, Mr. Chairman.

That Carbondale experience has been helpful to us in shaping up this program.

Senator DOUGLAS. I would like to turn to some detailed questions, if I may, on the body of your testimony.

Senator MUSKIE. Mr. Chairman, I wonder if I may ask one question.

Senator DOUGLAS. Indeed, Senator.

Senator MUSKIE. Title III provides for technical and administrative assistance. Section 301 provides authorization of \$20 million for technical assistance studies and for grants up to 75 percent for planning and administrative expenses. Section 302, which authorizes continuing program study research includes no authorization for funding. Shouldn't there be some?

Secretary CONNOR. The situation, Senator Muskie, is that research would be funded out of the general appropriation authority contained in Section 708.

Senator MUSKIE. Would you look at the language and make sure it is adequate?

Secretary CONNOR. Yes, sir; we will take another look at it. Thank you.

Senator DOUGLAS. If I may turn to page 2, as you correctly point out, the public works projects under the Area Redevelopment Act which were directly and immediately related to the creation of specific and identifiable new and longlasting employment—I insisted on that language because I didn't want to have it made the vehicle for bringing in a lot of extraneous projects. At the same time, the accelerated public works bill placed no similar limitation upon projects. I take it you are binding these grants for both direct purposes and which you say are immediately related to the creation of specific and identifiable new employment. What is the difference between those which are directly related and those which are immediately related?

Now the present bill includes loans for environmental facilities. The big item in the emergency public works loans were water systems and sewage system—sewage disposal systems. Would they be eligible under this?

Secretary CONNOR. The underlying objective of this whole legislation, Mr. Chairman, would be to help an industrial expansion and in this grant part, there would be support for public works and development facilities that aid in that industrial expansion, and in many cases, water facilities and sewage disposal facilities have a direct bearing on the growth of industry in the area. So that it is quite likely that they would get good support.

Senator DOUGLAS. Supposing a community says, "What we want is a community center and dancehall and a place for lectures and women's clubs to meet and church services of a nondenominational nature to be held on Sunday." Would you approve that?

Secretary CONNOR. Mr. Chairman, with the great sympathetic understanding for the laudable community purposes, we would reluctantly say "no."

Senator DOUGLAS. What about a school building?

Secretary CONNOR. If it is a school building of a vocational school nature, it could be supported. Of course, a lot depends upon the competition for the funds.

Senator DOUGLAS. A grade school?

Secretary CONNOR. Probably not, sir, because other programs are intended—

Senator DOUGLAS. What about prenursery school?

Secretary CONNOR. Probably not, sir.

Senator DOUGLAS. Probably not? Can't you make a stronger statement than that, Mr. Secretary?

Secretary CONNOR. In some cases, it could be related to the employment situation, but probably not. If in a particular plant there were a large percentage of working mothers, it could be related.

Senator DOUGLAS. What about a hospital?

Secretary CONNOR. It is possible it could be covered, but certainly not one of the primary purposes. Again, it would depend upon the rest of the infrastructure in the community and possibility of the need for the hospital related to the industrial purposes.

Senator DOUGLAS. In other words, you stand very firmly on lines 15 to 20 on page 7 of the bill, mainly the project for which financial assistance is sought will directly or indirectly—

(A) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities,

(B) otherwise assist in the creation of additional long-term employment opportunities for such area, or

(C) primarily benefit the long-term unemployment and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964.

Secretary CONNOR. Yes, sir; that is the test.

Senator DOUGLAS. You need to have a great deal of intestinal fortitude about this subject.

Secretary CONNOR. We recognize that.

Senator DOUGLAS. Because there will be constant efforts made to expand the area for which you will make loans. I can tell you that I am sure you have a lot of intestinal fortitude and we will try to back you up when you display it. Indeed, we will strengthen you, should this be necessary.

Secretary CONNOR. Thank you, Mr. Chairman.

Senator DOUGLAS. Now, this committee made a series of recommendations last year on S. 1163, which was one-half of this program, and we, then, spoke of the fact that witnesses had testified that this 10-percent requirement was very severe and you are meeting this by reducing the figure from 10 to 5 percent and providing for concurrent repayment rather than for the local funds to be deferred until the Federal funds have been repaid, is that right?

Secretary CONNOR. That is correct, Mr. Chairman, and there is the additional provision there that, under certain circumstances, even the 5-percent requirement can be waived.

Senator DOUGLAS. In cases of great local destitution?

Secretary CONNOR. Hardship-type cases; yes, sir.

Senator DOUGLAS. We recommended that the ARA issue regulations requiring notification; that is, prior notice of eligibility to the principal governing authority or authorities of each area, intended to be designated prior to its designation. In other words, that they should be given notice of what their designation status was, so that if they wished to protest they could do so. Is that right?

Secretary CONNOR. Yes, sir; and acting on that suggestion, rules and regulations were adopted by the ARA to implement this prior notice of recommendation. Now no area is designated unless there is a request for designation from the appropriate local authority and until the area has submitted an acceptable overall economic

development program. And this new bill, S. 1648, explicitly requires a submission of acceptable OEDP prior to designation.

Senator DOUGLAS. One of the sources or really two sources of complaint that we had were in regard to tourism. We had complaints that the cost per job in motels was excessively high; that, also, costs per job in some of the hotels were extraordinarily high. We urged the Administrator and the Secretary to be careful of this and to keep the investment down. Do you have any reports on progress of this recommendation?

Secretary CONNOR. Yes, sir; on the basis of the committee's recommendation, on June 24, 1963, ARA adopted a restrictive policy on tourism and a limitation on its investment per job in cases where such projects were approved. However, our recent experience has shown that tourism projects are among ARA's most successful in bringing new income to needy areas and in providing substantial additional related employment. This has been especially true of the underdeveloped areas which are not readily suitable for manufacturing industries. Tourism has also now become one of the Nation's fastest growing service industries and this is particularly important, because service industries employ relatively unskilled people which now constitute the hard core of our unemployment problem. And these tourism activities, as part of service industries, continue to expand at a rapid rate.

So in Senate bill 1648, there is no explicit provision to restrict assistance to this type of project, although we can do it administratively.

Senator DOUGLAS. In other words, you have been very cautious on this matter. Now you find that perhaps the committee was a little bit too careful and you would like to expand?

Secretary CONNOR. Mr. Chairman, I would put it this way, that as a result of the experience in these last few years, we now recognize that the tourism facilities can be among the most beneficial of all and therefore we don't think there should be a restriction on our ability—

Senator DOUGLAS. Particularly in such areas as Wisconsin, Maine, Minnesota, New Hampshire, Vermont, and other places which are blessed with mountains and ideal climates.

Secretary CONNOR. Those are excellent examples, sir, and Utah might be another.

Senator DOUGLAS. That brings us to another question—ski lifts. You made some loans for ski lifts. These loans brought forth a vast volume of very bitter criticism that the Federal Government was assisting in these fantastic ventures, getting people off the ground and into the air and this was a waste of public funds. Do you have any material on the success or failure of ski lifts?

Secretary CONNOR. Yes, sir; they have been among the most successful of all of the projects and this is an important part of this whole program of "See the U.S.A." that the President is now supporting in such a substantial way.

Senator DOUGLAS. Can you introduce evidence, without identifying names, of a number of ski lift loans that have been made by number? We won't identify them by name. Give the amount of the loans, total amount, the amount that has been foreclosed, if any, and the defaults. Have you had any failures in ski lifts?

Secretary CONNOR. We have had 17 projects, Mr. Chairman, and no failures and we think it is an admirable record. We would be glad to supply the summary of it without revealing the names for the record, if you would like that.

Senator DOUGLAS. You mean 17 of these loans and not 1 failure?

Secretary CONNOR. Yes, sir; that is the fact.

Senator DOUGLAS. That is even better than the Yankees used to do. [Laughter.]

Secretary CONNOR. This country is becoming quite enthused about skiing, as you well know, sir.

Senator MUSKIE. The jumpers fall down on the Federal projects, don't they?

Secretary CONNOR. Yes, I assume there have been some injuries.

Senator PROXMIRE. Could I ask at this point, Mr. Chairman, how about snowmaking equipment?

Secretary CONNOR. Mr. Batt can give us that, Senator Proxmire.

Mr. BATT. We finance that as a part of a project for tourism, Senator Proxmire. As you know, we are shooting for a well rounded, if possible, year-round employment in tourism, so that we try to tie the ski projects together with some summertime project in the same area, unless there is already summer employment, as in the case of the Poconos in Pennsylvania or in northern Idaho, where we have financed a very successful summer resort, where, before, everybody went on relief in the summertime. Now they have year-round employment opportunities.

Senator PROXMIRE. The reason I ask this is, as you know, there are some snow belt areas in the country where you can always count on snow, but in many of the other areas, the snow is the risky factor and a man might invest a couple of hundred thousand dollars in a ski operation, including the motel and everything else, and help the local economy greatly and then may not have enough snow for a year or two and he is out of business. The snow machine is kind of an adaptation of our fine automated industry to the fact that tourism is increasing greatly and it seems to me that it can provide a degree of stability and elimination of unfortunate risk.

I know we had one such loan—I believe it was an SBA loan—in Wisconsin which has worked out quite well.

Mr. BATT. Yes, sir, we do finance snowmaking machines.

Senator MUSKIE. The Senator wouldn't take the position that we ought to use up the capacity of the snow belt areas before we begin creating competing facilities in the nonsnow belt areas?

Mr. BATT. Snowmaking machinery, as I understand it, won't work if the temperature isn't right also.

Senator PROXMIRE. So we aren't taking all the risk out.

Senator DOUGLAS. Now I would like to turn to another situation. We said that ARA should take great care to insure that any new production capacity created will not be obviously excessive and drive other producers out of the industry. Do you have any comments on that?

Secretary CONNOR. This is the question having to do with some protection for established businesses and ARA does not finance new capacity in industries experiencing a long-run gap between production and capacity except where the capacity is obsolete. Or, where the new capacity will provide stronger competition with foreign pro-

duction, or where there is a regional insufficiency of productive capacity, or where existing excess capacity is only temporary because of evidence of strong, growing national demand or where the applicant can demonstrate that his product or service will expand existing markets without adversely affecting existing businesses.

This was a policy statement adopted August 16, 1963, and we expect to continue it under the new law.

Senator DOUGLAS. In other words, you were very responsive to the advice of the committee in its report on S. 1163 even though the bill was not enacted into law, because though the Senate passed this bill in 1963, the House did not act upon it.

Secretary CONNOR. Yes, sir, we were responsive to the suggestions of the committee.

Senator DOUGLAS. Only one other point I wanted to make and that is the question of where the Labor Department determines an area which has low unemployment for the area, but a section of the area has high employment. Specifically I think of East St. Louis and St. Louis. East St. Louis, Ill., on the east side of the Mississippi, is included in the St. Louis labor market area. St. Louis labor market, as a whole, has relatively low unemployment because St. Louis is a light goods center, a mercantile center, and a cultural center. East St. Louis is a heavy industry center. East St. Louis has very high unemployment, but it is not eligible for assistance because it is lumped in a labor market area where the very low unemployment of St. Louis drags the figure down.

Now I notice that you are going to give relief only where the municipality has a population of 250,000. But East St. Louis has a population of approximately 75,000. Now, you can't solve every problem, I know, in legislation, but isn't this 250,000 figure pretty high?

Secretary CONNOR. Mr. Chairman, we have considered that. Mr. Batt can refer specifically to the type of case you mentioned.

Mr. BATT. As you know, Mr. Chairman, we have been working on this for several years. If you lower it to 100,000, you still don't bring in East St. Louis. You bring in only three additional communities in the entire United States.

Senator DOUGLAS. If you went down to 75,000——

Mr. BATT. I don't know what it would do.

Senator DOUGLAS. Will you prepare some figures?

Mr. BATT. I will be happy to.

Senator DOUGLAS. I would like to see East St. Louis get in because the problems of East St. Louis are very different from the problems of St. Louis. East St. Louis, over half of its population is Negro. This is an area where there were very bad race riots in 1917, half a century ago. They have now learned to live together, but it has suffered very much from the decline of meatpacking, decline in heavy industry and yet we can't get any relief, economic relief, for the area.

Mr. BATT. Senator Douglas, isn't it true, sir, that the problems of East St. Louis are not unlike the core area of Los Angeles, in the sense that they are within commuting distance of an exceedingly prosperous metropolitan area. In East St. Louis, it is St. Louis, and in Los Angeles, the rest of the city, and if the skills of the hard-hit people in these areas could be upgraded through the programs that have been

made available since ARA was passed, like the poverty program and MDTA, and if intensive utilization of these could be made, they could compete for jobs at McDonald Aircraft and other employers that are booming on the other side of the river, 5 minutes away.

Senator DOUGLAS. May I say possibly you might find some way out for this because East St. Louis is only one of the industrial communities on the east side of the river. To the north of it is National City, a former stockyards area, and there is another community, Brookland, to the north in the same county and other communities to the south of East St. Louis and then immediately across the county line, Madison County. You have Madison, Venice, and Granite City, which are heavy industry towns. Couldn't you possibly consider an area which would at least run over 100,000? I wish you would consider that.

Mr. BATT. I will be happy to look into it.

Senator DOUGLAS. I have no further questions. Senator Proxmire.

Senator PROXMIRE. Mr. Connor, on pages 4 and 5, where you discuss the interest feature, you say that the Secretary may enter into contracts to reduce by 2 percentage points the interest costs incurred by private businesses which can finance their projects from private sources. You call this a feature which had never before been tried in this country. You point out this would have a relatively small impact on the budget in view of the effect it would have in making areas of economic distress more attractive.

Secretary CONNOR. Yes, Senator Proxmire.

Senator PROXMIRE. How would you envision this would operate? Let's take a firm which wishes to borrow \$100,000 and the Federal Government under this particular feature of the bill wishes to reduce the interest cost and assist the firm to locate. How would the firm go about it in your judgment and how would the Federal Government make its payment?

Secretary CONNOR. Senator Proxmire, we think that a good example case would be when one of the largest manufacturing companies in this country might have a plan near one of these underdeveloped areas and it might be considering expansion, either on that site or some other nearby place. Now such a company would make a study of the economics of operating in the proposed new location. They probably look at five or six different site possibilities and they compare the costs of the utilities and the transportation of the raw materials and finished materials out and all of the other factors of doing business in a particular location.

In such a study, the nearby underdeveloped area might have an economic disadvantage from the point of view of operating costs and yet there might be some good reasons to locate the plant in that particular area. There might be a surplus of labor, or in fact, probably would. There might be other advantages that, for the long run, might make it advantageous to locate it there, but for the short run, it would have to be done at some added cost that would not be found at an alternative plant site. These 2 percentage points on the amount of money that the company itself would get through its own resources for financing the construction of the plant might well make the difference and give the incentive, along with the public interest considerations for that company, to locate the plant in this underdeveloped area.

We have seen this work in Belgium and in West Germany and it has worked rather effectively.

Senator PROXMIRE. They have tried it in other countries?

Secretary CONNOR. Oh, yes, and it has been successful in trying to point the way toward the location of new plants in parts of those countries where there is an undeveloped situation compared with perhaps an overcrowded industrial situation in other parts.

Senator PROXMIRE. This is very, very interesting to me because I know there have been a series of studies over the years and many articles in various trade publications on the factors that should persuade industry to locate in one area as compared to another: availability of markets; transportation factors; availability of labor and many, many other considerations including education, streets and roads, and so forth.

I am wondering, though, how you arrive at this particular judgment that here in this country, 2 percent would likely be sufficiently persuasive. You speak with the authority of a person who has been in business and in a big corporation, which has various locations and which I presume locates on this rational basis and you say that this is quite typical and often the decision is rather narrow and that this might tip the difference in many, many cases?

Secretary CONNOR. Yes, sir, Senator Proxmire. We can't be sure that it will; but frequently the economics of the situation are within a narrow range and if the company has a good reason for going into this one area and if there is encouragement by the Government for them to do it because of public interest consideration, this might well tip the scale.

Senator PROXMIRE. Why wouldn't this apply just as well or even more so to smaller business, independent business? It seems to me it might be just as attractive to them as to a large business and maybe in a sense, a little more attractive inasmuch as the smaller business, not being quite as meticulous or being able to figure everything down as finely, might be persuaded by this 2 percent. A 2-percent interest charge is a pretty big element of interest cost, isn't it, financing cost?

Secretary CONNOR. Well, Senator Proxmire, there is no reason why a small business would not be interested in it. In fact, probably would, but a small business usually doesn't have the flexibility in plant location that a large national corporation would, so that the competitive element in plant location often is not present to so great an extent. However, this provision is intended for any company which can obtain private financing, large or small, so long as it meets the objectives of the act.

Senator PROXMIRE. On the other hand, what concerned me about the really big operation is that big business does have so much capital available and we have done all kinds of things in our tax reforms to increase the capital flow, as you know, and they have huge depreciation funds. They have their capital that they put to work in Federal obligations and so forth, whereas so many independent businesses are capital hungry and capital costs are very important to them. While perhaps they don't have the flexibility in a sense that big business has, in another sense maybe they have a little more flexibility in that they make a decision more rapidly. They don't have to go through channels.

Secretary CONNOR. That is true, Senator Proxmire, but even in a big corporation where a lot of capital is available, it is not going to be used unless there is an economic justification and if the figures show that location of the plant site A will involve operating costs at one level and at an underdeveloped area, plant site B, the cost will be somewhat higher. But if there is this 2-percent incentive for the use of capital at plant site B, this might well make the difference.

Senator PROXMIRE. One more question then. Do you feel on the basis of your experience that in spite of the enormous amount of available capital for many big corporations, this still would be effective with big companies such as General Motors?

Secretary CONNOR. Yes, sir, because the big corporations would take this into consideration. You mentioned General Motors—

Senator PROXMIRE. It would work in spite of easy availability of capital.

Secretary CONNOR. You mentioned General Motors and in the public announcement they made about the location of one of their plants in Antwerp, Belgium, it was noted that one of the factors they took into consideration, although no indication it was the determining factor, nevertheless the location of the plant in Antwerp took into consideration this 2-percent incentive.

Senator PROXMIRE. The only other question I had in mind was on page 7 where you refer to this new criteria and new emphasis on the national median family income for 5(b). I'm wondering in view of the fact that people can be underemployed, that is, they can be at work but the work, as Senator Douglas has pointed out, so many times and for so many years is in an occupation in which they work maybe 20 or 30 hours a week or they may be tied down to a job which they own but it is a very small and inadequate income. For example, small farmers or small business people. It may be that this median family income factor can not be considered in urban 5(a) areas for statistical comparison for a while. I'm not thinking of any policy change in the bill. But Administrator, as we proceed in the next year or two, might see if this wouldn't induce more rational decision in the 5(a) area too? It seems to me that even there, unemployment all by itself, may be an inadequate factor because people can be employed, but employed in ways which don't really use their capacity.

Secretary CONNOR. Mr. Batt can answer that.

Senator BATT. Senator, your suggestion is that the median family income be used in addition to the unemployment factor?

Senator PROXMIRE. I am not suggesting this as a change in the bill or a change in administration. I am just saying that in the next year or so, while this is being administered and this is in effect, that you might consider just for comparison, maybe you can get a more humane and more accurate and more satisfactory criteria if in the future, 2 or 3 years from now, you decide on additional legislation to refine this and to improve it. We are always looking for ways we can improve this legislation.

It seems to me unemployment, as a single statistical measurement, is about all we have now and it has worked out reasonably well, but maybe we can improve it and refine it further.

Mr. BATT. I will be happy to do so, but unemployment is the basis on which the original Douglas bill was conceived and is the best measure you have for the traditional northern areas hard hit by decline of one-industry economies, whether textile, coal, or iron and that is the best measurement you have.

The median income data in those same counties, even counties of east Kentucky, is far, far, above the median income data for the counties in the Southeastern States, which are the ones that come in on that basis in the act. You remember back in the early history of the act, this was kind of a marriage of the rural poverty measured by underemployment and unemployment problem in the North. The underemployment data and the family income data I would like to go over with you sometime.

Senator PROXMIER. Fine, I would like to. I don't mean to prolong this discussion, but I think somehow the raw, rough unemployment statistic is inadequate and anything we can do, as time goes on, to improve it and refine it, make it more sensitive, would be helpful.

Mr. BATT. One great advantage on the employment data, you get it currently whereas the family median income we get once every 10 years, so you do know when a situation changes in unemployment.

Senator DOUGLAS. Thank you, very much. Will you submit for the record a statistical summary of total loans made, total loans in default, total loans where property has been foreclosed both by number of firms, percentage of firms, and amount of loans involved.

Secretary CONNOR. Mr. Chairman, I just happen to have such a piece of paper with me. I will be glad to submit it.

Senator DOUGLAS. I congratulate you on being so well prepared. In brief, before you pass that up, what percentage of the loans have been foreclosed?

Secretary CONNOR. The ARA has disbursed, Mr. Chairman, \$96,500,000 on 298 loans. To date, three loans have been foreclosed—

Senator DOUGLAS. Just 3 out of 298?

Secretary CONNOR. Yes, sir.

Senator DOUGLAS. One percent?

Secretary CONNOR. Seven-tenths of 1 percent and there was a net loss of \$691,165.

Senator DOUGLAS. Out of total loans of how much?

Secretary CONNOR. Total loans of \$96½ million.

Senator DOUGLAS. So roughly, two-thirds of 1 percent?

Secretary CONNOR. Yes, sir. Then in addition, loans to seven other ARA borrowers in some stage of foreclosure.

Senator DOUGLAS. What do they amount to?

Secretary CONNOR. They constitute 1.61 percent of disbursed funds. Then in the case of five additional loans, in order to protect its collateral, ARA purchased certain other senior liens and these totaled \$669,792. The total ARA exposure on these amounted to about \$21½ million. A substantial portion of this may well be recovered. Then 30 loans are delinquent in principle and/or interest payments for more than 90 days, disbursements of somewhat over \$9 million on these loans constitute 9.5 percent of the total money disbursed. All of this is shown on this sheet, which we would submit for the record.

(The statistical summary follows:)

Sec. 6 loan program—Delinquencies as of Mar. 31, 1965

	Number	Amount	Delinquencies as percentages of loans disbursed	
			Number	Amount
Loans disbursed.....	298	\$96,517,838		
Loans foreclosed.....	3	1,807,807	1.0	\$0.83
Loans in foreclosure.....	7	1,550,018	2.3	1.61
Total foreclosures.....	10	2,357,825	3.3	2.44
Senior liens purchased.....	5	669,792	1.7	.69
Delinquent.....	30	9,175,630	10.1	9.50

¹ ARA's loss on these loans was \$691,165. Loss is 0.71 percent of disbursed funds.

Senator DOUGLAS. You are an experienced private businessman. Do you regard this as a good or bad record, taking into account that these loans are made to firms that are at the very bottom of the barrel? In the first place, they cannot be made to firms which can obtain credit from private sources. Isn't that true?

Secretary CONNOR. Yes, sir.

Senator DOUGLAS. And in the second place, there are firms that cannot get loans from the Small Business Administration; isn't that true?

Secretary CONNOR. Yes, sir.

Senator DOUGLAS. So that these are at present from the bottom of the barrel. Do you regard this on the whole as a good record, a poor record, or just an intermediate record?

Secretary CONNOR. For the kind of risks that are encompassed here and for these kinds of operations, I say it is a good record.

Senator DOUGLAS. I am glad to get that judgment. And on the loans that have been foreclosed, there will be some recovery, will there not?

Secretary CONNOR. There will be some and we don't have an estimate of just how much.

Senator DOUGLAS. And on the loans that are in default, those are not hopeless at all, are they?

Secretary CONNOR. By no means.

Senator DOUGLAS. Well, having helped to give birth to this child, I am glad to see it doesn't have too many disfiguring marks upon it.

Senator MUSKIE. Mr. Chairman, I wonder if we couldn't also have for the record, if we don't, the employment figures on these direct loan projects?

Senator DOUGLAS. Oh, yes. How many jobs do you think have been directly created by these loans?

Secretary CONNOR. Directly created—we can give an estimate.

Senator DOUGLAS. We will come to the question of those created indirectly.

Secretary CONNOR. Mr. Batt has that.

Mr. BATT. Direct and directly related——

Senator DOUGLAS. What is the difference between direct and directly related?

Mr. BATT. A sawmill might require half a dozen trucks in its operation and we would count the truck operators working full time

for that sawmill as directly related even though they are not in the mill itself.

Senator DOUGLAS. Not on the payroll.

Mr. BATT. But the jobs would not have existed but for the mill.

Senator DOUGLAS. It doesn't refer to the expansion factor of the expenditure of added payroll?

Mr. BATT. No, sir; it does not relate to the butcher, baker, and candlestick maker. We estimate the directly and directly related jobs—this takes into account both industrial and commercial loans—under section 6 and public facility loans and grants under sections 7 and 8, total 70,000.

Senator DOUGLAS. Direct and directly related?

Mr. BATT. Direct and directly related.

Senator DOUGLAS. There is a figure in your statement of 115,000.

Mr. BATT. Sir, that is because we have used the U.S. Chamber of Commerce six-tenths of a job indirectly created when you create one full-time job and that is how we get that.

Senator DOUGLAS. Added purchasing power.

Mr. BATT. Added purchasing power.

Senator DOUGLAS. That is an estimate of the U.S. Chamber of Commerce?

Mr. BATT. We think it is very conservative, but we have used it.

Senator DOUGLAS. Out of 115,000 jobs, what proportion of these do you think were on relief or unemployment payments?

Mr. BATT. Professor Miernyk, of Colorado, made a study of that, sir, and if I may, I would like to dig that up and provide it for the record. On a test case, a very substantial proportion—Harold, do you want to speak to that?

Mr. WILLIAMS. Of the 30 borrowers that he sent questionnaires to, 3 out of every 4 persons working on an ARA project had not been working full time prior to their employment in the ARA project.

Senator DOUGLAS. How many had been on relief?

Mr. WILLIAMS. He did not have those figures.

Senator DOUGLAS. How many had been on unemployment?

Mr. WILLIAMS. There would be a substantial number but he did not have those.

Senator DOUGLAS. I think in order to strengthen the case, you better get estimates as to what the reduction in costs of welfare payments and of unemployment compensation payments has been.

Mr. BATT. We will be happy to do so.

Senator DOUGLAS. If for a loss, let us say, of \$10 million you have created a payroll which I would imagine would be around \$350 million and this has resulted in taking, say, 50,000 to 75,000 people off relief and unemployment rolls, I would say that it has more than paid for itself many times over. But, I would like to get more definite figures because when we have to defend this bill on the floor and in the court of public opinion, we are going to have these questions shot at us.

Mr. BATT. We will see if we can, sir. We won't be able, obviously, before the debate to make any initial studies, but we will see what we can do by way of estimates.

Senator DOUGLAS. Let's see if we can get some evidence together. Senator Muskie.

Senator MUSKIE. Just one further question. As is so often the case with programs of this kind, there is a lot of misinformation circulated around, sometimes deliberately, but often without any malice aforethought, but simply through ignorance. There is an interesting editorial in the Maine newspaper, which I think goes about as far in this direction as anything I have read in a long time.

Just to give you a little discomfort here, let me read :

For some unexplained reason—

the editorial goes on—

the 4-year-old temporary Area Redevelopment Administration will go out of business as scheduled on June 30.

It is true the ARA is conceded by friend and foe alike as something less than a success. Not that ARA didn't do what it was set up to do—spent \$435 million in slum clearance—

which has absolutely nothing to do with your program.

Secretary CONNOR. Nothing whatsoever, sir.

Senator MUSKIE (continuing) :

And other community redevelopment work and nearly twice that amount in an unrelated public works program. But somehow it hasn't quite worked out. Many of the spanking new structures which replaced old buildings proved economically unsound and soon floundered in a financial quagmire. Neighborhood groceries and other businesses displaced by the ARA found they couldn't survive the new neighborhoods.

I won't continue to read.

Secretary CONNOR. Senator, I assume that is not a fair sample of Maine journalism?

Senator MUSKIE. No, it is not. As a matter of fact, the program has been very well received, even among the people who are on this newspaper. This editorial writer got off the deep end. He has been corrected publicly since, but—

Senator DOUGLAS. Has he admitted he was wrong?

Senator MUSKIE. No, he hasn't, but in any case, I wanted to touch upon this allegation that the public works program was unrelated. For purposes of further defining the public works section of this bill, my impression is that the accelerated public works program, in spite of the rather broad criteria, proved to be rather well related and directly related to the objectives of economic and industrial development. Would you like to comment on that?

Mr. BATT. I think you are right, Senator Muskie, but the only requirement was they contribute to the temporary employment. In that sense, the new act is tighter and does require that it help the struck area and continue long-term economic improvement and employment in the area.

Senator MUSKIE. I think the experience under the accelerated public works program proves the commonsense and vision of the local people who were able to identify the real needs in terms of long-range growth. This ought to be of some comfort and assurance to those who think that the average American jumps eagerly at pork-barrel bait when really, what the accelerated public works program demonstrates is that these city fathers, these selectmen and city councils and mayors understood that waterworks, sewage treatment works and other similar projects related to what you described as the infrastructure of the community

as the first priority in any public works program. I thought it might be well to make a record that this editorial writer could read.

Mr. BATT. They, of course, put up 50 percent of the money in most cases and they helped to insure the construction of some of this enormous backlog of needed public works.

Senator DOUGLAS. Thank you very much, gentlemen, for a good session.

Let me make it clear before we recess that the criticism of the high cost of motels came not from the minority, although they perhaps might have agreed with this, but it came from the majority. I wanted to make the record clear.

(The letters and telegrams previously referred to follow :)

NORTHERN HARDWOOD VENEERS, INC.,
Butternut, Wis., April 26, 1965.

Senator PAUL DOUGLAS,
Chairman, Senate Banking and Currency Subcommittee for Production and Stabilization of Public Works and Economic Development of 1965, Washington, D.C.

MY DEAR MR. DOUGLAS: I am writing in support of the continuation of the ARA or subsequent agency for the purpose of aiding in the stabilization of economic development.

We have received the full support of the people in this community, and the banks in the surrounding area, which made it possible to receive an ARA loan for \$825,500 for 15 years.

Because of this loan, we were able to rebuild the plant which was destroyed by fire a year ago today.

The plant will be in full operation in about 4 months, and eventually will employ approximately 200.

We are grateful for the support given by the local community, banks, and the ARA.

Yours truly,

V. J. BUKOLT, *President.*

NATIONAL HOUSING CONFERENCE, INC.,
Washington, D.C., April 29, 1965.

Hon. PAUL H. DOUGLAS,
Chairman, Subcommittee on Production and Stabilization, U.S. Senate Committee on Banking and Currency, Washington, D.C.

MY DEAR SENATOR DOUGLAS: Let me commend you and the cosponsors of S. 1648 on the introduction of the public works and economic development bill of 1965. On May 3, the National Housing Conference will present its view in strong support of this legislation before the Senate Committee on Public Works. We would appreciate the inclusion of this letter in the record of the hearings by your committee on the measure.

As you know, our organization which was founded in 1931, consists of community leaders, professionals, businessmen, labor leaders, public interest representatives and public officials from all sections of the country who share a strong interest in sound programs for housing and community development.

While the primary focus of the National Housing Conference is on the provision of satisfactory housing and related facilities for the American people, our area of interest covers the whole physical environment of American communities. This includes satisfactory schools, parks, playgrounds, recreational and cultural facilities, and public utilities. It includes the provision of land and facilities for modern industry and commerce as the essential economic base for healthy communities.

The National Housing Conference has long recognized that the achievement of these objectives in economically depressed areas in this country requires a comprehensive and continuous approach to raise economic levels as well as to raise the standards of housing and community facilities. The close inter-relationship between unemployment, underemployment, poverty, and deprivation on the one hand, and poor housing, poor schools, and inadequate community facilities and utilities on the other hand is inescapable.

For this reason, the NHC strongly supported the enactment of the Area Redevelopment Act in 1961 as a much needed experimental program to help the economic upgrading of depressed areas. For the same reason, we supported the Public Work Acceleration Act in 1962. Likewise we supported the Economic Opportunity Act of 1964, which clearly has a direct relationship to the problems of the 27 million persons living in the depressed sections of the country as well as to the deprived groups in our population in American communities generally.

In our opinion, the successful even if limited results of the area redevelopment program clearly demonstrate the need for broader and continuing approaches to meeting the acute economic problems of the depressed areas in this country. We have studied the President's message on area and regional economic development and the provisions of the proposed Public Works and Economic Development Act of 1965. We believe that these proposals would be of substantial benefit and I am therefore pleased to register the full support of the National Housing Conference for this important legislation.

In particular, we endorse the following provisions and principles of the bill:

1. The authorization for Federal grants of \$250 million per year for public works and development facility projects in depressed areas is in our opinion directed effectively at the root problem of establishing a suitable framework for industrial and commercial development. Likewise, we believe the authorization for supplementary grants which would increase the Federal participation up to 80 percent if justified by the economic circumstances of the area is a realistic recognition of the financial stringencies of many local governments in those areas.

2. We believe the reduction of the local public participation in business development loans to 5 percent from 10 percent under the Area Redevelopment Act, repayable concurrently with the Federal loan, should facilitate broader application of such loans to depressed areas.

3. We believe the provisions for 2-percent Federal interest rebates on private development loans in distressed areas and for 90-percent Federal guarantees of private working capital loans should broaden the participation in these programs by private capital.

4. We strongly endorse the provisions of section 403 and of title V to encourage and assist the establishment of economic development districts and regional action planning commissions for broad and coordinated approaches to expand the economic base of the depressed sections of the country.

5. We believe the bill's provisions for continuing annual appropriations of the various proposed program funds constitutes a realistic recognition of the long-term nature of programs for the upgrading of most economically depressed areas and the importance of continuity.

Yours sincerely,

NATHANIEL S. KEITH, *President.*

THE STATE OF WISCONSIN,
Madison, April 29, 1965.

HON. PAUL DOUGLAS,
Chairman, Senate Banking and Currency Subcommittee for Production and Stabilization, Senate Office Building, Washington, D.C.

DEAR SENATOR DOUGLAS: I am writing in support of the Public Works and Economic Development Act of 1965.

I feel it is vitally important to the future economic development of Wisconsin's distressed counties, that the important work of the Area Redevelopment Administration be continued. Wisconsin has benefited greatly from the Area Redevelopment Administration's assistance. The distressed areas of this State have received \$7,192,561, through the following types of assistance, since the Area Redevelopment Administration was established in 1961:

Commercial and industrial loans:

Five projects approved.

Total of loans, \$5,527,000.

Five hundred and sixty persons received employment.

Public facility grants:

Three projects approved.

Total amount of grants, \$139,100.

Two hundred and sixty-five persons received employment.

Training programs:

Forty-six projects approved.

Total amount spent, \$1,011,016.

These persons were trained for jobs as nurses aids, machine operators, stenographers, welders, cooks, small engine repairmen, etc.

Technical assistance contracts:

Eleven projects approved.

Total amount of contracts, \$515,445.

Thus, the Area Redevelopment Administration's program of assistance to Wisconsin has given direct employment to 825 persons and occupational training help to 1,011 trainees.

I feel that my support of the Public Works and Economic Development Act of 1965 reflects the attitude of a great many community leaders in Wisconsin's distressed area. I urge prompt consideration and passage of this legislation.

Sincerely,

PATRICK J. LUCEY,
Lieutenant Governor.

NACOGDOCHES, TEX., April 27, 1965.

Senator PAT McNAMARA,
Senate Office Building,
Washington, D.C.:

It is anticipated and respectfully urged that your committee report out for passage by the Senate Public Works and Economic Development Act, S. 1648. Without doubt this very timely bill will help us continue economic development and industrialization of rural east Texas where area redevelopment left off.

COMMUNITY INNS OF AMERICA, INC.,
HERBERT O. WILSON and BOB L. RUSHING.

CROCKETT, TEX., April 28, 1965.

Hon. PAT McNAMARA,
Chairman of Public Works Committee,
U. S. Senate, Washington, D.C.:

I hope S. 1648 will have favorable action from your committee.

CROCKETT STATE BANK,
JAMES A. RECTOR, *President.*

SANDERSVILLE, GA., April 28, 1965.

PAT McNAMARA,
Chairman, Public Works Committee, U.S. Capitol, Washington, D.C.:

The officials and board of directors of the Sandersville-Washington County Chamber of Commerce endorse and recommend the public works and economic development bill that is now under consideration. The APW and ARA have been a tremendous help in this area. We would like to see this work continue under the new Economic Development Administration.

Sincerely,

HERBERT L. McCASKILL, Jr.,
President, Sandersville-Washington County Chamber of Commerce.

SELMER, TENN., April 29, 1965.

Hon. PAT McNAMARA,
Chairman, Public Works Committee, U.S. Senate, Washington, D.C.:

We would like to urge favorable action on Public Works and Economic Development Act of 1965.

McNAIRY COUNTY CHAMBER OF COMMERCE.

AUGUSTA, GA., April 29, 1965.

Senator PAT McNAMARA,
Chairman of Senate Public Works Committee, Senate Office Building, Washington, D.C.:

Board of Directors of CSRA Planning and Development Commission request your favorable consideration H.R. 6991, the Public Works and Economic Development Act of 1965. There is great need for more public works money, particularly for sewerage and water facilities. Title 2 is vital to economic development and has provided many jobs in our area.

CSRA PLANNING AND DEVELOPMENT COMMISSION,
DARRELL JOHNSON, *Chairman*.

SOMERSET, KY., April 27, 1965.

Senator PAT McNAMARA,
Chairman, Senate Public Works Committee, Washington, D.C.:

I consider it vital in best interest of our county and area which suffered much from substantial and persistent unemployment and family and individual economic hardships that your committee act favorably on the Public Works and Economic Development Act of 1965. It is my earnest hope that this legislation will become law.

JOHN W. GARNER, *County Judge*.

SANDERSVILLE, GA., April 29, 1965.

PAT McNAMARA,
Chairman, Public Works Committee, U.S. Capitol, Washington, D.C.:

The mayor and council of the city of Sandersville urge your support of the Public Works and Economic Development Act now under consideration. The APW and ARA has helped our city considerably. Your support to continue this program would be appreciated.

J. WARREN HALL, *Mayor*.

SELMER, TENN., April 30, 1965.

HON. PAT McNAMARA,
Chairman, Public Works Committee, U.S. Senate, Washington, D.C.:

We would like to urge favorable action on Public Works and Economic Development Act of 1965.

MICHIE, TENN.

E. S. HOWARD, *Mayor*.

SELMER, TENN., April 30, 1965.

HON. PAT McNAMARA,
Chairman, Public Works Committee, U.S. Senate, Washington, D.C.:

We would like to urge favorable action on Public Works and Economic Development Act of 1965.

TOWN OF ADAMSVILLE

L. A. BLANTON, *Mayor*.

HUNTINGTON CHAMBER OF COMMERCE,
Huntington, W. Va., April 27, 1965.

HON. PAT McNAMARA,
Chairman, Senate Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: It is our understanding that provisions for public works, formerly administered in conjunction with the Area Redevelopment Administration, is contained in the presently pending Economic Development Act.

The success of accelerated public works in reversing short-term economic down terms, has been well demonstrated. Your support and favorable consideration will be most sincerely appreciated.

DON BAKER,
Executive Vice President.

STATE OF INDIANA, EXECUTIVE DEPARTMENT,
Indianapolis, April 27, 1965.

HON. PATRICK MCNAMARA,
*U.S. Senator, Chairman, Senate Public Works Committee,
Washington, D.C.*

DEAR SENATOR MCNAMARA: I am writing in support of the Public Works and Economic Development Act of 1965 that I understand is pending at this time before your committee.

The Department of Commerce in the State of Indiana as you may be aware is under the jurisdiction of the Lieutenant Governor's office and our department in the past has worked very closely with the ARA program. I feel that this law will help all States, and particularly Indiana, boost their economy in areas that are needed in each State.

I strongly urge the passage of this act.

Very truly yours,

ROBERT L. ROCK,
Lieutenant Governor.

DAWSON SPRINGS CHAMBER OF COMMERCE,
Dawson Spring, Ky, April 26, 1965.

HON. PAT MCNAMARA,
*Chairman, Committee on Public Works,
U.S. Senate, Washington, D.C.*

DEAR SENATOR MCNAMARA: We understand that your committee is now considering the Public Works and Economic Development Act of 1965.

Dawson Springs has benefited from the ARA program and, as it appears that this new legislation will combine features of both ARA and APW, we feel it will be of great help in stimulating the economic growth of our depressed areas.

Your assistance in getting this measure passed will be greatly appreciated.

Sincerely,

PAUL L. HOWTON, *President.*

THE CITIZENS NATIONAL BANK,
Russellville, Ky., April 27, 1965.

HON. PAT MCNAMARA,
*Chairman, Committee on Public Works,
U.S. Senate, Washington, D.C.*

DEAR SIR: As a banker, I am keenly aware of every community's need for new jobs and new payrolls. Unfortunately, various regulations and internal policies sometimes prohibit the banking industry from participating in untried industrial ventures. Hence the need for a more speculative, long-term loan program such as that administered by the Area Redevelopment Administration.

As the Public Works and Economic Development Act of 1965 will extend and expand the ARA loan function, your endorsement and support of this piece of legislation will be truly appreciated.

Very truly yours,

EARL V. DAVIS,
Executive Vice President.

POINT PLEASANT-MASON COUNTY CHAMBER OF COMMERCE,
Point Pleasant, W. Va., April 28, 1965.

Senator PAT MCNAMARA,
*Chairman, Senate Public Works Committee,
Senate Office Building, Washington, D.C.*

DEAR SENATOR MCNAMARA: Coming up for consideration by your committee is a bill, Public Works and Economic Development Act of 1965. It is our understanding that this bill will be attached to the new ARA bill for 1965 and is basically a continuation of the accelerated public works program now in operation throughout the United States. As president of the Point Pleasant-Mason

County Chamber of Commerce, it has been my privilege to view personally some of the results of the accelerated public works program and while this has done much to help our area progress in certain areas, there are a number of things still needed and it is our opinion the act should receive your most earnest and favorable consideration.

I am,

Sincerely yours,

CHARLES C. LANHAM, *President.*

CITY OF DAWSON SPRINGS,
Dawson Springs, Ky., April 26, 1965.

HON. PAT McNAMARA,
Chairman, Committee on Public Works,
U.S. Senate,
Washington, D.C.

DEAR SIR: I understand that the Public Works and Economic Development Act of 1965 is now assigned to your committee for debate. I further understand that this new legislation will carry on the effective work begun under the Area Redevelopment Administration and the accelerated public works program.

I hope that you and your committee will see fit to report favorably upon this much-needed bill.

Sincerely,

NORMAN G. DIXON, *Mayor.*

THE FIRST HUNTINGTON NATIONAL BANK,
Huntington, W. Va., April 26, 1965.

HON. PAT McNAMARA,
Chairman, Senate Works Committee,
U.S. Senate,
Washington, D.C.

DEAR SIR: There is a bill pending before Congress to create the Public Works and Economic Development Act of 1965, which we urgently request that you support.

The public works program which has been conducted under ARA administration has been most effective in this area, and from what we hear in all parts of the country, in the fields of street improvement, sewers, health and recreation.

My association join with me in urging passage of the bill. Your support will be appreciated.

Very truly yours,

W. TAYLOR BEARD, *President.*

HUNTINGTON TRUST & SAVINGS BANK,
Huntington, W. Va., April 27, 1965.

HON. PAT McNAMARA,
Senator, Chairman, Senate Public Works Committee,
U.S. Senate,
Washington, D.C.

DEAR SENATOR McNAMARA: It is our firm opinion that the accelerated public works program has been a major factor in improving the image of our section of the country. We believe its benefits should continue and therefore favor the Public Works and Economic Development Act of 1965.

Sincerely trust you will favor the bill and will use your great influence looking toward its passage.

Sincerely,

A. GRANT BECKETT.

CADIZ, KY., April 27, 1965.

Hon. PAT McNAMARA,
Chairman, Committee on Public Works,
U.S. Senate, Washington, D.C.

DEAR SENATOR: This county, Trigg, lies on the east bank of the new Barkley Lake and across the lake from the TVA project "Between the Lakes Recreation Area."

This development promises to make this region one of America's finest for outdoor recreation of many types. However, the construction of good privately owned tourist facilities around the Government project will take tremendous amounts of capital, and long-term, low-interest loans, and public facility loans and grants such as those called for in the "Public Works and Economic Development Act of 1965" will be desperately needed.

We, therefore, earnestly seek your best support in getting this legislation quickly enacted into law.

Yours very truly,

ZELNER COSSEY.

Senator DOUGLAS. We are adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 12:10 p.m., the committee recessed, to reconvene on Wednesday, May 5, 1965, at 10 a.m.)

PUBLIC WORKS AND ECONOMIC DEVELOPMENT

WEDNESDAY, MAY 5, 1965

**U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON PRODUCTION AND STABILIZATION,
Washington, D.C.**

The subcommittee met at 10:06 a.m. in room 5302, New Senate Office Building, Senator Paul H. Douglas (chairman of the subcommittee) presiding.

Present: Senators Douglas, Muskie, Mondale, and Bennett.

Senator DOUGLAS. The subcommittee will come to order.

We are very happy to have as our first witness the distinguished senior Senator from Pennsylvania, Senator Joseph Clark.

STATEMENT OF HON. JOSEPH S. CLARK, U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator CLARK. Thank you, Senator Douglas. I am happy to be back with the Subcommittee on Production and Stabilization. I regret that I am no longer a member.

Senator DOUGLAS. We miss you.

Senator CLARK. Thank you, sir. I commend the chairman and other members of the committee for their dedication to the causes for which we fought together for a good many years.

Senator Douglas, I have a prepared statement in support of this regional economic development bill, which I take it is the successor of the old area redevelopment bill. With your permission, I would like to have the statement printed in the record and proceed on an informal basis.

Senator DOUGLAS. That will be done.

(The statement follows:)

This bill is a substantial improvement over the old Area Redevelopment Act. It breaks out of the county-by-county straitjacket which Congress imposed on the area redevelopment program in 1961 by promoting regional economic development among groups of counties or States. Rebuilding the economy of our distressed regions should not be cribbed and confined by artificial political boundaries.

The bill includes a strong program of public works assistance for areas of high unemployment. I have already suggested to the Senate Public Works Committee that the \$250 million for public works should be doubled to \$500 million if the program is to make a major dent in the backlog of needed public works in the distressed areas.

One of the most important provisions in the present bill, however, is the new section which makes Federal help available to an area hard hit by a major plant closing whether presently in an area of chronic and persistent unemployment or not.

This section embodies the provisions of a proposal which I joined Senator McIntyre in introducing in the Senate and I am delighted that the administration has seen fit to incorporate it in this bill.

In my State, for example, the Harrisburg-Middletown area faces a major economic adjustment problem because of the shutdown of the Olmsted Air Force Base, the major employer in the area.

The Harrisburg area is presently one of the most prosperous sections of Pennsylvania. Its unemployment rate has rarely topped 4 percent. But Olmsted Air Force Base employs about 10,000 people who will be affected by this closure. In a metropolitan area the size of Harrisburg this poses a major economic crisis. Under the old law, however, this community could not have qualified for the economic development, technical assistance, or public works assistance provided under the bill for distressed areas. This provision alters that.

Greater Harrisburg will be entitled to the same assistance as any area with longstanding unemployment.

This is a necessary step forward, in my opinion, in helping the dozens of communities affected by defense as well as private plant shutdowns adjust to radically altered circumstances.

Admittedly, this is only part of what is needed. As chairman of the Subcommittee on Employment and Manpower in the Senate Labor and Public Welfare Committee I have conducted hearings in 1963 and 1965 on this problem. So far, the administration has stoutly maintained that it has all the legislation needed to cope with shutdowns.

I do not agree. There are many problems which must be resolved that will require legislation. A matter of concern to this Banking and Currency Committee is housing. There are hundreds of homes in the vicinity of Olmsted Air Force Base owned by employees at the base. These homeowners are concerned about their loss in equity if they are unable to sell their houses on a market glutted with homes for sale. The Federal Government must assume a major responsibility in protecting them from that loss. I hope the Employment and Manpower Subcommittee will make some useful recommendations on this subject shortly. And I hope you gentlemen will give it your serious consideration.

Senator CLARK. The first point I would like to make is that in my judgment the public works authorization in this bill is entirely inadequate. I understand that this is a matter for the Public Works Committee rather than for the Production and Stabilization Subcommittee.

I have already recommended to Senator Randolph, who has been conducting the hearings on that public works section, that the amount be doubled and made \$500 million. I suggested to him that the artificial limitations on the budget ceiling ought to be ignored in this case because of the enormous success of the earlier accelerated public works program and I indicated in my testimony several areas were, in my judgment, comparable savings could be made in the budget so as it would not be necessary to exceed that \$100 billion ceiling which, to my way of thinking, is purely artificial anyway.

In my judgment, it was fixed at that artificial limit in order to achieve some political support for the administration's program, and I like to think of myself as a pragmatic politician and therefore I understand the rationale behind which this, to my way of thinking quite unsound economic limitation, was placed.

I would hope that this subcommittee would think it was within its jurisdiction, as the original parent of the area Redevelopment Administration legislation to urge the Public Works Committee to double the authorization for accelerated public works, as I have indicated.

I think the proposal in this bill loosening the county-by-county straitjacket under which ARA has operated in the past is very wise.

I think redevelopment on a regional basis, as evidenced by the Appalachia program, is a sounder approach. The Senator will recall that we felt when we were drafting the ARA legislation that in order

to get the necessary number of votes in the House of Representatives we had to include within its scope authority to conduct programs under ARA in areas which were rather dubious in terms of their eligibility under any rational criteria.

That particular pragmatic tactic worked and now we are faced with a somewhat different situation, and I personally would like to see a greater concentration of activity, not on a county-by-county basis, but on a regional basis for the new legislation.

It occurs to me that the politics have changed enough so that this is feasible; that with the support of the Johnson administration we no longer have to count noses quite so carefully to be sure that there will be enough pork barrel in the program for enough districts in the House of Representatives to enable the program to continue.

I am particularly interested in the new provision of the bill which puts in different language but with the same overall result the provisions of S. 400, a bill authorizing assistance under the Area Redevelopment Act for certain additional areas which have sustained or are about to sustain sudden and severe economic hardship.

This bill was introduced by Senator McIntyre, and cosponsored by a substantial number of additional Senators, including the chairman of this subcommittee and myself.

I would like to stress the need for keeping that provision in the bill.

Starting in 1963 the Subcommittee on Employment and Manpower of the Committee on Labor and Public Welfare, which subcommittee I chair, conducted a series of hearings which to some extent overlapped with the hearings which you, Senator Douglas, have participated in holding in the Joint Economic Committee with respect to the need for full employment.

Out of that quite comprehensive study we ended up publishing, I think, 15 rather thick volumes, showing the testimony we took and we came out with a number of recommendations dealing with various aspects of the problem of achieving full employment with reasonable price stability and I would like, with your permission, sir, to have printed in this record the portion of our report of last year which deals with the employment and manpower impact of the defense and space programs. That begins at the bottom of page 60 of this report, which I will be happy to leave with Mr. Lindley and carries on through with seven recommendations which conclude at the top—toward the middle of page 64.

Senator DOUGLAS. This will be included as a part of the record.

(The excerpt from the study follows:)

4. THE EMPLOYMENT AND MANPOWER IMPACT OF THE DEFENSE AND SPACE PROGRAM

Federal expenditures for defense have had an extremely important impact upon national employment since 1941. In 1963, approximately 10 percent of the gross national product was generated by Federal expenditures associated with national security. Such outlays have consistently accounted for over 85 percent of Federal purchases of goods and services during recent years. The Arms Control and Disarmament Agency has estimated that 6.7 million persons were employed in all Federal and private industrial defense-related activities in 1962. Defense-related jobholders account for about 9 percent of all U.S. employment.

This exceedingly large injection of federally related jobs and expenditures into the economy has had a profound impact upon the development of several important segments of American industry, the labor force, and certain regions of the country. Every shift in defense spending has profound economic effects. An exceptionally large proportion of the technological innovation, research and

development, and industrial expansion of the past 10 years has been related to the defense and space programs. The demand for highly trained and technical manpower has been similarly inflated by the essential need for high talent in engineering, science, and administration necessary to man a highly sophisticated defense program. The civilian space program of the National Aeronautics and Space Administration alone presently employs 43,000 scientists and engineers, or 3 percent of the Nation's total supply of this high talent manpower. The Selective Service System is also an important manpower program which requires appraisal.

(a) Reductions and shifts in defense expenditures

The budget program of the President, as well as pronouncements by the Secretary of Defense and testimony before this subcommittee, particularly by the Deputy Secretary of Defense, indicate that there will be a "leveling off" in total defense expenditures and shifts in where and how those expenditures will be made during the next few years.

This trend will carry with it three basic implications for national employment policy: (1) Since expenditures for defense will decrease relative to the rise in gross national product during the next few years, the impetus thus withdrawn from the economy must be replaced with increased expenditures for other Federal programs and/or by adopting national policies which will stimulate new employment in the private sector; (2) the long-term imbalance which has existed between defense and domestic investment-type expenditures can be partially redressed by shifting funds released from the defense program to domestic employment-generating programs, thus increasing employment opportunities in certain neglected sectors of the economy; (3) plans will have to be formulated for manpower, community, and industrial adjustments in those parts of the country substantially dependent upon defense-related enterprise; and (4) in addition, our national policy in support of arms control and, eventually, general and complete disarmament clearly indicates the wisdom of devising policies and programs now to deal with present adjustment problems engendered by defense shifts in order that we will have policies and mechanisms in being should an arms control or disarmament agreement ever be reached.

Defense spending and the growth rate

In the Presidents' 1964 Economic Report, the Council of Economic Advisers commented:

"Any lessening in international tensions that permits significant arms reductions consistent with national security will increase our ability to raise our rate of economic growth. Resources no longer used in arms production can be used to upgrade the skills and equipment of the labor force, as well as to raise the levels of private and public consumption. An economic policy, insuring that resources are used for such purposes rather than left idle, can raise the growth rate of national output."

The subcommittee concurs with this assessment and believes that such an economic policy must include a flexible mix, in the words of the President's Economic Report, of "tax and expenditure policies that will prevent a constrictive rise in the full employment surplus" in the budget.

Adjustment to expenditure reductions

As Under Secretary of Defense Gilpatric said in testimony before the subcommittee:

"* * * unless some currently unforeseeable change takes place in the nature of military threats which the Nation faces, we do not see the need in that time period for a recurrence of the rapid increase in defense spending that has been necessary in the last 3 years. Instead, we anticipate a relatively stable overall military budget, but with conditions which would create economic problems for certain industries that would then have to find alternative, nondefense, uses for their resources."

This is a most conservative appraisal of foreseeable changes in defense spending.

Since that testimony, the President has affirmed his intention to reduce the level of defense expenditures by closing down obsolete military installations,

curtailing warhead production, ceasing further stockpiling of nuclear weapons and reducing civilian employment in the Department of Defense.

The subcommittee does not wish to over or underestimate the adjustment problems which will result from defense reductions. But because of the many jobs indirectly associated with defense activities, it views as conservative Secretary Gilpatric's judgment that less than \$10 billion of the expenditures for defense account for programs which could, under foreseeable circumstances, pose serious adjustment difficulties. (The rest of the more than \$50 billion defense budget goes for such items as food, clothing, wages and salaries, transportation, and support items which would be incurred by or on behalf of the recipients in any event.) Granting this estimate for the sake of discussion, however, it is still quite obvious that certain industries and particular regions confront particularly complex adjustment difficulties.

The subcommittee concurs, therefore, with the judgment expressed by Archibald Alexander, Deputy Director of the Arms Control and Disarmament Agency, in his testimony before the subcommittee when he suggested that the Nation, in the face of these changes, "must get ready now to make the economic adjustments which will insure the adequacy of total demand as well as the smoothest possible transfer of human and physical resources no longer needed in the defense effort."

It is the subcommittee's judgment that there are two separate aspects to the adjustment problem. First are those adjustments which will be necessary in communities seriously affected by important military base closures. Secondly, there are the extremely complex readjustment problems faced by those highly technological companies and their employees which have been heavily dependent upon Defense Department business.

The subcommittee believes that any set of policies and programs established to resolve these two separate challenges would be needed even if there were to be no change in defense expenditures. Rapid rates of innovation and obsolescence in weaponry make it inevitable that constant manpower, community, and industrial readjustments will have to be made to contract cancellations, phase-outs, and shifts in the location, nature, and amount of spending.

And for obvious reasons, these same adjustment policies and programs will be essential when our national policy supporting an agreement for general and complete disarmament is achieved.

The subcommittee applauds, therefore, President Johnson's appointment of a special committee of Federal executives to study appropriate steps for successful economic adjustment to changes in the level and composition of defense expenditures.

Needed adjustment programs

A program to assist communities, workers, and industries in adapting to changes in defense spending is essential. It must include provisions for early warning from the Department of Defense to communities and industries of impending changes in local defense programs. A series of assistance policies must be devised to help in meeting the temporary problems of local accommodation to these changes. And the Federal Government must assist defense industry in finding ways to convert its technological capacity and expertise to the civilian sector wherever possible.

As a result of its hearings in November and December 1963, the subcommittee is by no means convinced that the effective transfer of defense industry technology and management techniques to civilian markets will be simple. These industries have been operating in the past without the cost or sales considerations which prevail in civilian markets. In addition, the rapid innovation to which they have been accustomed is possible only under the very special conditions imposed by national security programs or space exploration. A rate of innovation that rapid in civilian markets might cause serious dislocations in existing industries and employment and would pose special problems for capital financing.

The subcommittee is optimistic, however, that such hurdles can be jumped and has concluded that Government and industry together can determine the best techniques for effecting the adaptation of defense technology to civilian needs. The subcommittee has concluded that in addition to such cooperative Govern-

ment-industry approaches, industry should also be afforded some incentive which encourages it to plan for a loss of defense business on its own.

RECOMMENDATIONS

(1) The Secretary of Defense should develop a system of advanced warning for communities and industries with heavy dependence upon the defense program so that they may be adequately forewarned of impending changes which seriously affect their operations and employment levels.

(2) Legislation should be enacted permitting areas where substantial defense changes cause abrupt alterations in the economic outlook for the region to be classified as distressed in order that the full range of existing Federal assistance and training programs may be made available to help the community prepare for the transition.

(3) Committees established by the Secretary of Defense to study obsolescence at military installations should be authorized also to investigate conversion alternatives at such installations in order to help guide local authorities in their own planning.

(4) The General Services Administration should be required to review the operations of the Federal surplus property disposal program in order to determine how procedures might be expedited to facilitate smooth conversion.

(5) A thorough review of patent policy should be made to assure the use of Government-financed technology in encouraging the formation of new enterprise and employment.

(6) States, communities, and industries should begin advance planning in order that any defense shifts which affect them can be handled smoothly and intelligently before and not after a crisis occurs. The Department of Defense should make allowance for the cost of planning in defense-dependent industries. The subcommittee recommends that future contracts or grants entered into by the Department of Defense or the Atomic Energy Commission should require the contractor to make plans for conversion to civilian work should the contract be curtailed or terminated. A defense adjustment fund should be created by the allocation of small sums related to the size of each defense contract. This fund should be used to aid communities and individuals affected by reduction or shifts in defense expenditure in making needed adjustments to other forms of employment.

(7) The conversion of technology and expertise from defense enterprise to civilian uses poses a number of complicated problems in technology, marketing, patent policy, and occupational adjustment. The subcommittee is convinced that answers cannot be found for these problems except by the industries themselves in close cooperation with officials of the Government conversant with the field. The subcommittee recommends, therefore, the establishment of a Special Government-Industry Commission which will report within a specified time of its appointment recommendations for dealing with this urgent problem.

Senator CLARK. I would like to stress particularly recommendation No. 2 of our subcommittee, which appears at the bottom of page 63 and with your permission, since it is brief, I will read it into the record:

Legislation should be enacted permitting areas where substantial defense changes cause abrupt alterations in the economic outlook for the region to be classified as distressed in order that the full range of existing Federal assistance and training programs may be made available to help the community prepare for the transition.

That was incorporated in legislative form, first, in S. 400, and then in a slightly different language in title IV, part A, in section 401(b) (4), a provision which I heartily endorse.

I would like to refer briefly to a specific example in my own Commonwealth of Pennsylvania, where this provision could, if promptly

enacted, be of substantial assistance today. For many years, the Harrisburg area, the Greater Metropolitan Harrisburg area, has been one of the most prosperous areas in Pennsylvania. It is one of the few really prosperous ones. The Olmsted Air Force Base is located there and it had a direct employment of about 10,000 people and, of course, indirect employment very much larger because of the housing and servicing, transportation, and other needs of the employees at the Olmsted Air Force Base, a decision has been made to close that base. Although we did everything possible to bring to the attention of the Secretary of Defense and his subordinates the arguments against closing, it appears that the base will be closed.

Now, what we are trying to do is that although this Harrisburg area has had an unemployment rate usually below 4 percent and rarely above it, this closing out of the base and the probable moving to other areas of a large majority of the 10,000 employees who were there threatens to change the area from one of substantial prosperity to one hovering on the edge if not over the edge of an area of chronic and persistent unemployment.

I think this section of the bill would provide some of the help we need to forestall such an event.

I don't have to recall to the chairman what can happen if we fail to provide help to such communities. The loss in equity in many of the homes which these people will be vacating, the decrease in the gross receipts of the grocery stores, and the cleaning establishments and the like, the out-migration of many of these people, who have been offered jobs by the Government in other places, all these can profoundly affect the local economy.

Admittedly, this kind of provision is only part of what is needed. I believe myself that the administration is wrong when it stoutly maintains as it now has all of the legislation it needs to cope with these shutdowns.

I would hope that my view would find some support in this committee. I see the Senator from New Hampshire about to leave the room and I want to commend him for being principal sponsor in this bill which I have referred.

So, in summary, Mr. Chairman, I would hope this legislation will be promptly enacted. I hope this subcommittee will give its approval to the increasing need and authorization for public works. I would hope that the provision permitting areas where there have been defense shutdowns, causing substantial economic dislocation, would be kept in the bill, and I cannot refrain finally from urging the chairman to give prayerful thought to updating the Employment Act of 1946 which I have proposed to the Congress and which I have no doubt could be immeasurably assisted with the help of the Joint Economic Committee.

Senator DOUGLAS. Is section 4 on page 22 substantially satisfactory to you?

Senator CLARK. Yes, sir.

Senator DOUGLAS. That has been included largely because of the McIntyre amendment.

Senator CLARK. Yes, sir. In Pennsylvania we call it the "Clark-McIntyre amendment." [Laughter.]

Senator MUSKIE. I thought it was the "Muskie-McIntyre" bill.

Senator CLARK. Ours is a union of 50 independent States.

Senator DOUGLAS. I will be very happy to coauthor, but I do not call it the Douglas-McIntyre amendment, but call it the McIntyre amendment.

Senator MCINTYRE. You don't need to, Senator; your future is secure.

Senator DOUGLAS. Thank you.

Thank you very much, Senator Clark.

Senator McIntyre, you are a very able member of the committee. We are very happy to have you here this morning, and your S. 400 led to the introduction of section 4 on page 22, about which I have just questioned Senator Clark.

We will be very glad to hear from you.

STATEMENT OF HON. THOMAS J. MCINTYRE, U.S. SENATOR FROM THE STATE OF NEW HAMPSHIRE

Senator MCINTYRE. Thank you very much, Mr. Chairman.

Mr. Chairman, it is a real pleasure to have the opportunity to appear before the Production and Stabilization Subcommittee this morning to speak in support of S. 1648, the Public Works and Economic Development Act of 1965.

I have already presented a statement to the Committee on Public Works on certain aspects of this bill, and, with your consent, I would like to confine myself to a few brief remarks in support of section 401(a)(4).

As I see it, this section represents a concept which is a welcome addition to the tools which the Federal Government can make available to the communities wishing to help themselves, to help themselves escape economic disaster.

Under present area redevelopment legislation, aid is made available for areas which meet specific criteria of present underemployment, but with enactment of section 401(a)(4), we will be able to help communities to stay on their feet and avoid the problems before they become too serious.

I think of this type of assistance as similar to preventive medicine, where doctors work to prevent illness before it occurs. With the passage of this bill, the Administration will be able to make the tools of economic recovery available to communities in time to prevent the problems which the remainder of S. 1648 is designed to help cure.

I would like to add a few words about the support which this concept of advance aid has already received in the Senate. On January 12 of this year I introduced a bill, S. 400, to amend the Area Redevelopment Act along the lines of section 401(a)(4). Although I

did not make any active attempt to attract cosponsors, some 18 other members of the Senate have indicated their willingness to join me as cosponsor of this bill, S. 400. I feel this display of interest is an indication of the support which may be expected for the authority granted under the section.

At this point, Mr. Chairman, I also would like to mention that I understand that the Comptroller will be testifying here Friday, and this will bring the so-called Proxmire amendment into focus. I would like to indicate to the chairman our sincere interest on some form of retention of this third—as I call it—third classification.

We in New Hampshire would suffer if the Comptroller's view, which is to remove the language as I understand it, of the Proxmire amendment, should prevail.

Now, with your permission, sir, I would like to submit for the record a copy of S. 400 and a copy of the introductory remarks which I made concerning the bill.

(The introductory remarks and the bill follow:)

REMARKS OF THOMAS J. MCINTYRE IN THE SENATE OF THE UNITED STATES, JANUARY 12, 1965

Mr. President, I introduce for appropriate reference a bill to authorize assistance under the Area Redevelopment Act for certain areas and ask that it remain at the desk for 7 days to allow any Senators who desire to do so to cosponsor it. I ask unanimous consent to have the text of the bill printed in the Record at the conclusion of my remarks.

This bill is designed to help remedy a situation which has existed for a number of years and which has dramatically revealed itself in the recent announcement of the Secretary of Defense relating to the closing down of military installations throughout the country.

In brief, the bill provides that area redevelopment assistance shall be available to those areas of the Nation which, although they do not presently meet the requirements for such assistance, can reasonably be expected to meet the requirements within 2 years as the result of a recent, or a pending, removal of a major source of employment.

This situation could follow the closing down of a major military installation, the departure of a privately owned industry, or a natural disaster which resulted in severe underemployment.

Enactment of this bill would provide a permanent standby authority for the Department of Commerce to extend immediate aid in situations such as the phasing out of the Portsmouth Naval Shipyard, the closing of the Studebaker plant in South Bend, or the Alaskan earthquakes. Available aid, of course, would be in the form of regular ARA grants and loans, 4-percent SBA loans, and increased funds for urban planning and urban renewal grants, among others.

89TH CONGRESS
1ST SESSION

S. 400

IN THE SENATE OF THE UNITED STATES

JANUARY 12, 1965

Mr. McINTYRE (for himself, Mr. BARTLETT, Mr. CLARK, Mr. COTTON, Mr. DOUGLAS, Mr. KENNEDY of Massachusetts, Mr. KUCHEL, Mr. LONG of Missouri, Mr. MAGNUSON, Mr. MCGOVERN, Mr. MONDALE, Mr. MUSKIE, Mr. PASTORE, Mr. PELL, Mr. RANDOLPH, Mr. RIBICOFF, Mr. SCOTT, and Mr. YARBOROUGH) introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

A BILL

To authorize assistance under the Area Redevelopment Act for certain additional areas which have sustained, or are about to sustain, sudden and severe economic hardship.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 5 (a) of the Area Redevelopment Act is
4 amended by adding at the end thereof a new paragraph as
5 follows:

6 “To assist in the economic readjustment of, and to pro-
7 vide new employment opportunities in, certain areas which
8 have sustained, or are about to sustain, sudden and severe

2

1 economic hardship, the Secretary shall also designate as
2 'redevelopment areas' those areas within the United States
3 in which he determines that a natural disaster, or the loss,
4 removal, or closing of a major source of employment (in-
5 cluding the closing of military installations), has caused, or
6 is about to cause, an unusual and abrupt rise in unemploy-
7 ment or underemployment of such magnitude that the area
8 can reasonably be expected to become eligible for designation
9 under the other provisions of this subsection, or under sub-
10 section (b), within two years unless the authority conferred
11 by this paragraph is exercised."

It is a real pleasure this morning to introduce a gentleman from my State, Mr. Thomas M. Prentiss. He is the coordinator of the seacoast regional plan of the States of New Hampshire and Maine. He is a native New Englander, having been born in Medford, Mass., and is a graduate of Syracuse University, and the advance management program of the Harvard Business School.

Tom Prentiss' first job after graduation was with the Simplex Wire & Cable Co., and he has served with that company for some 25 years—the last 12 years in New Hampshire with the Submarine Cable Division of Simplex.

In 1963 he was elected corporate vice president of the parent company and he is presently serving as general manager of the Submarine Cable Division in Newington, N.H., which is very close to the port city of Portsmouth.

Tom has donated his services to help plan and direct the activities of the seacoast area to maintain its economic well-being, and is currently on a leave of absence from his corporate duties with Simplex Wire & Cable.

I feel that his efforts that have already been underway on behalf of the bistate seacoast region have been and will continue to be remarkably outstanding examples of a dedicated community service.

Mr. Chairman, I know in your long experience that you have had the opportunity to see men of this type, this caliber, that really keep this great country of ours going. Tom is one of those individuals that we sometimes find in communities and sometimes find in regions, a man who at any level, as a citizen of that community, is always ready to serve and give of his time and his best efforts.

We feel that we are very fortunate, we are very appreciative of Simplex Wire & Cable's willingness to go along and loan him to us.

And so, in presenting him to you, I think I present the type of citizen who personifies the best of America, the citizens who are such an integral part of our communities and regions and whom we are all very proud of.

So I am glad to present my good friend, Tom Prentiss.

Senator DOUGLAS. Thank you, Senator McIntyre.

We are glad to welcome you.

Senator MUSKIE. Mr. Chairman, I would like to join in the praise of Senator McIntyre for his introduction of S. 400, which should be known, as the chairman suggested, only as the McIntyre amendment. It is a real contribution to this legislation, and I think can be useful.

I would like to ask Senator McIntyre just a couple of questions in order to get it in the record at this point.

In the hearings before the Public Works Committee, as well as the hearings here, I have raised the question as to whether or not the 3-year period is sufficient to meet the situation in Portsmouth. We don't really expect in the Portsmouth-Kittery area that unemployment will be reduced over a 3-year period to a point where it might not need this section of the bill, do we?

Senator MCINTYRE. Senator Muskie, S. 400 asks for a period of 2 years. The President's message enlarged this to 3 years. I believe that as we try to approach this problem in a preventive way, that we

have to be a little careful that we don't spread the period too long, because events and circumstances of course could change.

I feel that it is the legislative intent of this particular bill to put the men in charge of area redevelopment in a position to help where it may be apparent from the facts of any individual case, whether it be a private industry that is about to close, or has given indications of closing, or whether it be, as we are most concerned in Portsmouth, with the closing of the military installation, that the community will suffer in the future from serious underemployment or unemployment. And I would think it would have to be a reasonable period.

I suppose, we could argue whether two is insufficient or five too much, but I wouldn't quarrel too much with the 3-year period. I think it is going to have to be a matter of close interpretation by whoever is running that program and it is going to have to be something less, for instance, than a 10-year period that we have been told is the phaseout period in Portsmouth.

Senator MUSKIE. Let me ask you this: Is the language in the section phrased now, the 3 years begin with the closing of a major source of employment? Am I correct in that interpretation?

Let me read it:

Upon request of such area, those additional areas in which the Secretary determines that the loss, removal or closing of a major source of employment has caused or is about to cause an unusual and abrupt rise in unemployment or underemployment of such magnitude that the area can reasonably be expected to become eligible for designation under the provisions of this act within 3 years, unless assistance is provided.

I am not sure when that 3 years starts running. If it starts running at the time of the closing, then it isn't likely to start running in the case of Portsmouth until 10 years from last fall, which give us no relief at all.

If the 3-year period is to be measured from the time of application for relief, then what you have to anticipate is that there will be a major closing within 3 years of the application, which could result in eligibility under the other provisions of the program.

If that is the case, then the local area would have to be astute as to the time when it applied. Now, if in fact the 3 years will start running from the date of the application, this might serve our purposes, because then all we would have to do is to watch developments as in the case of Portsmouth and try to project the time when employment at the yard will start declining and then gear our application to that projection. And in that case, this section might be adequate.

So it seems to me that we ought to get a clarification of this point as to when the 3-year period of which this section starts running.

I wonder if the chairman would have any observation on this point.

Senator DOUGLAS. I think this does need to be clarified, and I think we should seek clarifying language, either in the bill or in the report.

Senator MCINTYRE. I would just like to add that Senator Muskie has a good point. Clarification should be added, particularly if you take the case of Portsmouth, where the phaseout period has been announced to be a 10-year period. But you and I and Senator Muskie know, that the only firm commitment we have on the main-

tenance of an employment level to be about equal to that that was in existence at the time of the announced closing in November of 1964, has been more or less guaranteed to us by the Secretary of Defense for only a 3- or 4-year period.

So it must be clear that Portsmouth would not be caught on a 10-year period that would mean we would have to wait 7 years under this present bill.

Senator MUSKIE. I look forward to this. Mr. Prentiss, you have your committee established, you have a survey underway to evaluate the assets of the area and you are making some plans for putting them to use, whatever happens to the yard.

We are all hoping, of course, that the decision to close the yard might be reversed and the people at the yard are undertaking to operate the yard so as to justify that kind of reversal, but, in the meantime, we are trying to put the other economic assets of the area to work, primarily with your group.

Now, if sometime in this 3-year period, maybe in the middle of it or end of it, you develop a possibility for the establishment of new industry and the assistance features of this program could be helpful, then you might want to file an application of designation at that point.

It seems to me that should be possible under this bill, if within 3 years from that point the commitment has been made to Senator McIntyre begins to run out and we can see unemployment beginning to develop.

If this provision of the bill made it possible for us to do that, then it would constitute, I think, meaningful relief.

There is another feature to this that I would like to bring to your attention, Senator McIntyre, for comment, and it is this: That immediately north of the Portsmouth area in Maine there is now an area redevelopment area. It has been designated as such for several years, but for the past year there have been prospects that the designation would be lifted because of the change in unemployment statistics which take it below the triggering eligibility in the act.

Now, it seems to me that in that kind of a situation, with the threat of the Portsmouth closing in the future, that the Administrator ought to have the authority in that Biddeford-Sanford area to retain the designation in order to use that surplus, and to use that labor market for the purpose of building up new industrial development to absorb what happens in the Portsmouth area.

And Senator Mondale has an amendment which he is offering which, I think, can be helpful in this respect. It might need some refinement and improvement, but I would like to suggest that you look at Senator Mondale's amendment which could help in the Biddeford-Sanford area.

Senator MCINTYRE. May I inquire, is the Biddeford-Sanford area moving in a direction which will bring it out of area redevelopment designation at the present time?

Senator MUSKIE. The last statistics we have were such that, if maintained, would require the Administrator to lift the designation.

Now there are certain periods where the area could protest and where the decision can be reviewed, but it will eventually run out, so

that the Administrator would no longer have any discretion to continue the designation if the law is continued as it is.

So I think that the Mondale amendment, or something like it, would be very helpful in that kind of a situation.

Senator McINTYRE. Certainly it was within the contemplation of S. 400 that an area, say 20 or 30 miles away from the Portsmouth-Kittery, Portsmouth focal point, would be embraced in this region that would be under a designation if this criteria is maintained in the bill.

Senator MUSKIE. I have asked the Secretary of Commerce, Mr. Batt, to look at both of these provisions of the bill and I think it may be necessary to offer some clarifying language as an amendment to the bill, in order to insure that, from at least those two points of view, this amendment, which you have taken the leadership in offering, may be beefed up to give more meaningful relief for the Portsmouth-Kittery area.

Senator McINTYRE. I think, too, Mr. Chairman, in view of our experience, particularly in New Hampshire with the Proximire amendment and the difficulties that have arisen between the General Accounting Office and the Area Redevelopment people, that it certainly behooves us to give our best attention to clarify this language so that there is no ambiguity and no uncertainty.

Senator DOUGLAS. Senator McIntyre, would you care to come and sit up here with us?

Senator McINTYRE. Thank you, Mr. Chairman, I have already overstayed my leave. Two other committees that I am a member of are meeting now, one, the Armed Services Committee with the Secretary of Defense; and second, the District of Columbia Committee on the omnibus crime bill, so I will ask to be excused, Mr. Chairman, and I was very pleased to be able to be here.

Senator DOUGLAS. We are very happy to have you. I wonder if Mr. Cooley, president of the Bank of Washington, would not come up and sit beside Mr. Prentiss.

Thank you very much, Senator McIntyre.

Senator McINTYRE. Thank you.

Senator DOUGLAS. Mr. Prentiss, we are very happy to welcome you. You may proceed with your testimony.

STATEMENT OF THOMAS M. PRENTISS, COORDINATOR, SEACOAST REGIONAL PLAN OF THE STATES OF NEW HAMPSHIRE AND MAINE, PORTSMOUTH, N.H.

Mr. PRENTISS. Mr. Chairman, I am delighted to have this opportunity to appear before the Production and Stabilization Subcommittee of the Senate Banking and Currency Committee to testify in favor of the passage of Senate bill 1648.

It is my considered opinion that the passage of this bill will provide a very essential partnership between Federal, State, and local government in the vital matter of economic development and redevelopment.

I have been directly involved during the past 2 years in a regional program of economic development covering 48 municipalities in the

seacoast region of southeastern New Hampshire and southwestern Maine.

This economic region has one common denominator and that is over-dependence upon a one-industry economy. In our case the industry is the largest single employer in all of northern New England. You and I are that employer because I am referring to the Portsmouth Naval Shipyard. The cyclical demands of our Nation's defense program have been the cause of wide fluctuations in the regional economy for the past many decades.

Two years ago, in 1963, civic leadership in our region began to develop a program to strengthen the regional economy by seeking methods of diversifying the industrial and employment base for our residents. These efforts, backed by Govs. John W. King, of New Hampshire, and John H. Reed, of the State of Maine, elicited the full cooperation of various Federal, State, and local agencies of government and countless citizen organizations.

Early in the development program the Greater Portsmouth Chamber of Commerce was joined by the New Hampshire Seacoast Regional Development Association, an agency of State and local government, which had developed one of the first regional planning programs in the Nation nearly 30 years ago. This early regional plan had carefully defined an economic region and constitutes the geography of the bistate region with which we are concerned today.

The population of this region is nearly 170,000 persons. Approximately 80 percent reside in New Hampshire and about 20 percent in Maine. The area covers 800 square miles, nearly all of it lying directly in the path of what metropolitan planners have called megalopolis.

Of the 170,000 inhabitants of this region, nearly 70,000 of them are directly or indirectly dependent upon the nearly \$95 million of payrolls generated at two huge defense installations. The Portsmouth Naval Shipyard and Pease Air Force Base payrolls provide further evidence of the ever-widening influence of secondary and tertiary employment in the sale of goods and services which account for literally thousands of jobs in our regional economy.

The development of the seacoast regional plan has brought together the best professional, technical, and academic minds in northern New England. The plan was devised carefully and deliberately and not merely to meet a series of crises, which were to come in November 1964.

The type of orderly and comprehensive plan development is the type of program which is envisioned in title I, section 101(c), and several other sections of S. 1648 which require the preparation of a basic overall economic development program by a local organization as a prelude to participation by the Federal agency.

We agree with the basic philosophy of S. 1648 which was best stated by President Lyndon B. Johnson on March 25, 1965, when he said:

The initiative, the ideas, and the request for assistance must all come to Washington, not from Washington.

The development of our program, which involves a comprehensive regional planning program was completed in mid-1964. Applications were forwarded to the Housing and Home Finance Agency for Federal participation under section 701 of the Housing Act of 1954,

as amended, which will enable the University of New Hampshire to prepare a thorough study of the economic base of the region.

During the development of the planning program we secured the active cooperation of all of the 48 units of local government involved in the economic region. Official representatives of the various governing boards and councils were assembled into a policymaking group known as the general committee for the seacoast regional plan.

The Housing Act of 1954, as amended, under the provisions of section 701, provides for grants-in-aid for planning programs amounting to two-thirds of the total project cost. In our case, the local one-third share was raised largely by professional services contributed by the State of New Hampshire, the State of Maine, the University of New Hampshire, the Seacoast Regional Development Association, and the cities of Dover and Portsmouth, N.H.

The seacoast regional plan was in full operation as a planning project on November 19, 1964, when Secretary of Defense McNamara announced that the Portsmouth Naval Shipyard would undergo a gradual phaseout over a 10-year period. A simultaneous directive indicated that Pease Air Force Base would undergo a 50-percent reduction in military personnel during the next 12 months. Govs. John W. King and John H. Reed immediately scheduled a Governor's Conference on Economic Development which was held under the auspices of the seacoast regional plan in Portsmouth, N.H., on November 30, 1964. Nearly 1,000 persons, residents in this economic region, joined with the entire congressional delegation of both Maine and New Hampshire in a careful exploration of the full meaning and impact of the base-closing announcement.

The emphasis of this meeting was focused on positive steps for economic development and both Governors made a formal announcement of the designation of the seacoast regional plan as the agency which would represent both the States of New Hampshire and of Maine in the redevelopment efforts.

The seacoast regional plan, while primarily designed as a planning organization, had in its very early existence envisioned the day on which its mission would also involve the operational phases of industrial and economic development. The fact that the planning and research program had not been completed in November of 1964 did not preclude the fact that our organization had to adapt itself quickly to some immediate short-range development efforts while at the same time carefully directing the long-range effort.

Senate bill 1648 is an exceptionally well-prepared piece of legislation which provides specific recognition of many of the problems which we faced in late 1964, and I believe that this legislation should be enacted. We believe that our economic situation is well recognized in paragraph (4) of section 401 of title IV, "Area and District Eligibility." This paragraph permits definitive action to be taken before the fact rather than after the fact. It encourages positive steps to be taken in the redevelopment of a regional economy which is threatened by the loss, removal or closing of a major source of employment and it further recognizes the fact that the nature of these problems is long range.

We support the concept of taking action before serious unemployment, underemployment or economic deterioration sets in and we as-

sume that just because a 3-year time period is referred to in the bill that our area will not be denied the assistance contemplated in the legislation. As you know the Department of Defense has announced a 10-year, not a 3-year, phaseout in connection with the Portsmouth Naval Shipyard. Obviously, economic deterioration will become serious as the phaseout progresses.

We are operating in an area where there is a serious lack of definitive information as to future workload at the shipyard. However, our most reliable information indicates that there will be sharp decline in employment in about 3½ years.

The entire basis of our presentation today is based upon our assumption that our region will be eligible for assistance if the proposed legislation should be enacted.

Our situation in New Hampshire and Maine has been made all the more acute because of the existence of persistent and chronic unemployment in York County, Maine, to the north, and Essex County, Mass., to the south. The existence of national defense payrolls in this particular region had kept the economic situation in these two neighboring distressed areas from becoming more acute, and of course, these same payrolls were the single major reason why this particular region did not also qualify as a distressed area, and so our dependence on national defense has been a blessing for the present but forecast a shadow of gloom for the future.

I know from my immediate experience in regional economic development that the advance designation of an area, as envisioned by paragraph (4) of section 401 of title IV, is a vital necessity if an effective program of redevelopment is to be undertaken. I would also like to bring to your attention my observations on Title V: Regional Action Planning Commissions. Section 501(b) provides as follows:

As used in this Act, the term "region" refers to any area within the United States * * * in two or more contiguous States.

This is a perfect description of our region.

We have carefully reviewed the "Program development criteria," as contained in section 502, and we find that this section meets with our immediate approval. We note that paragraph (5) provides important recognition of the fact that a planning project may be beneficial on a continuing rather than a temporary basis. We crossed this bridge 2 years ago when we decided that our efforts in planning would be directed toward implementation of action programs and not on the mere development and recital of plans; this requires continuity of action and not mere storage of planning documents.

My endorsement of Senate bill 1648 would not be complete without bringing to your attention my observations concerning the material which appears in Section 504: Regional Technical and Planning Assistance. This section is directly applicable to some of the problems which the seacoast regional plan is facing at this moment.

As Senator McIntyre said in his introductory remarks, I am on loan to the seacoast regional plan from my position as vice president of the Simplex Wire & Cable Co. of Cambridge, Mass. I am assisted in this regional effort by two full-time professional administrators, both of whom, however, are on loan from their agencies; the New

Hampshire Department of Resources and Economic Development and the New Hampshire Seacoast Regional Development Association.

A small expense fund has been made available through the action of the Governor and Council of the State of New Hampshire and some technical services are provided by both State governments. The constant outpouring of offers of technical and professional assistance from various civic groups and ordinary citizens has represented both a blessing and problem. We simply have not been able to finance our administrative effort to the extent that we could make intelligent and coordinated use of many of the human resources available to us.

From my experience, I believe that the first 2 years are the most critical in the operation of any regional development effort. I am addressing myself now to the 2-year period after the development of an overall economic development program. I am speaking of the first 2 years during which the program enters its operational phase. In our particular case, I am addressing myself to where we find ourselves in May of 1965, nearly 6 months after we had actually begun our operations. At this time and for the next 1½ years, I do not expect that our program will gather headlines, nor will it be particularly glamorous. Thus, it is not going to elicit the type of local government financial support that it could after it has had a solid beginning period.

Therefore, I feel that the administrative expenses referred to in Section 503: Regional Technical and Planning Assistance, which would authorize financial participation by the Federal Government, are particularly necessary during this period. The appropriation of these expenses would permit the solid and orderly growth of a program of economic development which could then be carried on through a partnership between the Federal Government and the States.

Mr. Chairman, my associates and I, in the seacoast regional plan, have carefully reviewed S. 1648 and we find that this legislation will be of great assistance in connection with our efforts to redevelop the economy of the bistate seacoast region. Title I of this act, entitled "Grants for Public Works and Development Facilities," provides the framework for the expansion of State and municipal services, facilities and utilities which are necessary as a prelude to industrial development.

The Portsmouth Naval Shipyard has, in recent years, provided employment for an average of 8,000 workers with an annual payroll of \$65 million on slightly more than 200 acres of land. The large number of employees involved on a relatively small piece of real estate is a situation uniquely peculiar to the shipbuilding industry.

Our efforts in providing employment opportunities to these same people may well require thousands of acres in widely separated semi-urban communities. Many of these communities at present lack the necessary services and utilities for economic development and are faced with the tremendous financial burdens created by the postwar flight to the suburbs by the expanding population of the Nation.

Titles II and III each contain many valuable provisions that have specific application in our region. In my preceding remarks I have dealt with some specific examples. However, our interest in this legislation is not limited to these particular sections.

Mr. Chairman, I respectfully urge your subcommittee to recommend favorable passage of Senate bill 1648 and I am particularly honored to have been invited by Senator McIntyre, a cosponsor of this legislation, to appear before your subcommittee.

Thank you, sir.

Senator DOUGLAS. Thank you very much, Mr. Prentiss. I see the very able Congressman from Tennessee, the Honorable John J. Duncan, is here. I wonder if you would be willing to defer questioning until Mr. Duncan testifies?

Mr. PRENTISS. I will be pleased to.

Senator DOUGLAS. I am very happy to have you, Mr. Duncan.

STATEMENT OF JOHN J. DUNCAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mr. DUNCAN. Mr. Chairman, I would like to express my appreciation to the committee and to the gentleman who just deferred his time. I am in a committee hearing myself.

Mr. Chairman and members of the committee, I have asked to testify before you today as a proponent of the bill you are now considering. It is perhaps not an everyday occurrence for a member of the opposition party to go out of his way to support an administration bill.

Senator DOUGLAS. All the more blessings.

Mr. DUNCAN. I am sure that this fact, in and of itself, will serve to demonstrate to you the importance I attach to this measure.

You see, gentlemen, I come from Tennessee, a State which has places of great economic strength, but a State which also contains portions of the hard-core economic distress characteristic of Appalachia. So I have already had a good deal of firsthand experience with the area redevelopment program as presently constituted. Many communities in my district have benefited from this program during the short period of its existence. And I surely hope that these communities, and others not yet receiving such assistance, will be able to gain the stimulus afforded by the current bill.

For my experience with the present program has demonstrated clearly that the Federal assistance afforded communities attempting to cope with serious economic problems can provide a real stimulus—a much-needed stimulus. But it has also convinced me that the present program is too limited.

I should like to concentrate my comments today on one particular gap that the bill before you would fill. This is the problem of the community which is suddenly hit by an abrupt and well-nigh crippling economic setback—the one-industry town faced with an announcement that its one industry is about to cut back its work force sharply, or close down altogether.

In Tennessee, we have recently had a small but graphic glimpse of what such a situation can mean. Oak Ridge was truly jolted by the announcement of the Atomic Energy Commission that it would lay off 1,200 workers during the ensuing year. Oak Ridge and the AEC are almost synonymous to many people, so key a role does that agency play there.

The Oak Ridge community was profoundly shocked by this announcement. It is indeed a one-industry town, exclusively dependent

for employment on the Federal Government. What could they do to offset such a calamity? Where could they turn for help?

Well, I am, of course, in close touch with the leaders of this community, and I am happy to say that they have already made a start on tackling their problem. They have submitted to ARA a technical assistance proposal designed to seek out ways to diversify their employment picture.

But, under the present program, that is the limit of the help available to them. They do not qualify for any additional ARA help because they are not presently depressed. To qualify, they would have to wait until after the job cutback had taken place—until they had become “distressed.” In short, there is no room under existing provisions for preventive action in a situation where a disastrous change is clearly about to take place.

Furthermore, while the planned cutback will pose a serious problem for Oak Ridge, the effect will, in all likelihood, not be so devastating as it would be if the one industry in the town were a more conventional type of industry. Many of the AEC employees at least have skills which are desirable in modern industry and which hopefully can be transferred with less difficulty than the average, a fact which should help the town in its efforts to attract other industry. What is likely to happen is that many of these employees will leave the area, shrinking the need for the community’s public and professional services, thereby starting the downward trend which follows sharp population declines.

Section 401(a)(4) of the bill you are considering focuses specifically on this problem. It would enable a community hit with such a disaster to ask at once to be made eligible for the development facility grants, business loans, and other benefits of the economic development program.

I emphasize the “at once,” gentlemen, because it is of the utmost importance that action be taken immediately when a community receives the kind of body blow that the announcement of a drastic employment cut appears to be. It is important that the initial shock be promptly countered. It is important that community leaders know where to turn. It is important that action to help the community survive be taken before the desperation of actual and long-term unemployment take their toll in discouragement, apathy, a dispirited community.

It is always easier for a community which is still strong in the courage of recent well-being to work, with hope, for continued stability. Surely, if we can afford to help already desperate communities in their struggle for survival, we can afford to prevent healthy communities from falling into economic distress. I strongly urge that your committee approve this important section.

Senator DOUGLAS. Thank you very much, Congressman Duncan. You are not afraid this will diminish local initiative, local responsibility?

Mr. DUNCAN. Absolutely would not.

Senator MUSKIE. I appreciate your testimony, Congressman. I think we are all faced, from time to time, with these kinds of economic disasters. We have in my State, in the last few months. We had

the announcement of projected closing of the Portsmouth Navy Yard and in the private sector, in the little town of Lisbon Falls, one of the textile mills has closed, so we have had these two within a few weeks of each other. And the third town of Kezar Falls, which may not loom large on the map of the United States, is facing the loss of its only industry.

I think you are quite right in indicating that this ought to be a matter of national concern and I compliment you on your testimony.

Mr. DUNCAN. Thank you, sir.

Senator DOUGLAS. Senator Mondale?

Senator MONDALE. No questions.

Senator DOUGLAS. Thank you very much, Congressman Duncan.

Now we will resume the questioning of Mr. Prentiss. I was struck with this fact—on page 6, you say that the Portsmouth Navy Shipyard provides employment for an average of 8,000 workers.

Mr. PRENTISS. Yes, sir.

Senator DOUGLAS. Then on page 2, you have said that 70,000 inhabitants are directly or indirectly dependent upon the payroll of the Portsmouth Navy Yard.

Mr. PRENTISS. Yes, sir.

Senator DOUGLAS. Plus the Pease Air Force Base. Now how many are employed as Pease Air Force Base?

Mr. PRENTISS. Actually, there are about 325 civilian employees, Mr. Chairman, but we are essentially talking to the total payroll in dollars, which is almost \$30 million annually at its present strength.

Senator DOUGLAS. Including the military?

Mr. PRENTISS. Yes, sir; including the military.

Senator DOUGLAS. Then your 8,000 civilian employees—that does not include the naval and marine contingents at Portsmouth?

Mr. PRENTISS. That is right, Mr. Chairman.

Senator DOUGLAS. What is your estimate of the total number of persons, both civilian and military, at Portsmouth and at Pease?

Mr. PRENTISS. We will have to do some adding. We have 6,000 military people at Pease Air Force Base.

Senator DOUGLAS. How many?

Mr. PRENTISS. 6,000, and we have 325 civilian employees. The present level of employment at the Portsmouth Naval Shipyard is 7,200. There are 2 cable ships, Navy cable ships home ported, each with a complement of 135 people, so that is 270.

Senator DOUGLAS. Navy prison, too.

Mr. PRENTISS. Also a Navy prison and hospital.

Senator DOUGLAS. How many there?

Mr. PRENTISS. I would estimate approximately an additional 200 military-type people.

Senator DOUGLAS. This comes to about 13,500 military and civilian.

Mr. PRENTISS. Exactly right.

Senator DOUGLAS. You have 70,000 inhabitants on page 2 and 13,000 employees?

Mr. PRENTISS. It is a very good question; and perhaps the best way to answer that, Mr. Chairman, is to read to you from the prospectus that was drawn up for this regional plan by the University of

New Hampshire Planning Department along with the State of Maine Planning Department. It reads as follows:

Just two installations, Pease Air Force Base and Portsmouth Navy Yard, account for fully 21 percent of the jobs held by workers who live in the seacoast region. This is basic employment, in a national, not local service. Very conservatively, every such basic job creates another secondary job in local production—

Senator DOUGLAS. 1-to-1 relation?

Mr. PRENTISS. Yes, sir. [Continuing.]

actually, another secondary job in local production or service and the two jobs together generally sustain six people.

Senator DOUGLAS. I'm not so certain about six. It might sustain five. Normal ratio employed is generally about 42, 43 percent of the population, so change in each composition may differ, but I would say $2\frac{1}{2}$ and they support five. But I am interested that you use an indirect ratio to direct ratio of 1. This, it so happens, this is what I have been using, but the Area Redevelopment Administration, influenced by the U.S. Chamber of Commerce, will only use a ratio of 0.6, so that they use the figure of 1.6, and using the figure of 2—

Mr. PRENTISS. Right.

Senator DOUGLAS. Can you stand up against the U.S. Chamber of Commerce?

Mr. PRENTISS. We are in the process of doing this, sir. We have asked the Federal Reserve Bank of Boston to conduct a study for us at their expense, because of our unique economic situation. They are going to tell us exactly what the effect is in our particular region through this study, so we will not rely on national or U.S. Chamber of Commerce or any other person's generalization.

Senator DOUGLAS. When are they going to finish this study?

Mr. PRENTISS. Approximately 4 months. They started about 2 months ago.

Senator DOUGLAS. Will you telegraph the returns to us down here?

Mr. PRENTISS. Be very pleased to.

Senator DOUGLAS. Because, you see, this is extremely important. For instance, the Area Redevelopment Administration said that they had created 70,000 jobs, direct jobs, but then the indirect jobs they had created, they only listed 45,000, making a total of 115,000. They may be influenced by the chamber of commerce and used a factor of 0.6. If you use the factor of 1 and total factor of 2, then that becomes 140,000 jobs.

Mr. PRENTISS. Yes.

Senator DOUGLAS. Would you excoriate them, as vice president of the Simplex Cable Co., if they used a factor of 2?

Mr. PRENTISS. I think that we will be very searching with them in whatever their findings are. As a matter of fact, that is the reason we are now using them because we just don't want to believe generalizations in terms of statistics of this kind.

Senator DOUGLAS. Federal Reserve Board of Boston is a very conservative organization, too, isn't it?

Mr. PRENTISS. Yes, sir.

Senator DOUGLAS. One reason I had to get out of New England. [Laughter.]

Mr. PRENTISS. It is part of the problem, Senator.

Senator DOUGLAS. Senator Muskie.

Senator MUSKIE. I would like to compliment you on your excellent statement, Mr. Prentiss. It is well put together and hits the points that are of special concern in the Portsmouth area. It is most helpful to have in the record. I think your colloquy with Senator Douglas is particularly valuable, too.

You heard my discussion with Senator McIntyre on the economic disaster section, so-called?

Mr. PRENTISS. Yes, sir.

Senator MUSKIE. Would you think that the points that were raised there were valid ones?

Mr. PRENTISS. Extremely valid ones. We think that the legislative intent has to be pretty well defined in this particular case. I would not like to believe that the intent really means 3 years and not 1 day. I also believe that we have geographical economic problems that are substantially different from each other and I think that we have to have certain latitude within the administration of this bill, hopefully if it passes, so that they can consider these unique regional economic problems and not compare Portsmouth with some other part of the United States because in fact, they are different.

Senator MUSKIE. I would like, Mr. Chairman, just to get in the record, a proposed amendment to the section on page 22 of the bill, on line 10, to insert between the word "years" and the word "unless" the words "of such request." So it is clear that the 3-year period of which the section speaks runs from the date of the request for assistance, so that the local area would have some discretion to initiate or trigger the relief provided by the section.

Some other clarification might be needed, but I think at least that much ought to be put in.

Mr. PRENTISS. Very good.

Senator MUSKIE. I have no other questions at this time, Mr. Chairman, for Mr. Prentiss. We are all looking forward to results of his work. We all have great confidence in his leadership because of his background and the qualities of leadership that he has demonstrated. I am particularly pleased that he has focused so clearly and so precisely upon the potential of this legislation and this program.

Senator DOUGLAS. Senator Mondale?

Senator MONDALE. No questions.

Senator DOUGLAS. Thank you very much, Mr. Prentiss.

We are very happy to have Mr. Lewis Cooley, president, Bank of Twisp, Twisp, Wash. Do you have comments you would like to make?

STATEMENT OF LEWIS M. COOLEY, PRESIDENT, BANK OF TWISP, TWISP, WASH.

Mr. COOLEY. In speaking on behalf of the Public Works and Economic Development Act of 1956, I would like first to qualify myself to some extent and then, by example, point out what can be done with the sort of tools that are embodied in this proposed legislation.

For the past 13 years, I have been an independent banker in a very small rural community and in, I think, quite a typical rural community. We have small farms, small orchards, one industry, a lumber mill, and we are renowned for our hunting and fishing, which we regard as an industry.

Thirteen years ago, our bank had total resources of approximately \$600,000. It now has some \$3,400,000 of resources and this is not a boast, but rather a statement made to point out how we achieved this growth because it ties directly into the legislation which you are now considering.

We have been able to achieve this growth by close cooperation with the Farmers Home Administration and the Small Business Administration, which up to some 2 years ago, were the only tools available to us.

I think they point up the perfect marriage of Federal and private effort because had we not had their help by injections of long-term capital, we simply couldn't have done the job.

Many small banks, all small banks, I think, are in the same position. We are loaned right up to the ceiling all of the time. We simply do not have the long-term capital money we need to do the job we know needs to be done. If we use it in that manner, then we cut our own throats on the short and intermediate term credits and these are very, very vital, too.

In spite of these efforts to improve our community and in spite of some degree of success, however, we have still been unable to come to grips with our most important asset, the one we think could do the most for the entire area, and that is the development of our recreational and tourism potential. It happens that in my area, we are in the midst of some of the most spectacular scenery in the United States. I am willing to accept any challenge on that. It is beautiful.

Many Federal agencies, particularly in the last 2 years, have called our attention to the tremendous potential we have in the development of recreation and tourism. In fact, we have had two outdoor recreation councils in the past 2 years, one quite recently at Wenatchee.

Senator DOUGLAS. Are you located in the Cascade Mountains?

Mr. COOLEY. Yes, sir. The element lacking in our efforts to develop what we regard as our greatest potential is, of course, long-term capital and we need it in large amounts. Without this, we can do nothing. If we had the facilities and the legislation, which is before you at this time, we could provide additional immediate employment in certain key projects, which we have in mind and referring now to your comments on this chain reaction, when one job is created, others are always created.

I think this is particularly true in rural areas, because we are pathetically lacking in adequate service-type industries. This is characteristic of small rural areas. We are just not up to par and we won't be until we find the means of stimulating our economies to the point where these new businesses may be established.

Some 2 years ago, we completed our initial OEDP in our county and it quite clearly showed the need to develop tourism and recreation. We have gone about as far as we can in the field of agriculture and perhaps about as far as we can go in the development of our timber resource. After all, you can't simply create more lumber mills and expect them to be successful. The element of competition and economic level of activity gets into it.

The present influx of people into our area, looking for summer home locations, the interest of the Nation, as a whole, in our area from the standpoint of recreation and tourism, as expressed by these Congress-

men, quite clearly justifies our faith in the possibilities for the development of tourism and recreation.

Through the ARA and through this legislation, which you are considering, we see the opportunity to do the job and I press personally for its adoption and for its proper implementation. I regard this as our great white hope. I think we should deal not only with individual areas, and I'm happy to have heard support for this in the prior testimony, but I think we are overlooking a good bet if we attempt to isolate certain areas which have definite problems and if we fail to recognize that very often, adjacent areas have very similar problems and that sometimes combining these areas will present much greater opportunities for development. This is one aspect of the proposed legislation which I find very interesting and very encouraging.

I think it is one of the means by which we may achieve the most development of our natural and our human resources. I could give an example of this. For the past 50 years, we in the northern one-third of the State of Washington have been trying to get a road to the coast. We have three major crossings of the Cascades in the southern portion of the State and none in the north. This dream is so old that the road was called the Cascade Wagon Road and many people still refer to it in that manner and it is still on some maps. This road links two critical areas: Skagit County and Okanogan County. Each county complements the other in that its problems relate to the other county's problems.

We need our hay on the coast because that region is quite wet over there. They can't produce the hay we can produce. They do need our hay. It is not economical for us to ship that hay by truck and this is the only means of transportation. If we could connect these two areas with this road, we would immediately begin to solve basic agriculture and horticulture problems of these two areas and also do something else. We would open up one of the most spectacular and beautiful areas in the United States and I doubt that anyone can back me down, sir, from that statement. This is an area of majestic scenery. It is an area which would draw people from all over the United States. I don't think the Swiss Alps could cause us to blush if we would make a comparison of the scenery.

In addition to this, it would immediately open a loop of tourism and travel not only within the State of Washington and within the United States, but it would make it possible for us to draw more Canadian visitors because it forms a natural loop down the west coast or northwest coast, I should say, of our State, across this new road and then over as far as Spokane and back into Canada. Or they could loop and go up the Okanogan Valley and this is a very attractive area for the tourists.

This area also is very heavily mineralized, but we have no access to it. It was worked briefly during World War I by pack train and then it was dropped because it was not economical and yet it is acknowledged as a heavy mineralized area. It presents some of the best opportunities for the development of major ski areas and I think almost all of the areas of the United States are now well aware of the tremendous growth in this industry.

It would permit the Forest Service to provide much better protection for a tree block of timber. That timber now can be protected

only by smokejumpers. There is no means of access other than by dropping men by parachute on this area and this is an enormous resource.

The Public Works and Economic Development Act in the ARA approach, we feel, gives us our only opportunity perhaps to complete this road in the immediate future. We definitely feel that we must press on and we must reach a more full measure of development if we are to contribute anything to the problems of the United States as a whole. With this opportunity, we think we can do it. Our State, as many States, is not able to complete this road on its own in anything short of 7 to 10 years because it has the common freeway and throughway problems, the traffic problems around the major centers, and it is very difficult, to say the least, for sparsely settled rural areas to compete with heavy centers of population in the allocation of road money.

We have been successful in putting through part of the east end of this road and part of the west end, but we are far from completing it. This, I think, would be one of the areas where the proposed legislation could give us the help we need and I feel confident that the almost immediate return in taxes by the stimulation to tourism and recreation, by increased gas tax, would pay for itself in quite a short time and thus justify its existence.

But, I would like to say this, if I may, Senator. I think to some degree, in our ARA approach to these critical problems all over the United States, that we may have erred somewhat in attempting to appraise or evaluate these projects in terms of a strict dollar-to-jobs-created measure. I can't help but feel that we are overlooking many of the side effects, if I may use that expression, of the creation of a major project.

When you stimulate a given area with a major new industry or new development of some sort, and this I think is always true in rural areas, almost immediately you create the need for other services and other small types of business. These, as I understand it, are the very things we are attempting to encourage and to perpetuate in the United States, certainly in our area, where we are closely attuned to maximum effort to help small business people establish themselves.

We want to create an atmosphere out of which we can demonstrate good paying jobs so that we will cease to export our best product—our educated young people. This is the tragedy of most rural areas. Our young people leave us because we can give them no hope for a decent living and a decent job. We can't blame them, but, surely, we must be adroit enough in our handling of our affairs to reverse this thing and provide some opportunity for us to keep our best product at home—our educated young people.

Wherever the climate is created for sound development, sir, private capital always comes in and I think this meets the criticism we often hear that Federal intervention simply lulls private capital to sleep and prevents it doing its job. I cannot agree with this, because we have demonstrated in our cooperation with the Farmers Home Administration, with the Small Business Administration, that given even just a proper start, we are able to take over.

We have, in many instances, bought out loans made through those agencies well in advance of their maturity. We have taken all of the

Federal money out, just as soon as we were able to do so. I think that this same thing will take place under Area Redevelopment Administration. I believe that the communities who benefit from the formation of new industries will find that private capital will flow into these areas and private capital will take over the job and relieve the Government of this burden.

One of the best examples of this, I think, is to be found in what has happened recently in the field of rural housing. I am quite sure I needn't belabor you with the details of the pathetic status of rural housing throughout the United States of America. In my own community, I cannot even say that we have adequate housing for the teachers we ask to come in to instruct our youngsters, and I have three little ones in school.

We don't even have a decent doghouse, Senator, and this is characteristic of rural areas. The Farmers Home Administration came out with a program of rural housing. It caught on very successfully. We have used it. It has been used all over. It was not very long until private capital caught up with the fact that there was a vast, untouched market for housing in the rural areas and there still remains such a market in the rural areas.

This one market alone could give American industry a tremendous boost if it were properly exploited and I think this is, therefore, a sound example of the movement of private capital into areas first pioneered by the Government. I feel this is the proper procedure.

In talking of development of major areas for recreation and tourism, I think we should also be aware, sir, of the need to preserve the natural resources in these areas so that we truly develop them rather than to spoil them. I am referring to critical need for community sewage facilities, community water facilities and the necessity to observe good practices so that we do not further aggravate our problem of water pollution. Of course, in the Northwest, this is something that is foremost in our thoughts at all times, because we have a tremendous water resource. But, if we talk in terms of vastly stimulating tourism and recreation in rural areas, and I think perhaps in an important degree this would be true in suburban areas, I believe we should be cognizant of our responsibility to see to it that this is based on proper planning for sewage and water and avoidance of contamination of our native water resources.

If we were not to do that, we would wind up inhibiting the very climate we were attempting to develop.

I was interested in the comments of the prior witnesses in respect to the economic effects of closures of large military establishments. I should like to add my voice to theirs. We have Larson Air Force Base at Moses Lake. This is not in my county, but we are relatively close to its and I'm quite familiar with the area. I should only like to point out that this is another example of the very matters that have been presented to you by very competent witnesses this morning and I see no other approach to the resolution of these problems other than through the legislation which you are now considering.

Finally, Senator, if I may do so, I should like to ask your consideration in establishing ARA as what I would call an integrated arm of the Government in dealing with these problems. This is purely a personal feeling of mine, but it is based on a good many years of

experience with Federal agencies. It is my sincere belief that if ARA were implemented in such a manner as to be able not only to initiate these projects but also to evaluate and finally to close them, if they are worthy projects, all within its own structure, I think it would be easier for us and private industry to work through it and with it. It would be a single chain of command, so to speak, and this is always much easier.

I don't think I need to tell you that it is difficult to deal with Federal agencies and I am not an enemy of Federal agencies. They are cumbersome necessarily because of the safeguards which Congress places around these programs. I should like to see some simplification of ARA because I think it has tremendous potential. It is, I think, the primary tool with which we can stimulate to a very high degree the depressed and the needy areas of the United States.

I thank you for the privilege of appearing before you, Senator.

Senator DOUGLAS. Thank you, Mr. Cooley. You show great public spirit in making the long trip from the Pacific Northwest to Washington to testify.

I was much impressed by a great deal of your comment and all of your testimony. This last point brought back old times because, when I originally drafted the ARA bill, it provided for integrated administration of the Area Redevelopment Administration, which would carry out all of its activities under one direction. But, I ran afoul of members of my committee and the Budget Bureau and the White House and they insisted first that it be put under the Secretary of Commerce, then the various functions were farmed out to the Small Business Administration with regard to business loans, and Department of Agriculture took on the farm program, and Housing and Home Finance took on investigation of water and sewage systems and other factors, so they parted the garments and you know had hard it is to get anyone to give up power and give up responsibility. It is ungracious to say I told you so. I will simply say that the stream of history has moved on, Mr. Cooley, and not always perfectly either.

Senator MUSKIE. I would like to also compliment you on your excellent testimony, Mr. Cooley. I think it is very helpful and we have particular confidence in it because of the position you hold and because of the obvious qualifications which you have.

We have heard arguments over the years and in hearings this year that I would like to throw at you. It has been argued that this kind of Federal activity destroys initiative and undermines moral fiber. Do you have the feeling that your initiative has been blunted or that your moral integrity has been destroyed because of your approval of this kind of activity and participation in it?

Mr. COOLEY. I think instead, sir, it has been whetted to a keen edge.

Senator MUSKIE. Well, I myself have seen the apathy and defeatism of underdeveloped areas with lack of opportunity converted almost overnight into enthusiasm and sharp revival of personal initiative by reason of a simple Federal project which is used as the seed to get the area moving again. I think you have seen that, too.

Mr. COOLEY. Yes, sir, I have.

Senator MUSKIE. There is an economic philosophy that is always advanced and has been advanced in these hearings and may be ad-

vanced this morning that an area which will not attract private capital, private investment, is not worth bothering with; that the people in such an area ought to move out and find opportunity elsewhere. What is your reaction to that kind of—

Mr. COOLEY. Sir, I would fight that to the death. Some 2 years ago, in the "Land of People Conference" in Portland, Oreg., I had the privilege of being the keynote speaker. One of the main points I attempted to put across was that we are dealing with human beings, no matter where they may be, and I refuse to be classified as a substandard human being simply because I'm from a rural area. I think these people in the rural areas are entitled to just as much of the blessings of this country as our brothers in the cities and I think what we may have failed to recognize is that some 60 percent of the United States is dependent upon the rural areas.

We have some 78 million people in the United States in rural areas either engaged in farming, living in very small towns or in rural towns of less than 25,000 people and they are entirely dependent upon the vitality of the rural areas. In turn, these people are the greatest users of finished steel products, I understand, the largest users of rubber, tremendous users of electricity and all of these things which come from American industry. The vitality of this segment of our economy is directly tied to the vitality of our big industry and our big centers of population.

I feel that the obligation is greater to present these people in the rural areas an opportunity for a decent living and most particularly, a decent education. Part of our problem is in the fact that we have been unable to bring this insidious chain of poverty and ignorance and I don't use the word "ignorance" in a personal way, to an end. We simply have to acknowledge that it is a fact. This is why I hate to export our young people after we have gotten them educated. They are the ones who should come back and help us develop the area, but we haven't the means to attract good teachers because we can't even house them adequately.

In many cases, we don't pay them adequately. We can't compete with the larger centers. We have in some cases, substandard medical facilities, though I think this is rapidly being overcome, I'm happy to say, but we must face the fact that we can't tolerate two standards in this country: A standard of decent living and decent education for those who have the opportunity or are exposed to it and then another segment of the country, good people, honest people, unable to achieve proper education and unable to house themselves properly. This simply does not seem to me to be an American way of viewing the problem.

Senator MUSKIE. It is your belief that instead of abandoning the beautiful area which you have described so eloquently and to find brighter opportunity elsewhere, that you ought to try to create opportunity there and Government has a role to play in that effort.

Mr. COOLEY. We can absorb and we can retrain hundreds of thousands of presently troubled people in the rural areas all over the United States in the heavy centers of population. I have lived in heavy centers of population, sir, so I'm not speaking just as a country boy. We could take those youngsters with their families into rural areas where we have the room for them and show them a way of life they don't know exists and I can't help but feel that if they were ex-

posed to the tremendous beauties of rural America, that it might have some impact on their morals, so to speak, and on their standards.

We have the resources to develop them as true Americans if we just had the proper economic base so that we could provide the job opportunities.

Senator MUSKIE. I would like to continue my questioning because I like the political philosophy and economic philosophy that you are expounding, Mr. Cooley. You and I both are country boys. Senator Douglas was once in Maine. He left it to go to the metropolis and carved out a great career for himself there, but he is one of the first to agree that the cities aren't the only place where opportunity ought to reside.

Thank you.

Senator DOUGLAS. Senator Bennett?

Senator BENNETT. I didn't hear all of the statement so I'll withhold any questioning.

Senator DOUGLAS. Senator Mondale?

Senator MONDALE. Mr. Cooley, I wish to commend you for your excellent testimony. I want to compliment you. I think you are a splendid example of what an independent banker can do to be of help to his community, not only in terms of your commitment, but the sophistication with which you approach the problem. This is something that should stand as an example of what we should try to achieve throughout this country.

I wish more areas such as yours were blessed with the eminent banking leadership you are demonstrating.

One of the important new provisions embodied in S. 1648 is that provision which permits the Secretary of Commerce to guarantee loans for working capital made to private borrowers by private lending institutions in connection with projects of redevelopment. Do you see this as an important, additional tool in your efforts?

Mr. COOLEY. Yes, sir; I do. However, I should like to add an observation on that. I think the banker should be willing to cover his bets. I would regard it as my obligation and I think this would probably be true of most rural bankers. I would feel it my obligation in a sound project to use my statutory loan limit for a working capital loan. If this amount were not sufficient and unfortunately this is the problem we face constantly in small banks, then I would think it would be very advantageous to have a guarantee of the amount of that working capital over and above my statutory loan limit so that I might, therefore, provide that money.

I couldn't otherwise do it and it is difficult to bring correspondent banks into the country in the area of operating loans or in the area of long-term loans, capital loans, for that matter. I think most bankers, if they had a guarantee of an operating loan in excess of their statutory loan limit, probably would be willing, if necessary, to sell some other loan out of their portfolio to make room for that, if they had to. This we can always do.

Senator MONDALE. No further questions.

Senator DOUGLAS. Thank you very much, Mr. Cooley.

Senator MUSKIE (presiding). The final witness this morning is an old acquaintance, Mr. Matt Triggs, legislative representative of the American Farm Bureau.

I didn't expect to be presiding over this hearing as well as the one earlier this week in the Public Works Committee, before which you appeared. It is a pleasure to have you back.

STATEMENT OF MATT TRIGGS, ASSISTANT LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. TRIGGS. Thank you. As I said to the Public Works Subcommittee, you being the only Senator present, I suppose that an appearance to indicate some doubt concerning some features of this bill might be described as futile or foolhardy or perhaps as a character-building experience. You assured me that you were delighted to have an opposition witness against whom you could test the bill and you did for a considerable period of time.

I do have a responsibility to present the views of our organization on this proposal and in fact there are certain considerations relating to it that I don't believe have appeared in the record.

Now, the statement that we presented to the Public Works Committee is the same as the statement we have this morning. And I will read those portions of it relating to the area redevelopment part, the commercial loan part of the program, beginning on page 3. We begin a little way down the page with, "The basic economic principle."

The basic economic principle of any society is that human needs and wants are unlimited, that capacity to satisfy those needs and wants is limited, and that the test of the internal organizational effectiveness of the economy is the efficiency with which it allocates natural, human, and capital resources to meet human needs and wants.

In the United States we have traditionally left the primary responsibility for allocation of resources for commercial enterprise to the operation of economic forces, rather than governmental decision.

We believe that if we retain the concept that economic factors should be the primary guide for the allocation of resources for commercial purposes, we will allocate them most efficiently. In other words, by this means we will create more employment, more national wealth and greater contribution to living standards per dollar invested and per man employed.

The Joint Economic Committee used the following language to describe this concept:

The American economy is based on the concept that the marketplace can best allocate resources, and best increase and divide the Nation's wealth. Our living standards, surpassed by none, have been achieved by reliance on free competition, decentralized economic power, free access to markets, and marketplace allocations of goods and services. (1965 Joint Economic Report, H. Rept. No. 175.)

The proposed bill goes a long way toward transferring from the market and to a Government agency the responsibility to decide where commercial investments are to be made and for what purposes. During a 10-year period a total of \$2.2 billion of direct loans could be made for commercial purposes and an additional \$2.5 billion of private funds could be induced by interest subsidies to undertake governmentally approved commercial projects in such areas.

We submit that it is inevitable that this will represent a less efficient allocation of resources and therefore will meet human wants

and needs less adequately than if the investment had been guided by economic factors.

When resources are allocated by decision of an agency of Government it is inevitable that factors other than economic factors will be given consideration.

Local enthusiasm and local support for a Federal grant or loan may acquire influence and support for the project, even though independent appraisal would indicate that one or more of the following factors might be true:

The project unnecessarily duplicates nearby facilities; or

The project is not located at the place with optimum relationship to supplies, transportation or markets; or

The project is not sound enough to attract private capital; or

The increased employment incident to such project is a substitute for employment that would otherwise have been provided elsewhere; or

The project may discourage private development that would otherwise have occurred without the necessity of public financing; or

The project is unfair competition for other businesses which have financed their own development.

I would like particularly to emphasize this next sentence: This would be particularly so if interest subsidies are paid on approved projects in depressed areas as proposed in the bill.

We would like to present an example of wasteful allocation of resources under Area Redevelopment Administration.

The Area Redevelopment Administration's Directory of Approved Projects as of September 30, 1964, lists loan approvals of \$17,568,000 for food processing and marketing projects which it is said will provide 7,071 new jobs.

We do not know of any food items that have not been supplied consumers in plentiful amounts. If consumers need more of any conceivable food product, farmers and the existing food processing industry are well equipped to provide an additional supply. If expansion in capacity for the processing of any food item is needed, the industry is capable of providing such increased capacity.

Actually, the food industry currently has one of the lowest ratios of use to capacity of any industry in the United States. In 1964 the food and beverage industry operated at 79 percent of capacity, compared to 88 percent of capacity for all manufacturing. (P. 90, 1965 Economic Report of the President.)

Thus this \$17 million of loans represents in our view an extremely wasteful use of resources. If 7,000 new jobs were actually created, there was a corresponding reduction in jobs elsewhere.

We do not see how it is possible to avoid the conclusion that the same situation applies to other ARA loans. They did not create more jobs. They just transferred jobs from one place to another.

When this occurs in clearly identifiable form, it is referred to as job piracy and is frowned on. But actually job transference is an inevitable part of any governmentally aided business development. Jobs channeled into certain areas will be drawn from other areas—intentions to the contrary notwithstanding. Some communities lose business prospects, new job-providing and income-producing oppor-

tunities, because Federal money supplied by all taxpayers is allocated to other areas.

The job transferring effect of the program would be accentuated by the proposal to subsidize interest rates in redevelopment areas. As stated by Secretary of Commerce Connor :

The new interest rate rebate provision would provide a new means of bringing more stable and promising business enterprises, which are able to obtain private financing, into depressed areas.

It would appear that to the extent this program is effective in "bringing more stable and promising business enterprises * * * into depressed areas" investments induced thereby will inevitably be investments which would otherwise be made elsewhere. Investments which are relocated by interest subsidies represent inefficient allocation of resources.

The funds used by Government for such commercial loans would be taxed from or borrowed from the private economy. If left in the private economy such funds would be utilized elsewhere, for consumption or investment, in either case contributing to total employment and income in a comparable amount as though disbursed by Government for ARA program purposes.

We do not regard this process as an efficient or desirable means for commercial development to best serve the interests of the people of the United States.

Just a brief comment on the regional planning commissions:

We see no real purpose for title V, authorizing regional planning commissions.

This appears to have been included because a similar provision was included in the Appalachian bill. But in S. 1648 it is sort of a fifth wheel, not really necessary for any other feature of the bill.

Irrespective of whether the proposed regional commissions do or do not have a purpose, we wish to express a continuing concern that regionalization of public programs has a tendency to impair State and local authority and responsibility, and is not generally necessary to accomplish desirable or desired objectives.

For the reasons summarized above we do not favor the enactment of S. 1648.

That concludes our statement. I am sorry you had to listen to it twice, Senator.

(Mr. Triggs' complete statement follows:)

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION, PRESENTED BY
MATT TRIGGS, ASSISTANT LEGISLATIVE DIRECTOR

We welcome the opportunity to present the views of the American Farm Bureau relative to the provisions of S. 1648.

The American Farm Bureau Federation is a general farm organization entirely supported by dues voluntarily paid by 1,647,000 families, members of over 2,750 county farm bureaus in 49 States and Puerto Rico.

This statement is based on policies adopted by the elected voting delegates of the member State farm bureaus at our last annual meeting.

PUBLIC WORKS

It is our position that expenditure policy and procedure for public works programs should be in accord with the following principles:

1. It should be the responsibility of Congress to decide (a) how much money is to be spent for each category of public works, and (b) the manner in which

the funds provided for each category of public works are to be allocated among the States.

2. The funds appropriated for each such program should be allocated to States, and the administration of the program and allocation of funds within the State should be a State responsibility, with appropriate verification and audit by Federal agencies.

Most grant-in-aid programs adhere to this pattern. Thus, in the highway program, the water pollution program, the agricultural research and extension programs, the hospital construction program, and many others—Congress determines how much is to be spent for each such program, and establishes a formula for allocating such funds to the States.

S. 1648 does not adhere to the above concepts. It appears to us that the approach of the bill is faulty in the following respects:

1. The bill would involve abandonment by the Congress of its responsibility to decide how much money is to be spent for each category of public works and how this money is to be divided among the States. In lieu thereof the bill would authorize the appropriation of a "pot of money" to the executive branch, which would be delegated responsibility for deciding for what purposes, by whom, and where the money would be spent.

2. The bill does not provide for an allocation of funds to the States. The States are in fact bypassed, except as the executive branch chooses to utilize State institutions. The grant and loan funds will be allocated directly by Federal agencies to such State, local units of government, Indian tribes, or public or private non-profit organizations or associations, as the executive agency may decide.

Thus, two of the vital constitutional issues of our time are involved in the bill under consideration.

First is the erosion of the power of the legislative branch by the progress of delegating broad powers and legislative responsibility to the executive branch.

Second is the submergence of the States as independent policymaking governmental institutions and the substitution therefor of supervision and direction of local affairs by Federal agencies.

PUBLIC WORKS AND UNEMPLOYMENT

The question of whether an expansion in Government expenditures for public works will, or will not, be an effective means of reducing unemployment is not the simple question it may at first appear to be. Monetary and fiscal factors are involved. A conclusion that may be valid under certain circumstances may be invalid under others.

The argument that an increase in Government expenditures for public works would increase employment is valid only at such times as an increase in such expenditures can be made without producing an offsetting reduction in private investment and consumption expenditures.

If an increase in Government spending is financed by taxes, the funds available to finance private consumption and investment clearly will be reduced. Federal expenditures not paid for by taxes must be paid for by borrowing. When the Federal Government enters the money market to borrow money it necessarily absorbs funds that would otherwise be available for private investment and consumption. In our economy it is rare indeed that there is a reservoir of unused money that can be borrowed by the Government without affecting investment and consumption expenditures of the rest of the economy. Virtually all funds are being used for one purpose or another. Thus, when the Government competes in the money market, it necessarily must bid the available supply away from other potential users.

It is, of course, true that the costs of public works can be financed by bank credit if the money supply is increased. But this does not change the situation significantly because the same increase in the money supply could be used to expand private investment and consumption. Furthermore, the size of any increase in the money supply must be limited if inflation is to be avoided.

Thus, the argument that an increase in public works expenditures has a favorable effect on total employment is not valid under current monetary and fiscal circumstances.

An important supplementary factor is this: Most public works programs require the employment of comparatively skilled workers. With the steady improvement in construction technology this is increasingly so. Under current conditions there is virtually no unemployment among workers so skilled. Unemployment is most serious among workers whose skills have become obsolete or who have no readily

marketable skills. In general, a public works program does not provide the kind of jobs that can be filled by the currently unemployed.

In a period of recession public expenditures for public works can be effectively used to provide employment. In this circumstance, the program can be safely financed by bank credit (by expanding the money supply) without fear of inflationary consequences. Under these circumstances such expenditures can have an important countercyclical effect, although it may be difficult to administer this policy because the increased expenditures for public works may reach a peak after the economy has already made a substantial recovery from the recession that precipitated the increase in expenditures.

AREA DEVELOPMENT PROJECTS

The program of private loans and grants authorized by the bill is at least a collateral descendant of the Area Redevelopment Act.

The basic economic principle of any society is that human needs and wants are unlimited, that capacity to satisfy those needs and wants is limited, and that the test of the internal organizational effectiveness of the economy is the efficiency with which it allocates natural, human, and capital resources to meet human needs and wants.

In the United States we have traditionally left the primary responsibility for allocation of resources for commercial enterprise to the operation of economic forces, rather than governmental decision.

We believe that if we retain the concept that economic factors should be the primary guide for the allocation of resources for commercial purposes, we will allocate them most efficiently. In other words by this means we will create more employment, more national wealth and greater contribution to living standards per dollar invested and per man employed.

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The proposed bill goes a long way toward transferring from the market and to a Government agency the responsibility to decide where commercial investments are to be made and for what purposes. During a 10-year period a total of \$2.2 billion of direct loans could be made for commercial purposes in redevelopment areas and economic development districts and an additional \$2.5 billion of private funds could be induced by interest subsidies to undertake governmentally approved commercial projects in such areas.

We submit that it is inevitable that this will represent a less efficient allocation of resources and therefore will meet human wants and needs less adequately than if the investment had been guided by economic factors.

When resources are allocated by decision of an agency of Government it is inevitable that factors other than economic factors will be given consideration.

Local enthusiasm and local support for a Federal grant or loan may acquire influence and support for the project, even though independent appraisal would indicate that some of the following factors might be true:

The project unnecessarily duplicates nearby facilities; or

The project is not located at the place with optimum relationship to supplies, transportation, or markets; or

The project is not sound enough to attract private capital; or

The increased employment incident to such project is a substitute for employment that would otherwise have been provided elsewhere; or

The project may discourage private development that would otherwise have occurred without the necessity for public financing; or

The project is unfair competition for other businesses which have financed their own development. This would be particularly so if interest subsidies are paid on approved projects in depressed areas as proposed in the bill.

We would like to present an example of wasteful allocation of resources under Area Redevelopment Administration.

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We do not see how it is possible to avoid the conclusion that the same situation applies to other ARA loans. They did not create more jobs. They just transferred jobs from one place to another.

When this occurs in clearly identifiable form, it is referred to as job piracy and is frowned on. But actually job transference is an inevitable part of any governmentally aided business development. Jobs channeled into certain areas will be drawn from other areas (intentions to the contrary notwithstanding). Some communities lose business prospects, new job-providing and income-producing opportunities, because Federal money supplied by all taxpayers, is allocated to other areas.

The job transferring effect of the program would be accentuated by the proposal to subsidize interest rates in redevelopment areas. As stated by Secretary of Commerce Connor, "the new interest rate rebate provision would provide a new means of bringing more stable and promising business enterprises, which are able to obtain private financing, into depressed areas." It would appear that to the extent this program is effective in "bringing more stable and promising business enterprises * * * into depressed areas" investments induced thereby will inevitably be investments which would otherwise be made elsewhere. Investments which are relocated by interest subsidies represent inefficient allocation of resources.

The funds used by Government for such commercial loans would be taxed from or borrowed from the private economy. If left in the private economy such funds would be utilized elsewhere, for consumption or investment, in either case contributing to total employment and income in a comparable amount as though disbursed by Government for ARA program purposes.

We do not regard this process as an efficient or desirable means for commercial development to best serve the interests of the people of the United States.

THE REGIONAL PLANNING COMMISSIONS

We see no real purpose for title V, authorizing regional planning commissions.

This appears to have been included because a similar provision was included in the Appalachian bill. But in S. 1648 it is sort of a fifth wheel, not really necessary for any other feature of the bill.

Irrespective of whether the proposed regional commissions do or do not have a purpose, we wish to express a continuing concern that regionalization of public programs has a tendency to impair State and local authority and responsibility, and is not generally necessary to accomplish desirable or desired objectives.

For the reasons summarized above we do not favor the enactment of S. 1648.

Senator MUSKIE. I am not going to hold you long with my questions, Mr. Triggs, because we went over this pretty thoroughly in the Public Works Committee. But I would like to just comment first, and then ask one or two questions further.

Senator BENNETT. I wonder if the Senator would allow me to question the witness first. I agreed to be back in the Finance Committee at 12 o'clock. They are going until 1 o'clock. Do you mind?

Senator MUSKIE. Not at all.

Senator BENNETT. I appreciate that.

I am very happy Mr. Triggs came here. I suggested his appearance to the Chief of Staff and I appreciate the point of view ex-

pressed in his statement because it is a point of view that I share. He and I are labeled perhaps as enemies of redevelopment in depressed areas.

Senator MUSKIE. Not as enemies—cautious friends.

Senator BENNETT. I feel as he does that this is a less efficient way of using the capital and human resources involved. According to a report that the committee has received, the agency claims that it has created 70,370 jobs. Do you believe these were new jobs created out of the thin air and that similar jobs would not have been created elsewhere, in the absence of an ARA program?

Mr. TRIGGS. I do not, Senator. Now, new jobs were created, but they were merely substituted for jobs elsewhere. If the ARA, in my view, had not made those loans, had left that \$450 million or whatever it was in the private economy, it would have been spent by the private economy, either by consumers or by investors, and in my opinion would have created at least that many new jobs.

Senator BENNETT. Is it your impression that ARA in determining whether or not to make a loan has made adequate studies of the market potential for the products or services that were going to be created by its loans?

Mr. TRIGGS. I don't know that I can really answer that, Senator. I do feel they made a mistake when they made some of the loans for agricultural processing purposes. I don't think they were needed. I think that the national supply of facilities for these purposes was more than adequate. Therefore, it constituted a wasteful use of public money.

Senator BENNETT. I would like to put into the record an experience in my own State. We have a county in Utah whose entire economy is based on the mining of coal. That county has been working on short work days for many, many years. The union miners in the area have only been partially employed over a long period of time. And yet ARA provided a substantial amount of money to open another mine in the area where the product could not be disposed of already.

So we could have predicted what has happened. More than \$80,000 disappeared. The ARA estimated that 33 miners would be employed. The highest employment total reached was four, which I suppose were the people in the office. And the ARA says what happened was that the working capital was dissipated.

Now, anybody with any business experience could have told these people that until you have a market for that much more coal from the area, there is no sense in putting \$80,000 or more into opening another mine when the already operating mines are operating on short work-weeks and on a very narrow margin.

I have the impression that this has been repeated over and over again and this is one reason why many of these projects are in trouble.

I think it is significant that the area in which the administration claims the greatest success is in the area of recreation and tourism.

In my State they have a flaming success, the erection of a skylift with a loan. I think the loan is something more than a million dollars and two of America's giant mining corporations, with plenty of money to develop their own property, put in another million dollars or so, and they have a very successful skylift. The miners who are out of work are still out of work, but the young people who are able

and interested in working around the skylift have come from other communities to fill in the need. ARA put \$1,232,000 into that particular program. They say there is an employment potential of 330 people to operate 1 skylift.

I went into that little community in February to attend a theatrical performance. They closed the town's one movie house that night, a company came up from Salt Lake and the people who bought tickets came up from Salt Lake. After the performance, I tried to buy an ice cream soda or a Coca-Cola, the town was locked up tight. The townspeople had no part in that particular operation.

Now, as I say, this is very successful. There is no question about it. The people from Salt Lake who can get there now in half an hour, enjoy driving up and taking advantage of this new program. But the people that it was intended to help in the town are still out of work.

Now to move to another part of your testimony. You mentioned the 2 percent interest subsidy, and you quoted what Secretary Connor had to say about that. The banker, Mr. Cooley, who just preceded you suggested he would like some kind of a guarantee which would enable him to loan money above his legal lending limit. He didn't seem to be anxious to have a subsidy. Do you think it would be more practical and wiser in the end if the Government is going to be involved in local financing to support an idea like that which exists in HFA, Government insurance or guarantee on loans rather than an interest subsidy?

Mr. TRIGGS. We have over the years expressed preference on various occasions for insurance of loans as compared with direct loans. This would certainly be preferable as compared with direct loans at subsidized low interest rates. I think it is a preferable approach to the problem without raising the question of whether the particular program is desirable.

Senator BENNETT. I appreciate your comments. I wish I had time to discuss with you more some other specifics in your testimony, but I do have an obligation to return to the other committee at 12 o'clock. If I decide that there are other questions, I may write them down and send them to you and ask you to reply for the record.

Mr. TRIGGS. I would be delighted to do so, and I as one of the few opposition witnesses have an obligation to do so.

Senator BENNETT. Thank you very much.

Senator MUSKIE. Maybe I should give you an opportunity to add to your testimony with a few questions, Mr. Triggs. You agree in response to Senator Bennett's question that ARA has not created any jobs out of thin air. Do you really think that the private economy produces jobs out of thin air?

Mr. TRIGGS. No, sir. Private economy produces jobs from investment. I didn't say that ARA might not produce some jobs with ARA approved investments. I am sure they would. But, the point is, that total employment and total investment is dependent upon total demand rather than on whether the loan is made by ARA or from private funds.

Senator MUSKIE. Is it your impression ARA is based on any different concept than that? That is not my impression. The concept of the ARA is no different than the one you have expressed. We are enjoying a period of growth in this country. It has been a very sub-

stantial and sustained period of growth. We are all happy about it. But some areas have enjoyed the growth more than other areas. The question is, whether we do anything about those areas which have enjoyed no part of that growth, and whether we try to funnel some of that growth into those areas. If it were done by the private sector, nobody would be happier than I. And if it could be done by the private sector, nobody would be happier than I.

Mr. Cooley, president of the Bank of Twisp, in Twisp, Wash., says that the private sector would not do it in his area in his judgment. So the question is not whether the ARA or private sector creates jobs out of thin air, but whether or not there is any interest, any responsibility on the part of the Government sector to try to direct some of this overall national growth in the areas which are not enjoying it. Isn't that really the question?

Mr. TRIGGS. That is the question before the committee in this bill, certainly. And we would not assert that no new jobs can be created by ARA loans. That would, of course, be incorrect. The point is that if you don't take it out of the private money market, it will flow into job producing investment and consumption just the same as though it is invested pursuant to ARA regulations.

Senator MUSKIE. Except the consumption would take place in other places and different places.

Mr. TRIGGS. It will be in other places; yes, sir.

Senator MUSKIE. It is your suggestion throughout the testimony that the net result is likely to be more desirable, more consistent with the public good, more efficient than if their results were in part influenced by these activities of the Government.

Now, I am not so sure that the private sector operates that efficiently. For example, let's turn to the horrible examples which you suggest as possibly resulting from government decision.

You say government decision may result in projects which are necessarily duplicating nearby facilities. Do you say that this kind of duplication never occurs as the result of decisions in the private sector?

Mr. TRIGGS. No, I don't say that; I think it is less likely to be an unnecessary duplication.

Senator MUSKIE. It is a matter of degree and personal opinion?

Mr. TRIGGS. It is a matter of degree. Those who are in an industry are likely to have a pretty good idea where the efficient places for the next investment should be.

Senator MUSKIE. I think this is true of the large economic enterprises in this country, but I know of a great many industries in the private sector, the bankruptcy courts are filled with such cases on an increasing scale daily, reflecting private decisions that produced projects unnecessarily duplicating nearby facilities or some of the other horrible examples.

Now, there are too many. Of course, the bankruptcy court is no accurate thermometer of what happens to industry that is supported by government investment, I agree, although to some degree it may be. But the private sector is not that efficient.

Mr. TRIGGS. I would agree that this will occur.

Senator MUSKIE. You are certainly not going to suggest that projects which are produced by private decisions are never located at places outside the optimum relationship to supplies, transportation, or markets and so on?

Mr. TRIGG. No, I would not suggest that.

Senator MUSKIE. There are a lot of private enterprises located poorly failing to take those factors into consideration?

Mr. TRIGGS. They at least are risking their own funds and not government funds.

Senator MUSKIE. Then your argument comes down not to which ever the more efficient decisions, but what funds you are risking?

Mr. TRIGGS. I don't mean to bring the argument down to that point. I think that private investment will tend to locate in the places of optimum advantage from the standpoint of the supplies of the things you need all the way from water to electricity, and minerals——

Senator MUSKIE. You say they will tend to do this. Are you arguing this is not the intent of the ARA people?

Mr. TRIGGS. Oh, sure it is the intent.

Senator MUSKIE. So the intention is the same in each case?

Mr. TRIGGS. When you get together a little group of local folks, they are naturally enthusiastic about any project, any program which will bring new funds into their area. You don't expect them to say to themselves, well, over in the next county there is a fellow in the same business that has spent his lifetime accumulating capital and creating a business, who will be unfairly treated as a result of a low-cost loan and which is comparatively easy to get as compared with getting the money from the private money market.

Senator MUSKIE. Have you ever watched the development of recreational area and the growth of recreation-related industries in these areas? And if you have done so, you couldn't seriously argue that the private sector they weight such factors as you have described, even in the next town or the next road or the next beach. I mean any local enterprise is an accumulation of local folks, as you describe it, who are enthusiastic about whatever idea they are pursuing, whether they propose to let you support it with private investment or public investment.

Mr. TRIGGS. They have to prove it to themselves and to potential investors as a going project.

Senator MUSKIE. Agreed, but they have to do so here. The ARA doesn't give 100-percent support to these projects. It is limited to 65 percent. The local people have to put in their own money, too. It is not altogether dealing with the taxpayer's money, so——

Mr. TRIGGS. You have said a little while ago it is a question of degree, and all of these things are a question of degree.

Senator MUSKIE. So you would agree with me that the horrible examples that you list as likely to flow from government decisions can also flow from private decisions and do?

Mr. TRIGGS. I agree that they can and do. I do think it's correct to say it is less likely that they do.

Senator MUSKIE. On that point, we can disagree politely and I think we have really tested your time and patience too long, at least from my point of view.

I suspect that the record would be fairer from your point of view if Senator Bennett and others who agreed with your philosophy had had further opportunity to question you as I am sure that they would if time permitted. Your point of view is certainly one that ought to be reflected in the record and we try to present the other side.

Thank you very much, Mr. Triggs, for your willingness to come again before me.

Mr. TRIGGS. Thank you.

Senator MUSKIE. We are adjourned, then, until tomorrow morning at 10 o'clock.

(Whereupon, at 12:10 p.m., the subcommittee recessed, to reconvene at 10 a.m., Thursday, May 6, 1955.)

PUBLIC WORKS AND ECONOMIC DEVELOPMENT

THURSDAY, MAY 6, 1965

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON PRODUCTION AND STABILIZATION,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in Room 5302, New Senate Office Building, Senator Paul H. Douglas (chairman of the subcommittee) presiding.

Present: Senators Douglas, Proxmire, Muskie, Mondale, and Bennett.

Senator DOUGLAS. The clock now strikes the hour of 10, so the committee will come to order.

We are very happy to have our very able colleague from Minnesota, the Honorable Walter F. Mondale, here. If he is ready, we will be very glad to have him make an introductory statement.

STATEMENT OF HON. WALTER F. MONDALE, U.S. SENATOR FROM THE STATE OF MINNESOTA

Senator MONDALE. Mr. Chairman, I welcome this opportunity to speak in support of S. 1648, the Public Works and Economic Development Act of 1965. I welcome the opportunity because this legislation represents a sound approach to the problems of labor surplus and economic decline in many areas of the Nation. It extends and improves the important features of the area redevelopment program, the accelerated public works program, and the Appalachian redevelopment experience. It proposes to deal with underdevelopment by a concerted regional and areawide attack, grouping distressed areas together to form economically viable development districts.

Those of us who have worked closely with the ARA and the APW in the past will recognize in the new bill many substantive and technical improvements which will make these programs more effective and more suited to the task of mobilizing our economic resources.

The greatest promise of America has always been the unqualified assurance of equal opportunity for all people regardless of their background or circumstances. We have made it a fundamental principle that every American be afforded the chance to build a full life for himself and his family.

Today in America there are a wide range of programs and projects to guarantee that no one is denied this chance because of race, because of a lack of education, or because of the poverty of his birth.

But today opportunity is closed to many of our fellow Americans because of the economic decline of the area in which they live. In such

distressed areas, which spread throughout the country, young people leave school early to help their families and thus rob themselves of the skills and knowledge needed for a full and rich life. These same young people leave the area entirely, stripping it of the youth and vigor necessary to fight its economic problems. These circumstances and others lead to blocked progress and further decline.

We simply cannot afford to waste our human and natural resources. Loss of economic power stunts national growth and inhibits our position as the leading nation in the world community.

Most of all, we cannot sit contentedly by and allow millions of American to be foreclosed from the fulfillment of hope that the rest of us share. This would deny the American promise I spoke of earlier—the unqualified assurance of equal opportunity for all.

I am most happy that the bill specifically provides for relief and assistance to those living in substandard and poverty conditions on Indian reservations in the United States. This bill recognizes that the great majority of these areas are among the most critical in the United States in terms of labor surplus, economic distress, and poverty.

As former attorney general of Minnesota and one who has long been interested in Indian affairs as well as the problem of economic development in economically distressed areas, I myself was shocked by a recent review of the economic conditions of our own Indians.

In the State of Minnesota there are entire communities, not just isolated families, living on Indian reservations in poverty and in destitution. The median family income of the Indians on Leech Lake, White Earth, and Nett Lake Reservations is under \$1,000 a year, which, as I understand it, Mr. Chairman, is less than one-third of the minimum which our Government has ascribed as the poverty line and poverty level.

The unemployment rate on Leech Lake ranges from 40 to 80 percent depending upon the time of the year. At Nett Lake the average rate is 69 percent, at White Earth 60 percent, at Red Lake 47 percent.

Ninety percent of the Indians at Leech Lake live in substandard housing, and 70 to 100 percent of the children drop out of the public schools in the area before graduating from the 12th grade.

This is, I think, a pathetic circumstance of incalculable proportions in the midst of the richest Nation in the world.

Under this bill it would be possible for the leaders of the Indian tribes in Minnesota to join together with organized labor and the business community and the cooperative movement to take fullest advantage of the resources available under the Public Works and Economic Development Act.

Such an effort would not be the first in the State of Minnesota. NEMDA, the Northeastern Minnesota Development Association, was organized in 1964 by business, labor, and cooperative leaders to promote and develop the economic potential of northeastern Minnesota. NEMDA was a \$1 million, privately financed and organized association formed to draw on the resources of the area, upon the resources of local initiative, and upon the programs offered under the Area Redevelopment Act, the Small Business Act, and other Federal programs. There are, as well, other areas in Minnesota which could also coordinate efforts to solve the economic problems of their areas.

This legislation is truly concerned with a united effort for progress based on private initiative, local communities, and industry. Its

provisions make it necessary that individuals in the development areas take primary responsibility for initiating programs and policies to attack their economic problems.

President Johnson made these conditions quite clear in his message on March 25, 1965, on area and regional economic development. He said:

We will devote maximum effort to providing the conditions under which our private enterprise system can provide jobs and increased income. It is up to private business to take advantage of improved conditions for making profits by expanding present businesses or starting new ones, thereby increasing opportunity for the people of the region * * *. No programs or projects will be originated at the Federal level. The initiative, the ideas, and the request for assistance must all come to Washington, not from Washington.

This was the fundamental approach of the Area Redevelopment Act of 1961, and the good beginnings made under that act must be continued. Under that act a total of \$175,358,000 in industrial and commercial loans created a new job potential of 40,510. The public facility loan and grant program had a total expenditure of \$92,775,000 and created an estimated 29,860 jobs. In the field of manpower training ARA approved 961 projects at an investment of \$23,281,000 to train 41,293 people.

I participated in drafting, as attorney general in Minnesota, legislation to meet the promise of the Area Redevelopment Act of 1961. That State law created an ARA agency within the department of business development which dealt directly with labor surplus areas and provided for coordination of efforts between Federal and local agencies in seeking firms to take advantage of loan funds available under the act.

The Minnesota State Legislature provided an appropriation for an ARA revolving account of \$2,250,000 to participate with Federal and local funds.

As I have indicated earlier to this committee, administratively we set a loan rate of 3 percent and we will loan up to 20 percent of the project on a 25-year basis and in an inferior position to the Federal loan.

Up to the present time, the coordinated effort in Minnesota has meant two agricultural products industries, three industrial machine parts industries, eight forest products industries, two satellite taconite mining service industries, four recreational industries, two plastic and fiberglass industries, and one textile industry. When in full operation, these industries will employ approximately 670 people, and the economy will benefit, as well, by the multiplier effect on other job opportunities and by the infusion of payroll into these areas.

The bill, as it stands, is an excellent bill and incorporates such desirable modifications as the reduction in the requirement of local participation; allowing concurrent repayment of more of the non-Federal funds; the guarantee of working capital loans by private lending institutions in connection with projects in redevelopment areas; the payment of up to 2 percentage points on interest paid on loans obtained from nongovernmental sources; and the economic development revolving fund for technical loans, guarantees, and interest payments.

However, in order to develop fully the flexibility and availability of resources under this new law, several recommendations, in my

opinion, are worthy of consideration. For example, I would hope that it would be made abundantly clear that technical and management assistance be made available to local development districts and development areas, because many of these areas lack the technical skills and know-how to attack their problems in an efficient and practical fashion.

Mr. Chairman, I discussed this particular point with you and with other members of the committee the other day. Title III, the technical assistance section of the bill, provides a total of \$20 million to fulfill the sections 301, 302, and 303, and under the economic development center district provisions of 403 there are some additional funds made available, but, as I read that act, most of them will go for the 10-percent increase in the grant program.

In other words, it is designed to encourage areas to join together into economic districts and to establish centers and proceed in that fashion.

I think there is an inadequacy here in terms of seeing the practical problem that the district and its center, once established, will have.

The chairman indicated to me his distrust of studies. I agree with him. I think that if you took all of the OEDP's that have been prepared and determined how much value has been obtained to the districts and to the Federal Government from those studies, you would find a very, very small return on the effort.

What I have in mind here is the need for funds to assist these centers to develop the staff, the action programs, the liaison with local communities that is needed to assist them in so many areas. For example, preparing their ARA applications for grants or loans. Helping them understand the provisions of these programs. One of the things we have found is that the local communities are often baffled about the terms of this legislation. Letting them know what can't be done as well as what can be done. Assisting them in understanding what the economic potential of their area is. Helping them pinpoint methods by which they might harness the economic resources of their area.

I feel, very strongly, that this kind of aid, this kind of assistance, if wisely given, may in the long run be of more value than many of the industrial loan and grant provisions that we have found here.

Certainly this has been our experience with the State ARA act. I indicated earlier that the State has appropriated about two and a quarter million dollars for this objective. But in the act it also sets aside such portion of those funds that are necessary for administrative purposes. And this has permitted the State of Minnesota to establish a staff of skilled action people who have gone to the communities and, in every way necessary, helped them put together projects and proposals which permitted the communities to move forward.

I think it is this role of the catalyst, the sophisticated catalyst, that is needed, that is missing somehow in this bill.

I am glad that we rely on local initiative, but I don't believe there is anything wrong in trying to provide the local communities with the help they want in preparing these proposals.

I think in this regard there is a hole in this legislation that needs to be filled by increased technical grants to help develop this kind of

action program and by improved language that makes it clear that this type of help is to be made available.

And, if I may put in one other idea that is not found in the act at all that I think is worthy of discussion—and relating back to the Indian problem—it seems to me a terrible waste to have hundreds of top executive personnel, who have spent their whole lives in this unique experience of gifted entrepreneurial ventures, who have behind them skills and talents to assemble capital, to develop management systems, to train and assemble what is necessary to make a venture work—we make available, in this act, industrial loans and grants and other technical assistance on a most liberal basis, but in many cases we deny them the very thing that they need to make a program or a venture work.

And I would like to see some experiment made with harnessing experienced retired managerial talent and making them available for a period of 5 or 8 years to put some of these projects together and help these people get a start and to train management in the communities.

I bring up this suggestion in relation to the Indian reservations because this is acute on the Indian reservations.

The Indian in Minnesota, by culture and background, isn't necessarily an entrepreneur. For many of them it is a new and strange field. They have talents, they have skills, they are willing to work, but what is missing is this unique person who can come along and help identify their resources, their opportunities and help put together the workable project that provides promise.

And if we could make available to them say for 5 years a top retired and experienced businessman, I think our businessmen would find such a project exciting, if we could say to him: "Now, you have spent 35 years of your life developing this great corporation. You are now retired at the age of 65. You're in good health. Why don't you join our economic development domestic peace corps, whatever we want to call it, and come up here on the Upper Red Lake Reservation and help us put together an industry that will provide employment, diversification, and give these people a chance to get started, and in the process train young Indians to take over when you quit?"

I think this would well be worth it and might be a very helpful new addition to this program. I wish it could be tried to see if it makes sense.

Senator DOUGLAS. I think that is a very excellent suggestion so far as I am concerned. I favor including it in the report.

Just the other day I received a letter from a man who was second in command of a Chicago banking house who was retiring at the age of 68 and wanted to spend a few years in just such work as this. And I think that is a very fine idea.

Senator MONDALE. I have had top businessmen who have had phenomenal records in Minnesota commerce come to me at this very age and say, "Now what do I do? I've got all of this background and skill. I don't want to quit working. I understand why my corporation rules require it. But is there something I can do to help somebody else?"

And I think it is a terrible waste. It might be the most inexpensive and most important contribution that we could make to some of these areas.

Senator BENNETT. Mr. Chairman, may I make an observation? I think this is an excellent idea. I think it also could be extended to suggest that the ARA try to avail itself of the ability of these men on a regional basis to check the projects before they approve them. Then we would have fewer projects that go bad for lack of understanding of markets as well as the practical effect.

I talked yesterday about the coal mine in Utah in which ARA poured \$100,000 in a community in which there was only partial work for all the miners. There was no additional market. These people expected to move in there and I guess take part of the market away, but they couldn't. And so the loan went bad.

Any businessman with an experience in that area could have told ARA, "You'll never make a success of investing a little money in a small, high-cost coal mine in a community where there is already an inadequate market for the available facilities."

So I think the basic idea of weaving business experience into the ARA process, whether it is in terms of a small cooperative or other operation on an Indian reservation or whether it is at some point in the determination as to whether or not a project really has a chance for success, is good, and using these retired people as a source.

I understand SBA has done that with great success, drawing on the experience of men who, because they are retired, can't be accused of making a decision which might benefit or damage the corporation from which they came.

Senator DOUGLAS. Well, as the conflict between business and Government diminishes and a more happy and cooperative relationship develops, I am sure that this can be utilized in a greater and greater degree.

We do not want to invite into these programs executioners and poisoners, but we do want to have cooperation.

Senator BENNETT. I am sorry my friend from Illinois considers all businessmen are potential poisoners.

Senator DOUGLAS. I did not say that. The Senator from Utah constantly twists my words. I said we did not want to invite those who regarded their function as executioners and poisoners. But I think that number is diminishing, very happily.

I want to say as the business community shows signs of cooperation, we will welcome them with open arms with a full chance to function in the public interest. But we don't want any fifth columnists inside.

Senator BENNETT. Maybe, I would observe, as the Government awakens to the fact that these businessmen do have a skill and they do have an attitude, this business of cooperation is a two-way street.

Senator DOUGLAS. Certainly. Certainly.

Senator BENNETT. It is not all surrender of business to Government. It is a little bit of Government waking up to the potential——

Senator DOUGLAS. And a little bit of business waking up to the possibilities of collective action. Don't you agree to that?

Senator BENNETT. The words "collective action" bother me, but——

Senator DOUGLAS. Oh, governmental action, cooperative action. The Senator from Utah doesn't respond keenly on that.

Senator BENNETT. The Senator from Utah is trying to find the word which will express it. I think a joining of skills for a common goal is an excellent thing.

Senator DOUGLAS. Between government and business?

Senator BENNETT. Between government and business. As long as you can eliminate the suspicion that unfortunately exists on both sides.

Senator DOUGLAS. All right. Now you're talking.

Senator BENNETT. I am glad that my——

Senator DOUGLAS. I think this indicates that some of the struggles of the past 35 years may diminish in intensity, and it may indicate that we are approaching not so much a happy marriage but a cooperative relationship.

Senator BENNETT. I thought you were going to say a marriage of convenience.

Senator DOUGLAS. No, no. I didn't say that.

Senator Muskie, did you have a comment you would like to make?

Senator MUSKIE. I would like to compliment the Senator from Minnesota especially for his proposed amendment which he has set out in his prepared statement and which was discussed the other day with the agency as well as among members of the committee. I think this is a very constructive contribution to the bill; it reflects his long-standing interest in the effort to develop the underdeveloped or undeveloped areas of our country.

I would like to compliment his for the leadership which he is exhibiting so early in his senatorial career.

Senator MONDALE. Thank you, Senator Muskie.

I will just submit the rest of my testimony for the record.

(The balance of the prepared statement of Senator Mondale follows:)

Section 402 of the bill allows the Secretary to dedesignate areas which no longer meet the requirements for redevelopment areas. This section contains the most serious implications for the State of Minnesota, for the upper Great Lakes States, and for other areas in the United States.

I have offered for the consideration of this subcommittee an amendment reading as follows:

"On page 25, line 6, strike the word 'section', and insert the following language: 'section, or (4) be made in previously designated areas unless in the judgment of the Secretary present diversification and economic expansion in such area will substantially prevent future persistent and substantial unemployment.'"

This language is extremely vital to the health of the program and will insure that the long-range effect of the bill will be to promote stable and solid economic expansion in eligible areas. It provides in effect that the Secretary of Commerce may not and should not terminate eligibility unless he feels that a recurrence of the economic collapse would not likely happen.

For example, in Minnesota there has been an influx of construction labor, with a corresponding rise in employment, for the purpose of converting our natural iron ore industry into a taconite and semitaconite ore industry. This economic upswing may be only temporary, even though the area could possibly lose its eligibility as a result of that upswing. Once construction workers leave, affected areas could again qualify for assistance under the act. My amendment allows a sufficient period of time during which it could be demonstrated with some assurance that the expansive effects in certain areas were not merely temporary.

This is especially critical in one-industry areas or in one-natural-resource areas, where diversification is an absolute necessity for permanent economic viability.

Many of the areas which will be eligible under this act suffer the problem of reliance on a single resource or industry, and will go into economic decline as soon as their eligibility is terminated. Such areas will once more need to be primed with Federal assistance, as persistent and substantial unemployment reasserts itself.

It would be far better, in my judgment, to extend the eligibility period for a little longer to assure a sound recovery, and would in all likelihood cost the Federal Government less money in the long run.

I see this amendment as one of the keys to the success of the program in the State of Minnesota and in many other regions across the Nation.

There are several other technical and substantive recommendations that will be made by Mr. Vladimir Shipka, administrator of the State of Minnesota Area Redevelopment Agency. He will present testimony later today and I wholeheartedly urge that his recommendations be considered very carefully.

In conclusion, I must say that I am most pleased to be a member of the Production and Stabilization Subcommittee, which is holding hearings on this bill since it gives me an opportunity to participate in a meaningful way in supporting and drafting legislation which is highly significant to the State of Minnesota and to the Nation, and in which I have a great deal of interest. Mr. Chairman, I am most appreciative of this opportunity to testify and I want to thank you and the other members of the subcommittee for permitting me this time. Thank you.

Senator MONDALE. I included in my remarks the reasons which I think underlie the importance of amendment of this sort:

One, areas which may be presently designated but which, because of peak construction periods, may for statistical reasons be dedesignated at the very time when help is most needed.

Two, areas that have been designated may become dedesignated when, in fact, they have not returned or have not achieved a circumstance of economic health because of diversification or other reasons, and permitting the Secretary for one or either reason to make a determination in the interests of the Nation and the health of the area they should nevertheless be continued as a designated redevelopment area.

Senator MUSKIE. May I ask the Senator to comment upon a suggestion which was made to me yesterday; that is, that we ought to clarify the so-called economic disaster section, section 401—

Senator MONDALE. Is this the major area?

Senator MUSKIE (continuing). To indicate the conditions under which that disaster designation would be lifted. Under the language of the bill, that is in doubt. I think the Secretary of Commerce the other day—

Senator MONDALE. Could you give me the citation on that?

Senator MUSKIE. Section 401(b)(4), I think. I am working with the committee print, which does not identify it with precision, but I think it is 401(b)(4). It is on page 22.

Senator MONDALE. Oh, yes. This is the major source of employment section?

Senator MUSKIE. Yes. The question is whether there ought to be provision in the bill for lifting that disaster designation when the reasons for the designation disappear.

For example, if the closing of a major source of employment or the threat of closing of a major source of employment does not materialize, or if following such a closing the area did not establish eligibility under the conventional criteria set out in the bill, should there be provision in the bill for lifting of the designation under those circumstances or other appropriate circumstances?

Senator MONDALE. I think there should be. It would be consistent with the general approach to area eligibility, which includes criteria for first determining when they should become eligible and then, on the other end, determination of when they should be decertified.

And as I read the subdivision (4) which deals with the closing of a major source of employment, we don't seem to have the same decertification criteria spelled out. I think that might be helpful.

Senator MUSKIE. Mr. Chairman, I would like to take this opportunity to suggest that the staff get from the Agency suggestions for language to cover this.

Senator MONDALE. If I may make one final comment on this question of the review of specific projects, we have not had a single sour project at this point in Minnesota. We have had some that are in economic difficulty. But, considering the nature of the program and the fact that these industrial loans are not available unless conventional sources of assistance are closed, it has been rather inspiring. I would say it has been rather inspiring in the success we have had.

I do think, however, that in considering these projects there have been unnecessary delays. I think we have got too many cooks. I believe one skilled economist familiar with the field in which the project deals, with the power to approve or decline and to do so swiftly, would be a great improvement.

I do think there is unnecessary delay. I don't think there is any question about it. A lot of unnecessary questions are asked of us and so on.

Senator DOUGLAS. Thank you very much for your testimony.

Senator PROXMIRE. Could I just ask one question? I also want to add my commendation to that of Senator Muskie and others. This is a very helpful and useful statement.

Did I understand you to say, Senator Mondale, that you felt the technical assistance section was inadequate, that there ought to be more for technical assistance, that it is necessary to have people especially to assist in developing the project proposals and in stimulating the project proposals so that we can get catalytic action and get it refined, and so forth?

Senator MONDALE. Yes.

Senator PROXMIRE. I am wondering if you are directing that at 301, which does provide for \$20 million, which is by all odds the greatest amount, it seems to me, that is provided in this kind of bill for planning and for technical assistance. And what you had in mind was to refine and to improve that section?

Senator MONDALE. Well, it seems to me that titles III and IV work together in the sense that once an economic development center is established it has available to it technical grants and technical assistance as provided in title III plus the other provisions of public works grants and industrial loans. With that in mind I don't believe there is enough money in the technical grant field, and I don't believe that the language makes it clear enough that funds would be made available for this catalyst function to be performed by the center.

In other words, if you establish an economic development center—suppose we take 25 counties in northwestern Minnesota that are part of the redevelopment area and we establish a center—then what? You have no staff. You have very little except the designation of a center.

I would like to see a circumstance where there is help in setting up a minimal but good staff to serve as a catalytic agent, to go out and really promote projects, to help them understand how to make applications, to tell them what the law does or doesn't do, to work hand in hand with the local agencies and the local promoters and entrepreneurs in establishing the projects.

Senator PROXMIRE. I think this is a very helpful suggestion. This is the kind of thing that really makes the program move and go and even by itself is very helpful, even if there are no loans granted, because it gives the communities, the area an opportunity to plan its future, to understand it, and take steps which might not even require any kind of government assistance to move on it.

I have seen this happen in some Wisconsin areas. The only areas where this has succeeded is where you happen to have people who will step in and show great ingenuity and effort and persistence to keep driving these programs.

I am just wondering. It seems to me that the money end may be enough; \$20 million is a whale of a lot, much more than we had for this thing. But what would seem to be necessary is, as you say, more explicit language.

Senator MONDALE. Later this morning, Mr. Shipka, our State ARA administrator, is to testify. He has been providing precisely this type of help for local communities now for over 2 years. And much of our assistance has, for example, sent the local promoter into the conventional loan route because it is a good idea. We helped him work it out but he did not need Federal help or he found the SBA help was better than ARA help or that some combination of private and public or local development corporation help was available to him.

And it is this local adviser, this local catalyst, the skilled technician who I think has provided for Minnesota at least the best single assistance to the local community.

When I think of this center, I think this is the sort of person that is needed and for which funds should be made available to make this program really work and to make the economic development center meaningful. Otherwise I think these people are going to get together, set up a district, find a center, and then they are going to look around and say, "Now what?"

And this sort of person is far more important than all these things. Very few people ever read those studies. You just need someone to help.

Senator DOUGLAS. I think you have made a very significant point. These local technical assistance men are not to have as their primary function getting funds from the Federal Government; they are not to be milkers of a milk cow; but they are to be stimulators of local action and local funds, cooperation wherever possible.

Senator BENNETT. Mr. Chairman, I would like to raise a question again for purpose of clarification with respect to your amendment which is on page 5. As I read it—it falls in section 402—it says the Secretary shall conduct an annual review of the eligibility of all areas designated or under consideration for designation. Is it your thought that if this amendment is adopted and the Secretary determines that eligibility in a particular area should not be terminated, that that decision is subject to an annual review?

Senator MONDALE. Yes. And I would be willing to have the amendment so state. I don't think it should be binding.

Senator BENNETT. That is the point.

Senator MONDALE. I find nothing wrong with that, with making it clear that this should be annually reviewed as well.

Senator BENNETT. This does not get out from under the annual review provision?

Senator MONDALE. No. And if there is any doubt on that, I would be glad to have the proposal incorporated.

Senator BENNETT. I suggest we ask the staff to look at the language to make sure that that is clear.

Senator DOUGLAS. Any other questions?

(No response.)

Senator DOUGLAS. Thank you very much.

As an evidence of the conciliation that would seem to be developing between business and Government in this matter, I have a series of letters I should like to have printed in the record at an appropriate point endorsing the bill:

One from the Covington, Tenn., Chamber of Commerce.

One from the Somerset-Pulaski County Chamber of Commerce of Somerset, Ky.

One from the Murray Chamber of Commerce, Murray, Ky.

One from the Greensburg Chamber of Commerce from Kentucky.

One from the Citizens Bank of Jackson, Ky.

One from the Ashland Area Chamber of Commerce of Kentucky.

One from the Wood Products Co. that came from Savanna, Ill.

One from East Lake Cumberland Area Council, Somerset, Ky.

One from Meriwether Lewis Electric Cooperative of Centerville, Tenn.

One from the Taconite Electric Co. of Virginia, Minn.

One from the village of Driggs, Idaho.

Lackawanna County Planning Commission, Scranton, Pa.

The president of the Hazleton Chamber of Commerce, Hazleton, Pa.

The mayor of the city of Bolivar, Tenn.

The county judge of Hickman County, Tenn.

Livingston State Bank & Trust Co. of Denham Springs, La.

Claiborne County Chamber of Commerce of Tazewell, Tenn.

Purdy's Jewelers of Lyons, Kans. There is one paragraph of this letter that is important. This is from Rice County Development Association, Kansas, and this paragraph is interesting:

My home county of Rice, you no doubt are well aware, has had its share of unfavorable publicity from those of the ultra right who have attempted to example us and others as typical examples of Government boondoggle and curtailment of free enterprise, etc. We in Rice County are quite familiar with these irresponsible efforts to discredit the ARA—the development programs in general—urban renewal, Federal aid to education, medicare and the like. Let me assure you these came from the outside and did not represent the will of the people of this county at all.

Now, he goes on. There are some political references which I think I will ask to have omitted.

Senator BENNETT. That is fine.

Senator DOUGLAS. But he is chairman of the Industrial Development Division of the Rice County Development Association.

Letter from the mayor-elect of Many, La.

A letter from the Idaho Farmers Union Organization Committee.

A letter from the president of the Denham Springs Chamber of Commerce, Denham Springs, La.

A letter from the Springfield Chamber of Commerce, Springfield, Tenn.

I ask unanimous consent that these be put in at an appropriate place in the record. (See p. 134.)

Senator BENNETT. I have no objection.

Senator DOUGLAS. The next witness is Mr. Eugene P. Foley, Administrator of the Small Business Administration.

We are very glad to have you here, Mr. Foley.

STATEMENT OF EUGENE P. FOLEY, ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION; ACCOMPANIED BY PHILIP F. ZEIDMAN, GENERAL COUNSEL; AND HAROLD BROWN, SPECIAL ASSISTANT TO THE ADMINISTRATOR

Mr. FOLEY. Thank you, Mr. Chairman.

Senator DOUGLAS. You may proceed.

Would you name your associates for the record?

Mr. FOLEY. I have with me Mr. Philip Zeidman, General Counsel of the Small Business Administration, and Mr. Harold Brown, who is Special Assistant for Area Redevelopment matters.

Pending before this subcommittee is a bill, S. 1648, including provisions which would extend, on an expanded scale, the responsibilities presently vested in the Secretary of Commerce by the Area Redevelopment Act. In substantial measure, these responsibilities have been discharged over the past 4 years by the Small Business Administration, pursuant to a delegation of authority from the Secretary.

One of the principal questions raised by the pending bill is whether the powers to be conferred upon the Secretary thereunder should be delegated by him to SBA, in accordance with the existing pattern. Of importance in that connection is the operating experience gained to date under this pattern.

I am hopeful, Mr. Chairman, that the testimony I am about to give on such experience will be of assistance to the subcommittee in its consideration of the question.

Under the existing delegation we perform a number of functions, in cooperation with the Area Redevelopment Administration, which further the purposes of the act. These include technical assistance, information and advice to business concerns, to local governments and to ARA itself. But far and away our most important contribution lies in the processing and servicing of loans for ARA. My testimony will therefore center upon this aspect of our activity.

Our ARA lending workload has been heavy. As of April 15, 1965, we had received a total of 904 project proposals from ARA. With respect to 242 of these we had had no occasion to take final action because they were subsequently withdrawn for various reasons. Of the remainder, 575 had been returned, together with our recommendations for approval or disapproval, and 87 were still awaiting action. The average number of days consumed by us in processing applications varies, depending on circumstances. During the first quarter of this year the figure stood at 68½ days. In earlier periods it has gone as low as 51 days.

Over on the ARA side they had approved 461 of our recommendations—although 50 of these had later been canceled for various reasons. In the case of 236 of these approvals, full disbursement had been made.

These figures will, I think, give you a fair idea of the scope and progress of the work involved.

Now let me turn to the problems we are confronting.

I am not going to burke or conceal the facts of the matter. Neither ARA nor SBA is satisfied with the lending operations conducted in common by the two agencies. These operations have been characterized by confusion, by delay, and by a general feeling of frustration.

Mr. Batt will, I am sure, corroborate what I am saying. He and I have probed the underlying causes of the trouble and are seeking to eliminate them. Last month we took a long step in this direction by putting into effect a radical revision of procedures. The resulting new system is still in the formative stages and, as we go along, we may find need of further changes. Perhaps the best way to start my explanation of the new system is to describe the ailment we are trying to cure.

Let me emphasize that, in furnishing such a description, I am speaking from hindsight. When ARA and SBA sat down together to plan their lending operations under the act, they were confronting an untried credit concept involving operational problems quite different from those attending the traditional loan. The latter is made for the benefit of the borrower and, from the operational standpoint, it presents one major question for decision: Is he or is he not a good risk?

In contrast, the ARA loan is made not so much for the benefit of the borrower as for that of a third party—the unemployed. From the operational standpoint, therefore, it calls for two major decisions instead of one. Stated in logical order, the first question is whether the loan would further the purposes of the act by creating employment opportunities. Unless and until an affirmative answer is made to that question, the second question, the creditworthiness of the borrower, does not arise.

The understandable mistake made by the two agencies at the outset was to pattern their procedures after this logic. A loan application was referred first to ARA for resolution of the first question. Since the answer lay entirely in the purview of ARA, neither agency saw any reason why SBA should participate at this stage. Unless and until it received ARA approval, an application did not reach SBA.

As I review this situation, my mind turns to the oft-quoted observation made by Mr. Justice Holmes that experience, not logic, is the life of the law. Perhaps he should have added that the same is true of regulations issued pursuant to law. In some cases, logic does not lead to workable results. This is one of those cases.

The simple fact is that there are many considerations which cannot easily be categorized as in ARA's sole province, or in SBA's. For example, in appraising the ability of the borrower to repay, SBA has to determine whether the project will yield sufficient returns to permit repayment. This determination requires the resolution of questions which also have to be answered by ARA in its own deliberations—whether the project will earn enough to support and sustain the jobs it is supposed to create.

Similarly, SBA's analysis of whether a sound relationship exists between available debt capital and equity capital can hardly be considered as a matter apart from ARA's own conclusions regarding the proper degree of community participation, et cetera. It is neither realistic nor helpful to attempt to classify these considerations as "credit" or "policy."

Even in those cases where there is no question as to which agency has responsibility for a particular decision, the defects in the compartmentalized approach adopted by the agencies were troublesome. If SBA came to an unfavorable conclusion on the credit question, all of the effort theretofore put into the case by ARA (in terms of planning, man-hours, et cetera) was threatened.

With so much at stake, it was only natural that ARA tended to resist such findings by SBA. Since final authority rested in ARA, it could overrule SBA and, on occasion, did so.

Even under the best circumstances, even when SBA arrived at a favorable conclusion, progress was inexcusably slow as applications were shunted from the ARA compartment to the SBA compartment and then back to the ARA compartment. And I must confess that SBA contributed perhaps more than its share to the delay. Upon receipt of an application from ARA, our liaison man would refer it to our loan people at headquarters. After study of it they would pass it along, with recommendations, to the appropriate regional office where it would finally reach the specialist who would do the real work. After all that, the application had to climb up the same ladder.

As both agencies became alarmed by the deficiencies of the system, pilot projects were instituted in a number of cities in an effort to effect improvement. None of these produced satisfactory results, because they did not go to the heart of the matter—the confusion, waste, and delay resulting from the compartmentalized approach and from excessive layers of review. The new system established last month strikes directly at these deficiencies, and we think it will work.

Under this system ARA and SBA have agreed to establish 12 area redevelopment divisions, each located in or near a redevelopment area and thus readily available to potential applicants. Each will be staffed with ARA and SBA specialists who will work together in evaluating applications.

Senator DOUGLAS. Mr. Foley, I hope you will designate central Illinois as one of these 12 development centers.

Mr. FOLEY. St. Louis is one of the redevelopment centers.

Senator DOUGLAS. I don't know why it should be in St. Louis.

Just consider that.

Mr. FOLEY. Thank you, Mr. Chairman.

If preliminary examination indicates that there may be difficulties from the credit standpoint, our people will alert their ARA colleagues to this factor so that it may be given proper consideration in determining whether, and to what extent, ARA should invest effort in the case.

As we know from experience, a preliminary examination will sometimes reveal that an SBA loan, rather than an ARA loan, would be more suitable to the needs of the applicant. For example, a development company loan, pursuant to section 502 of the Small Business Investment Company Act of 1958, may be just the thing under the particular circumstances.

Under the old system we had no means of discovering such a situation until the file reached us—and after ARA had poured its all into the case.

So you can readily understand the ARA reaction upon receipt of advice, at such a late juncture, that the applicant has been taken in

tow by SBA. No matter how justified our action might be, it seemed to say to the other agency: "Gotcha! This one is ours."

Well, from now on we will be in position to recommend appropriate conversions without creating such an atmosphere.

The methods by which recommendations of area redevelopment divisions are to be reviewed have not yet been worked out in detail. But one thing is clear. We are going to restrict review to the minimum consistent with safety. No SBA field personnel, other than those assigned to the originating division, are to participate in or review a recommendation. Indeed, SBA's area administrators and regional directors are specifically instructed not to interfere and not to permit interference. I am hopeful that we can arrange matters so that such recommendations will go directly to Washington for joint review by representatives of the two agencies.

Let us consider the alternatives ahead of us. On the one hand, we might speed up operations by centering the entire ARA lending operation in a single agency—either ARA or SBA. The obvious drawback to placing it in ARA is the needless cost and duplication of facilities involved. The drawback to placing it in SBA is that, by associating the program with SBA's basically small business-oriented approach, we might narrow the outlook of the ARA lending program, and divorce it from the other, nonlending aspects of ARA's activities.

On the other hand, we can avoid both drawbacks by continuing the use of SBA facilities in furtherance of ARA's lending activities. If we do that, we must resign ourselves to some degree of delay that could be avoided by the first course.

On balance, I favor continuing the use of SBA facilities. In making this choice I am mindful of the promise offered by the new system I have just outlined. Although I cannot give absolute assurance, I do believe that the new system will correct the faults that hampered the old. I think it should be given a try. In the unlikely event that it fails, we may have to resort to a single-agency operation.

Mr. Chairman, that concludes my formal testimony, and if you have no objection, I would like to ask Mr. Harold Brown to demonstrate to you these 12 redevelopment centers.

Senator DOUGLAS. Before he does that, may I say that I want to commend you for the very cooperative attitude which you have taken working together with ARA. I have sometimes despaired of the ability of Government bureaus to cooperate and the tendency of each bureau to aggrandize itself.

I think you have shown a remarkable ability to cooperate, and I think this plan is obviously going to effect great improvement.

And this last sentence—"In the unlikely event that it fails, we may have to resort to a single-agency operation"—is the most openminded statement I have ever heard from a Government administrator. I want to commend you for it.

I originally favored single-agency operation, but I was overruled by the bureaucracy downtown in the Budget Bureau, and my head was so bloody after that encounter that I gave up.

But if this works out, this is fine.

Sometime carry the message to the Budget Bureau that we're not such fools up here as they believe we are. Because this is what our committee originally advocated. I don't know that you can make any

impression on the Budget Bureau, because they are convinced that they and their computers are infallible. But a little permeation of experience in their egotism would be excellent.

Now we will be very glad to hear Mr. Brown, with whom I am already acquainted.

Senator MUSKIE. Does the administrator wish to comment on that?

Senator DOUGLAS. Yes.

Mr. FOLEY. No, I just think I'll let well enough alone.

Senator DOUGLAS. I hope this comment of mine can be sent to the Budget Bureau.

Senator MUSKIE. May I, Mr. Chairman, join in the commendation of Mr. Foley? I have found him willing to go more than the extra mile to be cooperative in the projects in Maine and to work with ARA and subordinate the legitimate interests of his own agency in doing so. I couldn't have asked for more.

I want to say for the record how very pleased I have been with the cooperation we have had from him and from his agency.

Mr. FOLEY. I appreciate that very much, Senator. I really do.

Senator DOUGLAS. I was just last night reading an article in the current Harper's by Joseph Craft in which the Budget Bureau took credit for this entire bill, the present bill before us—that nobody else had anything to do with it. The Budget Bureau economists, great experts, mathematical computers and economists, using the Leontieff system of input and output did it all.

I don't think they had very much to do with it, as a matter of fact.

Mr. BROWN. I might say the document that I have given to you is a directive to our field staff which sets this into effect, and the chart is on the back page similar to this one [indicating].

I might show by the two comparisons the system that was originally used when the delegation was first accepted by SBA in 1961 and how we have changed it, and by this comparison you may see the potential effectiveness that may result.

In all fairness to all, this is an extremely complicated and complex and a very heavily delegated responsibility.

But in the beginning ARA retained the authority and power to select and fund projects which they were willing to finance. They sent them through this liaison person in SBA [indicating chart]. They were then funneled into all the existing mechanisms of ARA which are the four deputy administrators.

Each of these deputy administrators were equipped with staff reimbursed by ARA and they went down to the field. The tie-in with ARA in the field at this level was rather remote.

Now, they came back up through these same offices so that here we really never had any central authority within the agency that could keep a grip and a movement upon these projects.

This really developed two concepts. ARA had one sitting on Constitution Avenue. We had one up on Vermont Avenue. And this created a competitive situation, requiring several layers of review.

This resulted, of course, in confusion, lack of authority, duplication, and this sort of thing.

Now we have developed what we think is a rather dramatic effort to draw the Federal agencies together working in a very difficult program.

And what we have done is to develop within the center of the structure a joint loan review committee composed of the ARA Assistant Administrator for Operations, who has authority over all the field coordinators, ARA's Assistant Administrator for Financial Assistance, SBA's Assistant Deputy Administrator for Financial Assistance in the Economic Development Division, and the SBA Director of the Office of Area Redevelopment.

This group will first do the selection of personnel and determine the competency or the studies needed to be laid on the project as it moves from ARA in the SBA processes for loan processing. They will establish policy and new procedures which will control this.

And this brings into play the central authority that is needed over all aspects of all the personnel.

Now, the ARA field coordinators—and this is where the projects start, with the ARA field coordinators—will work with our Area Redevelopment divisions which are composed of loan specialists, lawyers, engineers, market analysts, appraisers, the type of technical competence that is needed to help to develop sound projects in the beginning.

This relationship between the ARA field coordinators and this staff which will be located near the redevelopment areas is one we have identified as being a close relationship with a sense of identical mission.

We hope to marry this group, to consummate this into a workable field force that is available to help communities develop sound projects in the beginning and really to weed out those that are not sound.

These projects will flow up through ARA. They will still make these decisions: Is relocation involved? Are there sufficient jobs in relation to capital investment? National capacity? Questions that we have.

They flow through here into the committee. We lay on what specialized talents we have. We now have 4 years of experience, and we have people who have developed experience in the wood utilization field, indeed, in a number of other fields, and we will put the people who are best able and best experienced to handle these types of projects in charge of this.

This team that we put on this will then stay with this even through the closing, disbursing, and later servicing, and we hope this way to identify the weaknesses of the project and use this technical competence that we have here plus other Federal agencies that are available to us and State agencies to help this project to be a successful one.

Senator DOUGLAS. It sounds very good. In other words, instead of Small Business Administration and Area Redevelopment Administration arm's length from each other shuffling papers back and forth, they cooperate together from the very beginning, starting locally, going up through to the top; is that correct?

Mr. BROWN. This is correct.

Senator DOUGLAS. Now, did the Budget Bureau have anything to do with this internal reorganization of yours?

Mr. BROWN. I have never talked to one of them, Senator.

Senator DOUGLAS. Never talked to them? Let that be put in the record.

Mr. BROWN. Nor do I know of anyone else who worked with this who talked to one of them.

Senator DOUGLAS. Senator Muskie.

Senator MUSKIE. I assume this document will be included in the record.

Senator DOUGLAS. Yes. I would like it. Do you so move?

Senator MUSKIE. Yes, I do.

Senator DOUGLAS. Without objection.

(The document referred to follows:)

SMALL BUSINESS ADMINISTRATION, WASHINGTON, D.C., APRIL 15, 1965.—NATIONAL
DIRECTIVE AREA REDEVELOPMENT, "ARA-SBA ORGANIZATION"

INTRODUCTION

1. *Purpose of directive.*—To establish a new organizational structure so that SBA may carry out the responsibilities delegated by ARA more effectively. All pilot programs are to be discontinued and replaced by the program outlined in this directive.

2. *Personnel concerned.*—All SBA personnel who perform duties on behalf of ARA.

3. *Directive canceled.*—SBA Handbook on ARA Policy and Functional Responsibility, issued June 1963.

4. *Distribution.*—A, plus one copy to each SBA employee funded by ARA who is affected by this directive.

5. *Originator.*—Office of Area Redevelopment.

Issued by Direction of Eugene P. Foley, Administrator

CHAPTER 1—ORGANIZATION

1. INTRODUCTION

This realignment of field organization provides for establishment of an area redevelopment division within each regional office which has been assigned ARA functions. However, the eligible redevelopment areas throughout the Nation are concentrated in geographical sections which do not generally coincide with the geographical jurisdictions of SBA area or regional offices. Furthermore, the available personnel for ARA activities is frequently restricted because of budget limitations. Therefore, a new ARA-SBA organization has been established, as reflected in the chart in the appendix. The chart outlines how the Area Redevelopment Administration and Small Business Administration will be organized to administer all aspects of the ARA program.

2. AUTHORITY

An exchange of memorandums of understanding between William L. Batt, Jr., Administrator, ARA, and Eugene P. Foley, Administrator, SBA, dated April 7, 1965, and April 15, 1965, respectively, established a Joint Loan Review Committee, the ARA-SBA joint Washington team and area redevelopment divisions to perform the functions as shown on the organization chart.

3. RESPONSIBILITIES

(a) Director, Office of Area Redevelopment, shall plan and execute the SBA area redevelopment program. He shall have approval authority regarding the location and assignment of SBA employees who are members of the various area redevelopment divisions. He shall have overall responsibility for directing travel of all SBA personnel assigned to the Office of Area Redevelopment and area redevelopment divisions.

(b) SBA regional directors:

(1) Administrative control and logistic support for the area redevelopment division, such as procurement, space, supplies, reproduction and similar type serv-

ices. Such services will be acquired by the division through the regional administrative assistant. The regional office will provide within its delegated authority the necessary logistic support through regular procurement channels, in accordance with chapter VIII, SBA-100, Administrative Manual.

(2) ARA procurement assistance functions performed by the procurement and management assistance staff is not affected by this directive. That function will continue in accordance with the memorandum of understanding of March 12, 1964, between SBA and ARA (Exhibit XIII: Procurement Assistance Handbook).

(3) Cashier functions (exclusive of those pertaining to collateral) for ARA loans will be centralized at a location to be determined later. Meanwhile, borrowers will continue to make loan repayments at the regional offices now furnishing cashier services. Collateral, including that relating to an SBA companion loan, will be maintained by the cashier in the regional office in which the area redevelopment division is located.

(4) Processing SBA loans companion to ARA loans.—It will be discretionary with regional directors as to whether an SBA application for loan which is companion to an ARA application for loan will be processed by the ARA loan specialist who is processing the ARA application. If the SBA application for loan is assigned to the ARA loan specialist for processing, the recommendation of the loan specialist will be forwarded to the loan processing section, financial assistance division, for further review and/or final action, as appropriate.

4. AREA REDEVELOPMENT DIVISIONS

(a) *Establishment and location.*—The SBA and ARA Administrators have agreed to establish 12 separate area redevelopment divisions. Each area redevelopment division will be located in or near a redevelopment area and will give potential applicants quick and easy access to a team of economic development specialists. In that way the division can screen the proposals, identify qualified applicants and assist in developing sound projects.

The following divisions will be established in regional offices and will serve the States named:

(1) New England Area Redevelopment Division, located at Boston, Mass., serving Maine, Vermont, New Hampshire, Massachusetts, Rhode Island, and Connecticut.

(2) New York Area Redevelopment Division, located at New York City serving New York.

(3) Middle Atlantic Area Redevelopment Division, located at Philadelphia, Pa., serving Pennsylvania, New Jersey, Delaware, eastern Maryland, and eastern Virginia.

(4) Appalachian Area Redevelopment Division, located at Louisville, Ky., serving West Virginia, and the Appalachian regions of Kentucky, Tennessee, Virginia, and Maryland.

(5) Southeastern Area Redevelopment Division, located at Atlanta, Ga., serving North Carolina, South Carolina, Georgia, Florida, Alabama, and Mississippi.

(6) Southwestern Area Redevelopment Division, located at Dallas, Tex., serving Texas, Louisiana, Arkansas, Oklahoma, New Mexico, and Arizona.

(7) Rocky Mountain Area Redevelopment Division, located at Denver, Colo., serving Colorado, Kansas, Nebraska, North Dakota, South Dakota, Wyoming, Montana, Idaho, and Utah.

(8) Pacific Coastal Area Redevelopment Division, located at Seattle, Wash., serving Washington, Oregon, California, Nevada, Alaska, Hawaii, Guam, and American Samoa.

(9) Upper Lake States Area Redevelopment Division, located at Minneapolis, Minn., serving Minnesota and Wisconsin.

(10) Lower Lake States Area Redevelopment Division, located at Detroit, Mich., serving Michigan and Ohio.

(11) Midwestern Area Redevelopment Division, located at St. Louis, Mo., serving Missouri, Iowa, Illinois, Indiana, and non-Appalachian regions of Kentucky and Tennessee.

(12) Puerto Rico Area Redevelopment Division, located at Santurce, P.R., serving Puerto Rico and the Virgin Islands.

(b) *Personnel.*—Each area redevelopment division will be headed by a chief who, as a "working supervisor," will assume a full case load. The selection of the chief will be subject to concurrence of the Director, Office of Area Redevelop-

ment. The area redevelopment division will be supported by a staff with not in excess of the maximum manpower allowance indicated in the chart of the appendix. The chief, area redevelopment division, shall submit and justify to the Director, Office of Area Redevelopment, any recommendation for relocation of personnel.

The chief of the division will be under the supervision of the Director, Office of Area Redevelopment, for all program activity. Area administrators and regional directors shall exercise administrative control. Area administrators and regional directors will, in Webster's words, superintend the conduct of the area redevelopment program in his area and the Chief, Area Redevelopment Division, shall keep appropriate area administrators and regional directors fully advised of all aspects of the area redevelopment program.

Personnel assigned to an area redevelopment division will perform ARA duties. In the interest of promoting efficiency, assignment of area redevelopment division personnel to other duties shall be only with the concurrence of the chief of the division.

(c) *Travel*.—Subject to overall direction of the Director, Office of Area Redevelopment, the Chief, Area Redevelopment Division, will be responsible for administrative direction of travel. When the travel to be performed is not covered by the general travel authorization (Appendix B, Section 211, SBA 200) the chief of the division will issue, within available funds, necessary individual travel orders (SBA Form 21).

Effective May 1, 1965, the general travel authorization will permit travel of area redevelopment personnel to any point in the 50 States, District of Columbia, Puerto Rico, Virgin Islands, Guam, and American Samoa. However, no travel shall be performed to a point outside of the geographic area served by the respective area redevelopment division unless such travel shall have been cleared first with the Director, Office of Area Redevelopment.

All travel shall be subject to and performed in accordance with SBA policies and manual directives. The rates of per diem and mileage established by the area administrator for his area will apply to travel performed by personnel of the division.

The Chief of the Division has responsibility for administrative approval of travel reimbursement vouchers. Upon administrative approval, originals of the vouchers shall be forwarded directly to the Office of Fiscal Operations for payment.

CHAPTER 2—ARA PROJECT PROPOSALS, ARA LOANS, AND APPROVED COMPANION SBA LOANS

Section A—ARA Project Proposals

5. PREPROJECT STAGE

During the preproject stage, both the ARA field coordinator and members of the area redevelopment division will make a joint effort to assist the applicant to develop a sound project proposal. The project summary then will be presented in written form to the Project Review Committee by the ARA field coordinator.

6. PROJECT STAGE

The Project Review Committee will forward acceptable project proposals to the Joint Loan Review Committee. The Committee will assign the proposal to members of an ARA-SBA Joint Washington Team. It will be the responsibility of the team to determine the degree of investigation which it considers necessary on the given project. It will outline areas, beyond that of a routine nature, requiring engineering, marketing, management, and financial investigation. The team either will supervise field processing or will undertake the processing. In this manner the combined financial and technical expertise of both agencies will be utilized, as well as that of other agencies or outside sources. On those projects which are referred to the area redevelopment division for investigation, the chief will assume responsibility for directing that investigation, subject to the guidance of the ARA-SBA Joint Washington Team.

Section B—ARA Loans and Companion SBA Loans

7. RECOMMENDATIONS ON APPLICATIONS FOR ARA LOAN

Recommendations of a loan specialist on an application for ARA loan will be forwarded directly to the chief, area redevelopment division, without further review. The chief, area redevelopment division, will make the final field recommendation to the Director, Office of Area Redevelopment. When the chief, area redevelopment division, processes an application for loan, his recommendation will be forwarded directly to the Director, Office of Area Redevelopment. Regional directors or other SBA field office personnel are not to make any additional review or recommendation. The ARA-SBA Joint Washington Team will review all incoming recommendations on applications for loans and will make a recommendation to the Joint Loan Review Committee. The Committee, in turn, will make the final recommendation to the ARA Administrator.

8. CLOSING AND DISBURSING OF ARA LOANS

Upon approval of an application for ARA loan, the loan will be closed and disbursed by an SBA attorney who is designated as a member of the area redevelopment division. Although this designated attorney will continue under the direction and control of area and regional counsel, he shall devote his full time as a member of the division. He is to be located physically with the division.

9. SERVICING OF ARA LOANS

The SBA-ARA attorney and chief, area redevelopment division, will execute SBA Forms 191: Request for Check, and 192: Notification of Disbursement or Purchase, as the "recommending" and "approving" officials, respectively.

(a) After an ARA loan is closed, it then will be serviced by the area redevelopment division in conformance with direction and guidance of the ARA-SBA Joint Washington Team. Pending appropriate delegation, the chief, area redevelopment division, is authorized to take final action on any ARA loan servicing matter which is presently delegated to regional directors per SBA-500, Financial Assistance Manual. On other ARA loan servicing matters, the recommendation of the ARA loan specialist with the review and recommendation of the chief, area redevelopment division, will be forwarded to the Director, Office of Area Redevelopment.

(b) ARA loans classified "In Liquidation" will be administered by the Office of Area Redevelopment. No loan will be classified "In Liquidation" by the area redevelopment division. Instead, an appropriate report and recommendation pursuant to Chapter VII, SBA-500, Financial Assistance Manual, will be made to the Director, Office of Area Redevelopment, to classify an ARA loan "In Liquidation."

10. APPROVED SBA LOAN(S)

Companion to ARA loans will be serviced by the same loan specialist who is servicing the ARA loan. It is believed that servicing in this manner will provide more effective administration on projects having Government financing from both agencies. The review, final action under delegated authority or recommendation to the Office of Loan Administration, Washington, on the SBA companion loan will be the same as for any other SBA loan. Matters regarding disbursed or partially disbursed ARA and companion SBA loans submitted to the Washington office should not be combined on a single SBA form 327 or other report. They should be submitted to the appropriate office with reference therein to the referral to the other office. Report SBA form 460 on delinquent and problem ARA loans and all other reports relative to ARA loans will be submitted to the Director, Office of Area Redevelopment, Washington.

Senator MUSKIE. Mr. Chairman, I have been inclined to the single-agency view that you initiated with the original legislation, notwithstanding the excellent cooperation that we have from SBA on which I have already testified. But I think this proposal is certainly worth looking at, and I will study it with care. I think it represents a good-faith and intelligent effort to resolve some of the organizational problems which the Administrator has touched on so well in his statement.

Mr. FOLEY. Thank you.

Senator DOUGLAS. In our desperate struggle with the Budget Bureau on these matters, I would like to ask unanimous consent that paragraphs in the majority report of 1963 on this matter be printed at this point in the record and copies be sent to Mr. Craft and others.

(The material referred to follows:)

[From S. Rept. 250, 88th Cong., 1st sess., Area Redevelopment Act Amendments of 1963]

UTILIZATION OF EXISTING AGENCIES

Section 24 of the Area Redevelopment Act requires ARA to use to the fullest extent practicable the services and facilities of existing Federal agencies.

For instance, under the present program the Small Business Administration has been given primary responsibility for industrial and commercial loan processing, and the Community Facilities Administration has similar responsibilities for public facility loan and grant applications. The Department of Agriculture has been delegated major responsibilities in connection with the implementation of the program in rural areas.

There have been indications that the highly decentralized nature of the present ARA program, with so many of the ARA's responsibilities delegated to other agencies, may not always be in the interest of maximum efficiency and may in fact occasion serious delays in administration. It also appears that some confusion to applicants can result from the multiplicity of agencies involved in the processing of applications. This committee warned in its report (S. Rept. 61, 87th Cong., 1st sess.) on S. 1, the original area redevelopment bill, that in order to simplify the administration of the program, control over the program ought to be centralized in the Area Redevelopment Administration.

The committee said:

"It is vital that we do not force these areas which seek assistance to shuttle around from one Government agency to another to attain proper attention to their needs."

It was not intended that section 24 of the Area Redevelopment Act should be interpreted in any way to impede or slow down the administration of the ARA program, but to enable it to get underway initially with greater speed and efficiency. The committee believes that the interests of efficiency still require the use of delegate agencies, but only to the extent that such use would not hinder the progress of the area redevelopment program. Therefore, the Area Redevelopment Administrator and the Secretary of Commerce ought to carefully review the existing system for delegating functions of the Area Redevelopment Administration to see if there may not be ways of both simplifying and speeding up the processing of requests for assistance under the Area Redevelopment Act.

Senator DOUGLAS. Senator Mondale.

Senator MONDALE. One question. As I recall, a year or two ago a directive was issued to permit local determination of ARA industrial loans beneath a certain dollar amount so that they could be made in the field and did not have to be sent to the regional office and then to Washington, D.C., and go back and forth between the agencies. Am I correct in that?

Mr. FOLEY. We tried, Senator, a number of ways to resolve our administrative problems. One of the methods selected was the one that we adopted in the Minnesota area. Delegation below a certain dollar authority would be made to the Minneapolis office.

That was helpful but it still didn't resolve all our problems, because it still becomes compartmentalized. The Administrator of SBA delegated his authority to Minneapolis. The Administrator of ARA delegated his authority. But it still compartmentalized the problem, so it didn't solve it.

Senator MONDALE. Now that you are attempting this cooperative approach, do you think it would be wise to try once again to authorize the local regional offices with authority below a certain dollar amount, say a quarter of a million, so that those modest loans could be approved without referral to Washington?

Mr. FOLEY. I think, Senator, that we are probably going to work toward that. We want to get some early experience, fast experience in how this thing is going to work.

I personally would hope that within 3 or 4 months we ought to know how well we are working and move in the direction that you suggest. I think it is a good suggestion. I think you will find us following that.

Senator MUSKIE. You still have that kind of delegation on straight SBA loans, don't you?

Mr. FOLEY. Yes. We have nearly completely decentralized. Beginning July 1 in the SBA all authority will be delegated to local offices in SBA. And I see no reason why we ought not to do this within certain limits in the ARA programs.

It also has the advantage that local people are much closer to the problem and also they have emotional involvement in it.

Senator MONDALE. Also it is this type of applicant who cannot afford to come out here to Washington to lobby his loan through the SBA and ARA. He ought to be able to appeal to the local office. And since it is a modest sum, it is hard to believe the mistakes would be so outrageous.

Mr. FOLEY. Not only that, but experience has accumulated in the last 4 years so people in the field are fairly knowledgeable and talented in this respect, and I do expect in a very short time we will be moving in this direction.

Senator DOUGLAS. In order that the record may be clear in our dealings with the Budget Bureau, may I say again that the original draft of this bill which I prepared provided for integrated administration. Then the Budget Bureau insisted that the functions be farmed out and forced us to include in the bill language to section 24(a)—

to the fullest extent practicable in carrying out the provisions of this Act, the Secretary shall use the available services and facilities of other agencies and instrumentalities of the Federal Government but only with their consent and on a reimbursable basis.

And then it goes on.

So it is the direct mandate of the Budget Bureau. The chickens have come to roost on the Budget Bureau in the failure of this diffused system. And in spite of the Budget Bureau the Area Redevelopment Administration and the Small Business Administrator have now worked out a cooperative relationship. And if the Budget Bureau tries to compel you to give that up and to go back to their own inefficient system, which they may well do, I want to say that you have got some allies up here on the Hill.

Any other questions? (No response.)

Thank you very much.

Mr. FOLEY. Thank you, Mr. Chairman.

Senator DOUGLAS. We now have a a panel of witnesses, and I am going to ask them to come forward and sit at the table.

Mr. Nolan B. Hamric, president of the Bank of Gassaway, Gassaway, W. Va.

As a boy I can remember when Alton B. Parker was nominated for the Presidency he had a man by the name of Henry Gassaway Davis of West Virginia running for Vice President, so I assume he has a connection with that family.

Mr. Leland Gourley, president of the State Capitol Bank of Oklahoma City, Okla.

Mr. Wallace M. Haselton, president of the Depositors Trust Co., Augusta, Maine, the city from which James B. Blaine came and where Senator Muskie was for some years chief executive.

Mr. Vladimir Shipka, administrator of the State of Minnesota ARA.

Mr. John C. Holman, president, Early County Redevelopment Corp., Blakely, Ga.

Are all five of these gentlemen present?

I am going to call upon you in the order in which you are listed. And make your statements as brief as possible—10 minutes for each person.

Mr. Hamric from Gassaway. Is Mr. Hamric here?

(No response.)

Mr. DOUGLAS. He doesn't seem to be.

Mr. Gourley.

Mr. Gourley, will you proceed? You have a statement, by the way.

STATEMENT OF LELAND GOURLEY, PRESIDENT, STATE CAPITOL BANK, OKLAHOMA CITY, OKLA.

Mr. GOURLEY. Yes. My name is Leland Gourley, and I am the president of the State Capitol Bank, Oklahoma City. I am familiar with the area redevelopment program because in my capacity as executive assistant to the Governor I was responsible for the area redevelopment program in the State of Oklahoma from its inception to December 1962. Subsequently I was appointed to the National Public Advisory Committee on Area Redevelopment, and I have served on that Committee since December 1962.

I think I can say that I am familiar with the way the area redevelopment program worked at the local level, at the State level, and at the Federal level.

As a banker, I am particularly concerned with the industrial loan program encompassed under title II of the proposed new Public Works and Economic Development Act, and I have these observations to make about this program.

First of all, the proposed industrial loan program will help strengthen and preserve the free enterprise system. This method of developing jobs for the poor and the unemployed is the best method I know, because it puts so much reliance on private businessmen to do the job, and Government participation is primarily through loans instead of direct expense.

Second, the system of direct Federal loans I feel must be continued. I am aware of the fact that many people think that the Federal Government ought to get out of the direct loan business and use loan guarantees to accomplish its objectives. This might be true for more conventional financing. But I do not think that the private banking industry is ever going to be able to make the kind of long-term, low-cost, high-risk, heavy-servicing-cost loan needed in depressed areas no matter what kind of guarantee is available.

We cannot tie our funds up for such long periods, and we cannot devote the time required to service these loans, without charging exorbitant and possibly illegal interest rates.

There are four primary reasons why a majority of banks cannot afford to make these long-term industrial loans:

1. We must maintain flexibility and liquidity in order to protect depositor funds and have them available in case local economic conditions should precipitate a drop in a single bank's deposits.

2. We cannot tie up funds for a long period that might impair the bank in its community service of lending to other businesses who have needs bearing upon the community economy.

3. By the same reason, the long-term tieup of funds could be a liability to a bank itself in serving possible new customers, and thus curtail the bank's own growth.

4. Long-term industrial loans place severe restrictions on needed diversification in the average single bank's loan portfolio.

Furthermore, in many depressed areas the size of the loan needed could be above the bank's legal lending limit to a single customer, forcing the industry to go elsewhere, possibly to a more affluent area where the economic need is not so great.

Third, the proposed guarantee of working capital loans is a highly useful step forward. I have seen many development projects in trouble because ARA was not able to provide sufficient working capital or help them get sufficient working capital to get their business off the ground.

More than half of the ARA loans are new businesses, and the unforeseen perils of starting a new business can wreck it before it has a chance unless sufficient working capital is available. Training a labor force despite Federal help is often more costly than anticipated.

I know of at least one ARA project that failed because of this.

Machinery develops bugs. Developing a market takes time and expense. All startup expenses of a new business operation should be capitalized and repaid over a period of time.

Under the old ARA program, we provided capital for land, buildings, machinery and equipment, but not for startup expenses. Under the new program, we would be able to capitalize more of the initial cost, and thereby get businesses off to a better start.

However, since working capital loans need not be for as long a term as loans for land, buildings, machinery, and equipment, it is appropriate to limit this authority to a guarantee of bank loans. Direct loans are not needed for working capital. They are needed for land, buildings, machinery, and equipment. The principal difference is the length of time for the loan and perhaps the rate of interest.

Because of its more direct responsibility to the national economy and because of its size and volume, the Federal Government can afford to lend at a lower interest rate than individual banks.

Fourth, the proposal for an interest rebate of 2 percentage points on loans secured from private sources rather than the Federal Government is most imaginative, and I believe that it will work and is worth trying. It will enable the new program to offer something to the more substantial firms which cannot qualify for a direct loan at 4 percent, and at the same time it will enlist substantial additional sums of private capital into the depressed area program. And, quite frankly, it will strengthen the quality of employers in these areas, offering a more stable cure to their economic ills.

Fifth, I hope that this committee in its recommendations will provide language clearly offering encouragement to the Secretary of Commerce to take reasonable risks in administering this business loan program. It is a normal thing for people to be concerned whenever a borrower is unable to pay, but the development business is different from the banking business. The Federal Government should be prepared to take a reasonable loss in its loan program and should make allowances for a percentage of losses in its calculations.

Let me give you a further example of what I mean. Under the accelerated public works program, Oklahoma received in 2 years over \$18 million of Federal grants for needed projects, and this program was well received. I support this program and would like to see it continued and expanded. But under the area redevelopment program about \$18 million of projects were also approved, but only \$2.5 million of this was in the form of grants, the balance being loans. These projects will ultimately be responsible for \$11 million annually in new and continuing payrolls in Oklahoma and they are not Federal Government payrolls. Even if a large portion of the \$15 million in loans were never recovered, the new payrolls would more than cover the losses and will provide steady jobs year after year.

I also wish to commend the outstanding provisions of title IV and V of this bill for the advancement of the regional concept in economic planning. Poverty and everything with which it has an affinity know no geographic boundaries. Unemployment and underemployment do not stop at the county line or the State line.

Senator Fred Harris and other distinguished Members of the Oklahoma congressional delegation have taken positive steps of leadership in furthering the regional concept. The wheels have been set in motion for the badly needed development of the "Ozarka" region including parts of Oklahoma, Missouri, and Arkansas.

And, finally, let me say that I have seen this bill's program work. I have seen the businesses established that would never have been established had it not been for this program. One of them—Sequoyah Mills in Anadarko, Okla.—will pay more taxes this year on this year's income than the total original loan it received from ARA.

Senator DOUGLAS. I wonder if you could, without violation of confidence, put in the amount of the original loan?

Mr. GOURLEY. The original loan I believe is approximately \$350,000.

Senator DOUGLAS. And the taxes are more than \$350,000?

Mr. GOURLEY. This company will make approximately a million dollars in profits this year.

Senator DOUGLAS. You don't think they would have made the profits without the loan?

Mr. GOURLEY. It would not even have been in existence without the loan. It absolutely could not have existed without this.

More important than the company's profits—although this is important in paying taxes—55 employees were projected for this project, and today 155 are employed. And they are doubling their capacity. They cannot supply the demand. And they will—

Senator DOUGLAS. Were many of these people on relief before who are employed?

Mr. GOURLEY. Aside from a very few top supervisors, no employee of Sequoyah Mills ever held a job for longer than 6 months duration in their lives.

Senator DOUGLAS. Therefore, many of them were on relief?

Mr. GOURLEY. They were on relief.

Senator DOUGLAS. And on unemployment compensation?

Mr. GOURLEY. Certainly they were living in a most poverty stricken condition. These people appreciate jobs so much that one of the fellows who was loading a carpet on a truck refused to go to his house which was on fire until he got the truck loaded.

Senator DOUGLAS. Say that again.

Mr. GOURLEY. One of these employees who had never had a permanent job before in his life was so impressed with his job and so duty conscious and so appreciative of having this opportunity that he was so loyal to his job that when word came to him his house was on fire—this was an actual incident—he refused to leave. He said, when his kid came, "Get some of the neighbors to help put it out. I've got to finish loading this truck."

Senator DOUGLAS. This might have been prudence as well as devotion to job.

Mr. GOURLEY. I have seen the people at work too, on these jobs and have talked to them, and I know what it means to them to have these jobs.

If I have one criticism to make of this present bill, I think it is too small and too restrictive.

Senator DOUGLAS. Now, Mr. Gourley, I happen to have fought for this bill for 7 years, had two presidential vetoes for it, had opposition inside this committee, was denounced by the Chamber of Commerce as a Socialist or Communist, opposed by every business group in my State. And I want to say that I thought we were lucky to get any bill at all.

Mr. GOURLEY. I could not agree with you more, Senator, and I am well aware—

Senator DOUGLAS. And now to take a beating on the ground that we drafted the bill as too restrictive is just a little bit more than I can take, individually.

Mr. GOURLEY. I do not want to offer this as criticism of the authors of this bill at all. I would like to testify in behalf of expansion. Let me state it in that manner; may I?

Senator DOUGLAS. And we were also restricted by the Budget Bureau.

Mr. GOURLEY. Yes, sir; I am aware of those restrictions too, having served on the National Public Advisory Committee of ARA.

Well, rather than stating this negatively, let me state I would like to see this bill expanded, if not now at some future time, to go into

areas other than the designated areas which can use this program as it is intended.

We should permit industrial loans to be made in any area if the result of the loan will be to put a majority of long-term unemployed or poverty stricken people to work. Poverty in the midst of affluence is perhaps even more tragic than when it is surrounded by itself. Areas are depressed only because the people who live there are depressed.

It is urgent to attack the problems of an area, of course, because the residents want to—and probably should—stay there. But I cannot overemphasize that this is no excuse for ignoring the very real, very serious economic problems of the breadwinner who wants to work but who cannot get a job and is thus forced to seek direct relief, no matter where he lives.

It is ironic that many of our Nation's poor are less fortunate than their brothers because they do not live in a depressed area.

As a taxpayer, I am for S. 1648, because it is going to bring more money into the Treasury from new businesses and new workers, and my own taxload will thereby be lessened.

As a businessman, I am for S. 1648, because I can see how it will help develop more businesses and more jobs in areas where they are most needed. More business activity and more employment means more profits for private business.

And as a human being I am for S. 1648 because it helps people become self-supporting and self-respecting. And I believe as one of the principal characters in Nathaniel Hawthorne's "House of Seven Gables," who asked: "How is it possible to see people in distress, without desiring, more than anything else, to help and comfort them?"

Senator DOUGLAS. Thank you very much. Marvelous testimony. I only wish that these empty seats to my right might have been filled so that you could have presented the testimony to the unconverted, not merely to those already converted.

Senator MUSKIE?

Senator MUSKIE. I would like to compliment Mr. Gourley for his excellent testimony. It is good always to have specific illustrations of how this program is working and what it means in order to combat these vague, general criticisms——

Senator DOUGLAS. That is right.

Senator MUSKIE (continuing). That are brought out of thin air, to use a phrase that our senior colleague on the other side used yesterday.

This testimony is a demonstration of the very real and meaningful benefits of the program. I am most grateful to Mr. Gourley for his comments.

Mr. GOURLEY. Thank you.

Senator DOUGLAS. Senator Mondale?

Senator MONDALE. No questions.

Senator DOUGLAS. Thank you very much.

The next witness is Mr. Wallace M. Haselton, president, Depositors Trust Co. of Augusta, Maine.

Senator Muskie assures me that you have had a great deal of experience in this field, and I am mindful of the fact that the newspaper in your home city came out with a very vicious editorial attacking ARA, and I will be most interested in your comments about the general program.

Senator MUSKIE. I would like, Mr. Chairman——

Senator DOUGLAS. Senator Muskie?

Senator MUSKIE (continuing). To express my appreciation for Mr. Haselton's willingness to come here this morning to testify in behalf of this program. He is the president of Maine's largest bank, a bank with 29 branch offices in communities stretching through central Maine and coastal Maine, with resources, including trust resources, of almost \$200 million.

He has brought a fresh breath of creative banking to Maine, and we are delighted to have him there.

He has been working in the ARA program, supplementing the program with his bank's own resources, and he has played a creative part on the State level in developing new and similar tools for consideration by the current session of the Maine Legislature.

He is a creative banker, a responsible citizen. We are delighted to have him in Maine, and I am delighted to have him here this morning.

Senator DOUGLAS. If I may add a word to this, Maine bankers have evidently changed since the days 52 years ago when I was compelled to leave the State because I saw no economic or cultural future for the State. And I am glad there has been a change in the banking fraternity and banking point of view in Maine.

You know Chief Justice Fuller grew up in Augusta. He had to leave the State because he was a Democrat; and many others of us as Democrats had to leave Maine.

I used to say if you were very, very bright—this was in the pre-Muskie days—that if you were very, very bright you could make a living in Maine. If you were dumb you could make a living provided you were a Republican. But if you were dumb and a Democrat, you had to leave home. And that's why Melville Fuller and I left Maine.

Go ahead.

STATEMENT OF WALLACE M. HASELTON, PRESIDENT, DEPOSITORS TRUST CO., AUGUSTA, MAINE

Mr. HASELTON. Thank you, Senators. And after those kind words I almost feel as if I should stand up and leave and quit while I am ahead.

But I will not. I will submit this written document later. Unfortunately, I did not bring a copy. I will speak from it. But in view of the excellent job done by Mr. Gourley, I think that some of it will be repetitious.

I would like to say this: That I speak to you today as not only an interested citizen looking to the economic well-being of all of our people, but I speak to you as a banker with some extensive experience in the facts of economic life in our community.

I represent a region that has had tremendous benefits from ARA programs. The ARA industrial and commercial loan projects completed and approved to date have created or retained nearly 4,000 jobs in Maine. This is the second highest, as I understand it, of any State under this section of the ARA program.

The dollar amount, interestingly enough, provided by ARA for industrial and commercial loans in Maine has been a matter of some \$13 million. Again, this is the second highest of all the States.

Now, the interesting part about this \$13 million is the fact that it brought out from the bankers and other institutional investors an additional \$17 million which never would have seen the light of day in the form of investment capital.

Senator DOUGLAS. \$17 million?

Mr. HASELTON. \$17 million.

Senator DOUGLAS. Out of a total \$30 million?

Mr. HASELTON. Total of \$30 million.

Now, as a banker, I can criticize my brethren bankers and then, of course, fight anyone else who does it from the outside.

Senator DOUGLAS. But a successful banker can always criticize the others.

Mr. HASELTON. I kid some of my brethren in the banking business occasionally that maybe what we really are are bookies in white collars. We bet on people, and bookies bet on horses. We read balance sheets and they read scratch sheets.

I think that bankers have learned considerable from the ARA and SBA programs. There is no question in my mind over a period of years that I have been in the banking business that we have been taught things by governmental loan programs as free enterprise bankers.

I harken back to the day of the title I, FHA loan program when back in the late 1930's the bankers threw up their hands and said, "Oh, my gracious, this is socialism. This is the end of the line. Let's lock the door and throw away the key."

Senator DOUGLAS. We had one banker in Chicago, quite a large bank, who announced that they would never make another loan and closed down the bank.

Mr. HASELTON. Now, what actually happened as a result of title I teaching the bankers that these loans could be made for home improvement up to 36 months was that the bankers outdid the Government, and I lived to see the day in a large bank that I was employed in at the start when they, after using title I for a matter of 9 years, abandoned it entirely, said, "We have proven beyond a shadow of a doubt that this is a paying proposition," and went to their own home improvement program and outdid the title I program at that time by going to 5-year amortization periods and, of course, charging a slightly higher rate and saving the insurance premium.

I have a feeling that ARA and SBA loan programs have indicated and shown the bankers the same thing. And I will make a prediction. Prophets you know are remembered by the things they say, that they remind you they say, that came true. So perhaps 10 years from now I will come back and mention this to you.

But I have the feeling 10 years from now many bank will be making loans that are currently only made with ARA and SBA insurance that they would not believe would be possible to make today.

There needs to be some enlightenment on the part of the supervisory authorities in both the State and local levels.

But I am confident that this total program will assist us in bringing to bear the economic development in the areas where there is under-employment.

Now, in Maine the most striking example that I can cite to you of ARA assistance that I know of is the Lisbon Falls area. I think

most of you perhaps realize that this was a town with a population of 5,000 people where within a 2-week period they lost 900 textile workers with the closing of Arumbo which was part of J. P. Stevens Co. and the Farnsworth Mills which was part of another major textile firm.

The town's citizens jammed the local gymnasium there trying to find ways to save their community from this disaster. And with the help of ARA and SBA we soon had a program underway which led to a loan being made in the amount of \$487,500 for ARA, representing 65 percent, and \$238,000 participation that our bank took, along with \$86,000 raised from this depressed textile community.

Now, we worked against a 10-day deadline, and we had the full cooperation of Senator Muskie's office and everybody in ARA, SBA—you name it, and they were there. And this was done.

And I will say that we have already exceeded in a matter of about 4 months I believe the estimate that we cited for the number of people that would be employed once this started up again.

I think the loan is a sound loan. I think that the methods used and the cooperation given by ARA and SBA in this matter are magnificent, and I think that we learned a great deal by looking over the forms and the procedures followed by both agencies as to ways that I would like to see the Depositors Trust Co. pursue loans.

And I believe our policy will remain and has been strengthened by this, and that is that any one officer can make a loan in the bank but it is going to take two to turn it down from now on.

So I think there is some strength in having these two agencies working together in this matter of ARA loans.

As cited by Mr. Gourley, I think that we have had technological changes which have changed these employment patterns particularly in Maine in textiles and, of course, in the rural area, in the farming business. And the type of legislation that ARA has been and that this new legislation offers to me will present an invaluable tool in achieving economic growth in these areas where this technological change has taken place.

Now, Maine is not a backward State. In 1957 our legislature, under the governorship then of Ed Muskie, established the Maine Industrial Building Authority, and this was an agency in the State which guarantees repayment of first mortgage loans on new industrial buildings. This program was, of course, designed to stimulate the flow of investment capital and was the first of its type in the country. And since then many States have copied it and carried it much further.

As cited by Senator Muskie, we have proposed a three-phase legislative program within the State since that time which has given us an opportunity or which will give us an opportunity I believe to maximize the advantages for economic development for the entire State, coupling this with the governmental programs, ARA and SBA.

Now, this bill as I have read it to me is an effective modernization of a proven tool that has already worked well, and I think this modernization is in order, and I have absolutely no criticism to offer whatsoever.

Instead, I think that section 202, which is the one I am most qualified to speak on, as it is now written does, to reiterate what you said,

Mr. Gourley, give us, using this working capital provision and using the 2 percentage point return, a modern, flexible device which will be most beneficial to all of these ARA areas.

Now, right now we are working in Maine on an additional loan which has been approved in the Kezar Falls area. This is another textile mill. We have had problems in the working capital area of this loan. I think we have them solved. While our bank is not directly involved, we have acted in an advisory capacity, having had a considerable amount of experience in this area, and I believe that once we have this new legislation on the books it will avoid many of the problems that we have come up against in Kezar Falls and that I anticipate we are going to come up against in the hopeful reopening of the other textile mill in Lisbon Falls.

The program that allows ARA to waive under certain circumstances this lowered 5-percent community participation requirement I think is of utmost importance, and I was delighted to see it in the bill.

In Lisbon Falls, for example, the matter of raising \$86,000 among the citizens there was most difficult, and that represented the 10-percent factor. And if we had had this kind of legislation on the books at the time, it would have raised the \$86,000 and been set to go on No. 2 project by having 5 percent and 5 percent. We would have been able to have another \$800,000-some-odd project which I feel would employ 300 or 400 people who are not now employed.

The total picture with this new legislation in my opinion, while I am sure that no bill that can be drawn by human beings will ever be perfect, reminds me of the story about the great pianist who was sitting at the piano and he plunked the same note day in, day out, week in, and week out. And finally one of his friends, going slightly out of his mind as a result of hearing this, came up and said, "Let me ask you why is it you as a great pianist sit there and plunk the same note on the piano all the time while all your associates who can play the piano use all the notes?"

He said, "Well, they are looking for the right one. I have found it."

Now, I am sure that there is no right one bit of legislation that will answer all of these problems in these depressed areas, but I think this goes a long way toward doing it, and I think the batting average to date on ARA has been outstanding.

I would like to add this for the record: Of the projects we have in Maine to date that have been approved and the ones that are pending that haven't actually been put into effect, we have not had a failure or a foreclosure or a delinquency.

I think this represents some pretty keen thinking on the part of the people who have been involved. And I for one am delighted with what I see.

The economic distress of underdeveloped areas in any part of the country definitely holds back the progress of the entire Nation. Passage of this bill, gentlemen, in my opinion, with its added provisions and its adequate safeguards, will benefit each one of us.

Thank you very much for giving me this opportunity.

Senator DOUGLAS. Thank you, Mr. Haselton. Marvelous testimony.

Will you foregive a personal question, which you may answer or not as you wish? How long have you been president of this bank?

Mr. HASELTON. I became president of the Depositors Trust January 21, 1964. Prior to that time I was president of a bank in Massachusetts.

Senator DOUGLAS. How did it happen that they selected you as president? Can you give any answer to that? A progressive-minded fellow like you? How did that happen?

Mr. HASELTON. My wife would probably tell you that everybody is entitled to a mistake. So maybe they made a mistake. But I think that Maine banking—

Senator DOUGLAS. There must be new blood moving in.

Mr. HASELTON. Senator, I think Maine banking has changed. Of the four top banks in size in the State of Maine, we now have four of the most progressive, young, talented bankers, if you will excuse me for including myself in there, that I have ever seen.

And, believe me, the competition is terrible, and I wish that we didn't have the other three progressive, young bankers in there.

Senator DOUGLAS. I am glad you do have.

Bankers rise by playing it safe. This is the way bankers rise in general—by accepting the conventional ideas and mouthing certain platitudes, being closed to new ideas, very antagonistic to any effort by Government.

It is refreshing to have you here. It sends up my faith.

Mr. HASELTON. Thank you.

Senator DOUGLAS. It helps to restore my faith. If you had come along 52 years earlier, perhaps I would not have left home.

Senator MUSKIE.

Senator MUSKIE. I should point out to the chairman that new breezes and fresh breezes have been blowing in Maine for 11 years now.

Senator DOUGLAS. I was running for the Senate in 1954 when this breeze first developed, in September.

Senator MONDALE.

Senator MONDALE. Mr. Chairman, I would just like to thank both Mr. Gourley and Mr. Haselton, who both represent banks, for both playing indispensable roles in the economic development of the communities in their States. And I think it is interesting that in our list of proponent witnesses we have had so many bankers who have testified from personal experience of the usefulness of this tool in discharging their responsibilities.

I am most impressed by the testimony. I think it is most helpful.

Senator MUSKIE. May I make a comment, Mr. Chairman?

Senator DOUGLAS. Yes.

Senator MUSKIE. I have listened now as a member of both the Public Works Committee and this committee to opponents and proponents of this legislation. The list of opponents is much shorter than it was when the bill was first introduced.

Senator DOUGLAS. Yes.

Senator MUSKIE. But the refrain is still playing—that the only people who come in here to support this bill are people who have a self-interest, people who are looking for a handout, and people who have no initiative of their own.

We heard it yesterday and we have heard it today. Certainly anyone reading the record and not having an opportunity to be con-

fronted by you gentlemen, to listen to you and to appraise you, might be misled by that kind of a refrain.

But my own belief is—and I want to say it for the record—that I think you represent the most progressive and enlightened kind of initiative and enterprise in the private sector which recognizes the very appropriate responsibility and role of government in advancing the welfare and the health of our country.

I am most grateful to all of you for coming.

Senator DOUGLAS. Senator Mondale, I wonder if you would introduce the next witness.

Senator MONDALE. I would be delighted, Mr. Chairman, to introduce Mr. Vladimir Shipka, Grand Rapids, Minn., who is and has been the administrator of our ARA program in Minnesota for the past 22 months.

I think Mr. Shipka is a classic example of a gifted, dedicated public administrator. For nearly 20 years he served as a member of the Minnesota State Legislature, first as a State representative and at one point the chairman of the university committee which oversaw the programs which have helped make our great university what it is, and following that a member of the State senate. And while a member of the senate he helped lead the fight on behalf of the State Area Redevelopment Act.

He is widely respected and widely regarded in business circles for his leadership in the field of economic development in all of the area redevelopment communities of our State.

He is a businessman in his own right. He doesn't have to be in this program. There is nothing about the salary that is attractive. But he is that type of person who wants to be a part of the program to help his own community and his State.

And I know I speak on behalf of our Governor and all who have dealt with his that we are delighted and proud of the work he is doing.

Senator DOUGLAS. Mr. Shipka, we are very glad to hear from you.

STATEMENT OF VLADIMIR SHIPKA, ADMINISTRATOR, AREA REDEVELOPMENT ADMINISTRATION, STATE OF MINNESOTA

Mr. SHIPKA. Mr. Chairman, members of the committee, I might state that we have been most fortunate in the State of Minnesota that upon the passage of the Area Redevelopment Act on the Federal level that we had Senator Mondale, then attorney general, in the State of Minnesota, who drafted our Minnesota Area Redevelopment Act. And we think that it complements and is an excellent feature in the development of economic recovery in the State of Minnesota.

Senator Mondale, I might say, worked with us very closely, worked with me very closely, and I appreciated his remarks before this committee today, because much of what he has said is what we have experienced in the administration of the act.

We felt that the development of an area redevelopment agency within the State of Minnesota gave us certain advantages, and one of them was an ARA agency within the department of business development which deals directly with labor surplus areas and provides for coordination of efforts between Federal and local area re-

development agencies in seeking firms to take advantage of the ARA loan funds to go into the designated areas.

In addition to that, the legislature provided an appropriation of \$2,250,000 to participate with the Federal and local area redevelopment loans. It meant that the State of Minnesota could participate up to 20 percent of the costs of the project.

We made some modest gains, we thought. We made some successes in Minnesota. And rather than discussing the various 22 projects and the dollars involved, I would just like to present testimony to one project in the State of Minnesota which I think had a very important and lasting effect in a small community called Gonvick, Minn.

Senator DOUGLAS. Is that in the upper part—

Mr. SHIPKA. This is up in northwestern Minnesota, Senator. It is in the depressed agricultural area of our State.

The community raised its local funds and applied for a loan to develop a seed plant, a sunflower seed plant company called Sun Plant. And although it did not employ too many people within the plant, approximately 25 people, it meant that farmers within that area were helped. And we have a very depressed condition there. We have 47 percent of the farmers within that area who earn less than \$3,000, very marginal farmers.

This meant that approximately 100 farmers could get a quick cash income crop to submit and bring to this processing plant, and it provided additional income for the people of that area which otherwise they would not have had.

So it had a very, very important effect in providing additional income to that entire area.

This is one of the problems, I might say, in the Area Redevelopment Act. Many times the condition on receiving a loan is the number of direct jobs. Now, we found that although there weren't as many direct jobs—the loans approximately totaled \$120,000 and there were about 25 employed—the indirect employment to these 100 or so farmers created quite a sizable increase in the economic activity of that area.

Of course, I do not have to tell this committee the importance of such a program. We know that in most of these areas the problem of dislocation and displacement of people as a result of changing attitudes and economies is as old as civilization. In this Nation, as I observe and I am sure all of us have, through our history there have always been geographical areas whose economies lag behind the rest of the Nation and where conditions of excessive unemployment and low income persist.

Today in this Nation, while most areas are enjoying a relatively high rate of prosperity, there are areas of chronic and persistent unemployment where such continued programs are needed because these areas represent, in many cases, intolerable conditions of human suffering and eroded self-respect as well as a national waste of potential wealth creation.

The acute lack of jobs in these areas is not the fault of the people who live in that area.

And through our experience in the State of Minnesota and I am sure throughout the Nation, these areas of high unemployment are areas which are basically dependent upon one industry. We know this, as you know, Senator Douglas, in northern Minnesota. And the employ-

ment has declined and may continue to decline because of the following reasons:

1. The natural resources have been depleted or there has been a technological change in the mining of iron ore, timber, coal, copper, and other natural resource-extracting industries in the Nation.

2. Automation of the industry, as in railroading, mining, forestry, and agriculture.

3. Another important one is the changing consumer buying habits such as in the metal, communications, textile, and food-processing industries.

These geographical areas that are subject to these factors will continue to face these problems and possibly at a more dramatic and sudden accelerated rate of change in their economy.

All we have to do is look about us and see what tremendous changes are occurring in consumer buying habits, changing production techniques, which dislocate and displace workers in these one-industry areas of the Nation.

We feel that the 1961 Area Redevelopment Act was the first concentrated effort by Congress to provide the necessary financial aid and tools to find ways and means to bring economic recovery to these affected areas.

However, we know that the area redevelopment program is a comparatively new one—only 4 years old—and it is important that such a new program be reviewed and strengthened where experience indicates that there are opportunities to improve it.

We believe that there are certain parts of the existing Federal Area Redevelopment Administration Act that can be improved to make it a more effective long-term instrument for economic development so that administrators such as myself can more successfully administer the program to fulfill the goal that we are all striving for—continued prosperity for all areas of the Nation.

In the overall, in reviewing Senate bill 1648, we believe it to be a most interesting and forward-looking proposal for the promotion of economic stimulus and development throughout the United States. However, we believe by making comments as individuals who have been closely associated for the past 4 years with the execution of the Area Redevelopment Administration Act of 1961 we can, by pointing out the weaknesses of the present Area Redevelopment Administration Act, indicate some suggestions as to how economic development for these areas can be improved.

One of the greatest weaknesses that we found in administering the program was the long delay in application processing. This possibly was the most frustrating experience to individuals administering the program as well as to applicants applying for ARA loan funds. It is our opinion the problem of application processing can be eliminated by:

- A. Giving more authority to regional offices to approve loan applications.

- B. Eliminating the necessity of having several different agencies review the loan application.

I was very happy to hear you say that, Mr. Chairman, because this is basically one of the most frustrating problems that we had in administering the act.

C. Establishing in the act the fact that the program is a risk-lending program and thereby gives more leeway to the civil servants reviewing the loan applications.

Many times we found where you had these duplicating agencies every one of the loan processors had to get additional information to fortify the file. We think they should be given additional leeway to make decisions.

D. We believe, as the others preceding me have stated, that the 2 percent differential proposed under section 202(a)(3) of the bill is good and will very possibly attract aggressive financial institutions to the program and can do a great deal to upgrade the quality of loan applications.

We found also in the existing act a major deterrent in administering the program was the requirement of placing the local ARA agency's 10 percent participation in an equity position. By providing that local funds remain in an equity position until the Federal and private loans have been paid, it had the effect of eliminating seed capital for future ARA projects in the small local communities of limited capital resources.

Senator DOUGLAS. May I say again that requirement was forced upon us by the pressure of the opponents of the bill.

Mr. SHIPKA. Of course, we in northwestern and northeastern Minnesota are small communities. When you are talking about 10 percent on a \$200,000 project you are talking about \$20,000. Well, these depressed communities had a very difficult time raising these funds and then placing them in an equity position made it that much more difficult.

In S. 1648 the local participation has been reduced to 5 percent. We think this reduction to 5 percent is good. However, we must be certain that the act provides that the 5 percent local funds can be paid out concurrently with the Federal and private loan funds.

A third weakness we experienced was the problem of working capital. In many of the approved projects the lack of substantial working capital sources caused severe handicaps to the industry in its beginning operation and therefore limited the natural growth potential of the industry into a successful venture.

Section 202(a)(2) of S. 1648 provides for the guarantee of working capital loans, and we think this is a very, very important provision of the bill.

Possibly, we felt, the major drawback of the act is the serious limitations in the existing act in the method of establishing local ARA agencies.

Presently the local area redevelopment agencies in the State of Minnesota are composed of political subdivisions. This created a number of problems. Among these are:

1. Such small local agencies do not provide for sound economic planning because the boundaries of political subdivisions in most cases have been established on an artificial basis rather than on an economic or trade basis. Counties in Minnesota are excellent examples.

Many of their boundaries were established by using lakes, rivers, old logging trails or section lines as their boundary lines.

The lack of large local development agencies has had the effect of limiting the source of local funds to participate in the various projects

and of limiting of talent to provide sound long-range economic development programs for the area.

2. Another shortcoming that has resulted from such small local ARA agencies was the duplication of project proposals for similar type industries within a designated area. The duplication of such industries resulted in competition that prevented either one from becoming a successful venture.

We feel another problem in the area of the small local development agencies was the lack of skilled professional talent for sound economic planning.

Therefore, it is my opinion that title IV of the bill which provides for regional development districts is the most important feature of this new proposed bill. I believe it will eliminate many of the weaknesses that have resulted from the establishment of small local agencies.

By providing large development districts of sufficient size or population and containing sufficient resources to foster economic development and by providing technical assistance to States and the districts for the development of long-term economic plans, we will establish effective instruments and tools to bring about sound economic planning within these areas and regions.

In addition to the development of these regional development districts we feel—and this was touched on by Senator Mondale this morning—the Secretary of Commerce should have specific authority to provide private professional managerial assistance under the technical assistance program for firms and new companies locating in the economic development districts to assure the infant industry every reason to be a successful venture once it is in its beginning operation stages.

In conclusion I might say even though there are weaknesses in the existing Area Redevelopment Act, we have made substantial inroads in development of our labor surplus areas in the State. We know that it is not an easy task to start a national program as called for under the act. Based on our experience economic development cannot be achieved overnight. We have learned a great deal in the past 4 years. In the field of both public works and economic development for areas of substantial chronic unemployment and underemployment we have learned that we must have a streamlined program which can be executed with a minimum of redtape. We believe that S. 1648 provides new and improved tools to accomplish the long-range needs of the several labor surplus areas of our Nation.

We urge the passage of S. 1648 and we also respectfully request that our suggestions be given your most serious consideration.

Senator DOUGLAS. Thank you very much. That is very good testimony.

Let me individually say if the existing bill does not provide for the technical managerial assistance which Senator Mondale and you recommend, we will try to provide it. In any event, we will put it in the report.

Senator Proxmire.

Senator PROXMIRE. No questions.

Senator DOUGLAS. Senator Muskie.

Senator MUSKIE. No questions except to repeat my commendation of this witness' testimony as I have the others. I think we have a good assemblage here.

Senator DOUGLAS. Senator Mondale.

Senator MONDALE. Thank you very much. No questions.

Senator DOUGLAS. Thank you very much.

The final witness is Mr. John C. Holman, President of the Early County Redevelopment Corp., Blakely, Ga. We are very glad to welcome you here, sir. We have the East, the Southwest, the Northwest, yesterday the Pacific coast, and now we have the South. We are very glad to have you here.

STATEMENT OF JOHN C. HOLMAN, PRESIDENT, EARLY COUNTY REDEVELOPMENT CORP., BLAKELY, GA.

Mr. HOLMAN. Senator Douglas and other distinguished Senators, I am John C. Hollman, president of the First State Bank in Blakely, Early County, Ga., way down in the southwest corner.

Senator DOUGLAS. You are another banker then?

Mr. HOLMAN. Yes, sir; I am president of the First State Bank. I am in a little bit unique position in that I am president of a very small bank, and after listening to the testimony of my distinguished colleagues on my right, I feel just a little bit out of place. But my testimony will be unique in that we haven't so far experienced any benefit from the Area Redevelopment Act, but we are——

Senator DOUGLAS. Would you speak a little louder, Mr. Holman?

Mr. HOLMAN. We haven't as yet experienced any benefit from the Area Redevelopment Act as executed in 1961 I believe, but we have been very diligent in working out two projects, one of which I think will now very soon come to conclusion. And I understand from ARA personnel that it is one of the larger loans. That is Jackson Tubing & Conduit, in which the local participation in this particular project was \$325,000.

Now, we are a small county in numbers. We are one of the larger counties in Georgia but we only have about 14,000 people in this county. This industry will mean much to our economy.

We have in the past been almost entirely dependent on farming to support our economy. But we have recognized in the past five or 6 or 10 years that farming has gone from the sharecrop stage to machinery and management.

And I might inject a little personal note here in saying I fully realize that because I was in the mule business for 20 years, and if you gentlemen know what happened to the mule business when machinery moved in, there is no need for me to make a further comment.

However, I swapped mules for money, and now I'm president of this little bank down there.

We are very interested in this ARA program, and we have worked very closely with Mr. Jackson and with ARA people and SBA people in consummating this deal.

On May 1 we have just raised this \$325,000 participation.

Senator DOUGLAS. How much is ARA putting up?

Mr. HOLMAN. ARA is a little over a \$2 million loan, sir. It is \$3,125,000 construction. It will be a \$5 million business. We have been very happy to have been associated with the ARA people, and the SBA; especially Mr. Fred Hurley, Ed Downs, and Mr. Sharkey and those people have been most helpful.

As a smalltown banker I haven't had the experience of some of my other distinguished colleagues along these lines, but I will say we are extremely interested in the new aspects of this bill. We had to put a tremendous effort to raise our 10 percent of this participation. Of course, this was a large loan.

We had another application where there was just a \$155,000 outfit, but we got that \$15,000 right easy.

But it happened that ARA was out of funds at that time and these people weren't able to go this route.

With our help and with the help of the other local bankers down there we were able to secure this small industry along with Jackson.

Now, that is what ARA has meant to us so far. We are looking forward to Jackson Tubing getting started and employing some 75 people in our area, which will tremendously increase our economy.

On the new aspects of this bill that we are hoping will come into being, one of the most interesting parts of it to me is the 90 percent guarantee that the Government is willing to give for capital.

Senator DOUGLAS. Working capital?

Mr. HOLMAN. Working capital for a new venture. I anticipate that this will help us secure a good many small industries which local banks will be able to participate in if we have that kind of guarantee.

Another interesting aspect we hope that will go into being, of course, is the reduction from the 10 percent requirement down to 5 percent. It would be out of the question if we had to try to raise any more money right now. We just don't have it. The money is just not there and not available.

If the local development corporation could pay these debts off and could handle this 5-percent money and be repaid along with the other, say the Government and first mortgage money, we would be able to go ahead on this 5-percent basis.

That just about concludes my testimony to you gentlemen, and I certainly appreciate the opportunity of being here and giving you maybe the southwest Georgia viewpoint, maybe not a State viewpoint of what ARA has done, because I am not qualified to make those statements, but I can tell you what has happened in Early County, a small county down in southwest Georgia.

And you do have our complete support in this bill, Senator, especially section 202. We have no criticisms to make of it at all. And we certainly wish you all the success in the world in getting this done.

Senator DOUGLAS. Thank you very much.

Senator MUSKIE.

Senator MUSKIE. You know, it is interesting, Mr. Chairman, having worked with this program so closely with communities in my own State, to hear these stories of how it is going in other States.

Incidentally, we are having a field day for punsters here the last 2 days. Yesterday we had a banker from Twisp, Wash., which I thought was quite a twist, and today we have an Early County coming in late in the program but still enthusiastic for it.

So I am most grateful, Mr. Holman, for your willingness to come up here and testify in behalf of the program that we believe so deeply in in other parts of the country.

Mr. HOLMAN. Thank you.

Senator MONDALE. Mr. Chairman, I was glad to see Mr. Holman emphasize the attractiveness of the working capital guarantee provisions which Mr. Shipka also mentioned in his testimony. I see this as an important step forward, and I have been surprised that many of the witnesses have not emphasized this in the past.

I know for us in Minnesota many good projects have failed because we haven't been able to put together working capital. The problem of getting the building and the capital loan even for the machinery was relatively simple under combination of Federal and State help, but the working capital has been difficult. I am glad to see you emphasize this.

Senator DOUGLAS. Thank you.

We want to thank all of you gentlemen for coming, and I think your testimony will be of great help. I hope it can be given wide circulation among the framers of public opinion. And you performed a real public service by coming here.

Tomorrow we are going to hear from a very fine public servant, Joseph Campbell, the Comptroller General of the United States, who is somewhat critical of features of this program, and Mr. Heyn, representative of the National Association of Manufacturers. We are very glad to have both of these gentlemen.

I think we invited the U.S. Chamber of Commerce to testify, did we not? But they have not asked to testify. If they wish to come forward at the last moment we will be very glad to hear them. And Mr. Lindley informs me they were offered time tomorrow and I hope very much they will accept.

(The letters and telegrams previously referred to follow:)

COVINGTON-TIPTON COUNTY CHAMBER OF COMMERCE,
Covington, Tenn., April 30, 1965.

HON. PAT McNAMARA,
Chairman, Public Works Committee,
U.S. Senate Building, Washington, D.C.

DEAR MR. McNAMARA: I understand that on Monday last the hearing started on the Public Works and Economic Development Act of 1965. The people of Covington are in full support of this act and we are anxiously awaiting its passage. We feel this will be a big boost to our industrial economy.

With kindest regards, I am
Sincerely yours,

RICHARD E. VAUGHAN,
Executive Vice President.

SOMERSET-PULASKI COUNTY CHAMBER OF COMMERCE, INC.,
Somerset, Ky., April 29, 1965.

Senator PAT McNAMARA,
Chairman, Senate Committee and Public Works, Washington, D.C.

DEAR SIR: The Somerset-Pulaski County Chamber of Commerce is unusually concerned with the passage of the Public Works and the Economic Development Act of 1965. We feel that our support of this type of legislation is practically imperative if our area of eastern Kentucky and Appalachia is to overcome the serious substantial and persistent unemployment and underemployment.

The Somerset-Pulaski County Chamber of Commerce working with our East Lake Cumberland Area Development Council has been able to show improvement, though much greater help is needed, through the ARA and APW programs heretofore.

The total development, long-range economic planning developed under the overall economic development plan of the area council cannot continue to overcome

the economic problems that beset this area unless such legislation as this act be quickly made into law by Congress and put into action without any delay.

We trust that we will have the opportunity to work under legislation for the benefit of the great human and the economic needs involved.

Sincerely,

MIKE LAYMAN, *President.*

MURRAY CHAMBER OF COMMERCE,
Murray, Ky., April 29, 1965.

Senator PAT McNAMARA,
Chairman, Committee on Public Works, Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: The Public Works and Economic Development Act of 1965 now before your committee is of vital importance to this community. To this time, the only help that has been of importance, and available to this community has been through the accelerated works program.

The Area Redevelopment Administration and accelerated works program have been and are a key part of any legislation that is intended to alleviate and relieve the numerous pockets of poverty that exists.

I would like to request, and urge, you to do everything possible to expediate passage of this act.

Cordially yours,

JAMES L. JOHNSON, *Executive Secretary.*

GREENSBURG CHAMBER OF COMMERCE,
Greensburg, Ky., April 30, 1965.

Hon. PAT McNAMARA,
Chairman, Senate Public Works Committee,
U.S. Senate, Washington, D.C.

DEAR SIR: The Greensburg Chamber of Commerce respectfully requests your support for the Public Works and Economic Development Act of 1965. The Green County Historical Society has made application to the Area Redevelopment Administration for a loan to build the Jane Todd Crawford Park tourist complex. This undertaking is extremely important to Green County and all of Central Kentucky and will use the heritage of the past to provide employment and progress for the future.

As you may know Green County was the site where the "Long Hunters" camped and also Daniel Boone prior to Kentucky becoming a State. We have the oldest courthouse west of the Allegheny Mountains. Also this is the home of many famous leaders and people such as Mentor Graham, Lincoln's teacher; and Mary Owens, Lincoln's sweetheart and Herndon, Lincoln's law partner, the people who did most to influence Lincoln's life.

The proposed Jane Todd tourist complex would give employment to at least 100 people when in initial operation. As it develops this could very easily increase to 300 to 500. Indirectly this could also create that many more new jobs in river floating trips, services, recreation facilities, novelties, and in addition would make central Kentucky more interesting to industry when considering plant location, and of course being a part of Appalachia with an average income in this county of only \$800 per person we need this to employ our people and start the area on the road to catching up with the rest of the Nation.

We have received very enthusiastic support from the people of the Mammoth Cave area which is within 40 miles for they feel that the 854,000 tourists who visit the national park each year, but stay on the average only one and a half days in the area, would remain an entire week if they had a facility such as this for a family to enjoy. To retain just half of them is something this facility could easily do with considerable impact on the economy of the entire area.

The chamber of commerce and community feel the Public Works and Economic Development Act of 1965 will help us and have a very forceful effect on many areas of the United States.

Respectfully yours,

L. V. GRIFFITHS, Jr., *President.*

CITIZENS BANK OF JACKSON,
Jackson, Ky., April 30, 1965.

Re: Public Works and Economic Development Act of 1965.

To: Senator Pat McNamara, Chairman, Senate Public Works Committee.

And: Representative George H. Fallon, Chairman, House Public Works Committee.

GENTLEMEN: You have before your respective committees for early consideration a bill known as the Public Works and Economic Development Act of 1965. I have read this bill very carefully and would like to call your attention to some facts as this bill relates to the economy of the Appalachians.

For many years I have been interested and worked toward the development of the eastern Kentucky mountains. It is my considered judgment, from long experience, that the Area Redevelopment Act, the Accelerated Public Laws Project Act, and the Appalachian Recovery Act are the most important laws that have ever been enacted for our area. These laws have attempted to do things for the people of eastern Kentucky that they could not do for themselves.

It is generally agreed by experts that before the problems of this area can be solved there must be massive spending on: (1) roads, (2) flood control, (3) public facilities, and (4) education.

Possibly one of the best examples of the need for massive Federal spending in this area is illustrated by this fact: The cost of a modern four-lane highway in the mountains of eastern Kentucky averages approximately \$1 million per mile. The total assests of the two banks in Breathitt County, Ky, is approximately \$6 million. This means that if the total assets of both Breathitt County banks were spent on highways we could only build approximately 6 miles.

When you become fully aware of the expense of a modern highway system, plus the expense involved in developing health facilities, libraries, and classrooms, it is readily seen that these problems cannot be solved by local effort.

I would like to assure you that our people are ready and willing to help, but to expect our area to, "pull itself up by its own bootstraps," is simply impossible. I urge you, therefore, in all sincerity, to see that this legislation is reported favorably to the Congress at the earliest possible date. This legislation is important for all the States, but most especially for a State such as ours.

Very sincerely,

JERRY F. HOWELL,
Chairman, Breathitt County Development Committee.

ASHLAND AREA CHAMBER OF COMMERCE, INC.,
Ashland, Ky., April 28, 1965.

Senator PAT McNAMARA,
Chairman, Public Works Committee,
Old Senate Office Building,
Washington, D.C.

DEAR SENATOR McNAMARA: It has been our pleasure since the beginning of the Area Redevelopment Administration program to work with its representatives here in the Ashland, Ky., area. As a result of this agency's financial assistance, we have facilities here which will eventually employ over 150 persons and which would not have otherwise been possible.

We understand that your committee has for consideration and hearings Senate bill 1648 which would continue and expand this program as the Economic Development Administration.

On behalf of needed economic assistance in this area, we strongly urge the early passage of this measure.

Yours very truly,

L. W. PILSTL, *Executive Secretary.*

WOOD PRODUCTS, INC.,
Savanna, Ill., April 30, 1965.

Mr. PAT McNAMARA,
Chairman, Senate Public Works Committee,
Washington, D.C.

DEAR SIR: As chairman of the Carroll County Resource Development Board, I would like to take this opportunity to express myself in regard to ARA and the economical development of our Nation.

It is my belief that we need to protect our free enterprize system as we are all benefiting from the fruits of our labor—that through this system we are the greatest Nation on earth, with the best fed and clothed people of any in the world.

Yet, our system has had major depressions and ups and downs that still haunt the older generations of our people, causing an overconservative attitude in many communities. This overconservative attitude tightens up the finances and stops growth. If this is allowed, we soon find ourselves mired down from the lack of confidence and we create our own depressions—soon, we could create a crisis that would destroy our system in just the fact that though we still have too much of everything, yet, our unemployed people cannot purchase the goods we produce.

I started out in 1932 when one could not even buy a job; so I was forced to create my own opportunity, which I did. We used secondhand trucks and a sawmill that was made in 1898. We financed our truck with 30-percent money. By 1939 we were getting along very well, still using machinery which was 5 to 30 years old. Still the high cost of interest ate into our profits to the point that we could not buy new machinery even at a time that our Nation had millions unemployed and was on the bring of a major war.

Since the war we prospered until 1958; then under a tight money policy of our Government to hold down inflation we again found our credit shut off at the local banks and were forced to go to finance companies and pay 12-percent interest on moneys borrowed.

Even with a payroll of \$80,000 a year and \$15,000 in accounts receivables, we were unable to buy the machines we needed to stay in business. We were about to sacrifice all of our holdings and tighten our belts for a recession when ARA came into being.

We were still too conservative and only put in part of what we needed which was a \$46,500 investment. Now, since our ARA loan, we have improved our financial picture and put in another \$75,000 in new machinery, trucks, and tractors. We are now in a strong competitive position and are growing stronger.

If it had not been for the ARA program, we would have been unable to keep the 25 employees we had; let alone employ another 20.

Carroll County united under this program and changed from a depressed area to a prosperous one. The success of this program here can be measured in many ways. First, we united our people into teams, dedicated to make our county into "one great community." This built bridges of friendliness among our people; where before they built fences between our seven communities. We analyzed our resources to see what we had and found that we had plenty, then we used our history for guidance. Consequently, we have gained new factories and new hope, making "Carroll County, one great community—united for progress" with 20,000 people living within 30 minutes of one another.

Our cities have found a friedlier attitude and I am sure that you are acquainted with our success. If you should desire me to come to Washington, I would be happy to at my own expense, to tell you more.

I am of the opinion that once the people learn that our Nation will never allow depressed areas to exist; and we use the power we have to combat them with positive thinking rather than negative thinking, we can solve any problem that exists.

There is much to be said in favor of some sort of standby laws to insure the future prosperity of our Nation. There will be many mistakes made and changes needed to correct the mistakes, but the biggest mistake we could make would be to do nothing at all.

Respectfully,

WALTER HELLE.

EAST LAKE CUMBERLAND AREA COUNCIL,
Somerset, Ky., April 30, 1965.

Re Public Works and Economic Development Act of 1965.

Senator PAT McNAMARA,
Chairman, Senate Public Works Committee,
U.S. Senate, Washington, D.C.

DEAR SIR: The East Lake Cumberland Area Development Council (a four-county organization in southeastern Kentucky) is vitally concerned with the present Public Works and Economic Development Act of 1965 which is currently before your committee. This council has used the Area Redevelopment Act

and APW legislation as two of its primary tools in its effort to alleviate the high rate of unemployment and underemployment which is so obvious in the Fifth U.S. Congressional District of Kentucky. As you know, this is the second lowest median family income district in the United States.

ARA through its industrial loans such as our new strawberry processing plant, ARA training and the many water systems and other facilities constructed through APW funds has been the greatest specific economic boost to this area received thus far from congressional self-help programs.

Our council, during the past year, prepared an overall development plan for this four-county area which if implemented fully will cure many of the ills of this area.

With the passage of the current Public Works and Economic Development Act of 1965, our council will be in a position to draw to a conclusion many of the projects set forth in our overall development plan. We trust that you will provide maximum leadership in moving this legislation forward which is so vital to developing the resources of our people in this area of Appalachia.

Sincerely,

PAUL HUGHES, *Chairman.*

MERIWETHER LEWIS ELECTRIC COOPERATIVE,
Centerville, Tenn., April 30, 1956.

Senator PAT McNAMARA,
Chairman, Public Works Committee,
Washington, D.C.

DEAR SENATOR McNAMARA: We understand that hearings are in progress on Senate bill 1648, entitled "Public Works and Economic Development Act of 1965."

This bill provides for grants for public works, development facilities and financial assistance needed to aid unemployment and underemployment in economically distressed areas. The Area Redevelopment Administration program has been quite helpful to many of our consumers and members.

May we urge the consideration of this bill by the Congress for immediate approval.

Sincerely,

PAUL H. TIDWELL, *Manager.*

TACONITE ELECTRIC CO.
Virginia, Minn. April 29, 1965.

Senator PAT McNAMARA,
Chairman of the Senate Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: Here in northern Minnesota we have experienced a period of uncertainty and doubt as to the economic future of this iron mining area. This area was faced with a labor surplus due to the fact that one mine after another was closing and no new industry was being located in northern Minnesota.

There is now an optimistic outlook and future growth seems assured due largely through the efforts of the Area Redevelopment Administration and the funds made available for new business.

I had made a personal effort to induce my former employer of 11 years to locate a service facility here in Virginia, Minn. During that period of localized depression, it did not seem economically feasible for that company to invest in this uncertain area. I then made an effort to obtain bank financing to open a facility and was again unsuccessful, apparently for the same reason. I then turned to the Area Redevelopment Administration and the necessary funds were made available. After procuring our equipment, we opened our business in January 1965 with two men. We now employ 7 men and by all indications we will be employing 10 or 12 men by the fall of this year.

In view of the fact that our business was made possible by the Area Redevelopment Administration and has had a marked impact on this area, I would like to go on record as being in favor of the Public Works and Economic Development Act of 1965, and sincerely request that your committee do whatever possible to allow other depressed areas to work toward their economic development.

I thank you for your attention on this important issue.

Most respectfully,

VERNON B. SMYTHE,
Vice President, General Manager.

VILLAGE OF DRIGGS, TETON COUNTY, IDAHO,
Driggs, Idaho, April 28, 1965.

Hon. PAT McNAMARA,
*Chairman, Senate Public Works Committee,
 Senate Office Building, Washington, D.C.*

DEAR MR. McNAMARA: I have learned that the Public Works and Economic Development Act of 1965 is being given a hearing. We urge speedy and favorable legislation on this program.

I urge that you will give this your favorable consideration.

Yours very truly,

REED CHRISTENSEN, *Chairman of the Board.*

LACKAWANNA COUNTY PLANNING COMMISSION,
Scranton, Pa., April 29, 1965.

Senator PAT McNAMARA,
*Chairman, Senate Public Works Committee,
 Senate Office Building, Washington, D.C.*

DEAR SENATOR McNAMARA: At a meeting of the Lackawanna County Planning Commission today, the proposed Public Works and Economic Development Act was discussed in detail. Our county, which has been classified as a 5(a) redevelopment area, has profited greatly under the Area Redevelopment Act and the Accelerated Public Works Act.

The much broadened scope of the proposed Public Works and Economic Development Act of 1965 will do much to improve the economy of our region.

To paraphrase President Johnson's message on area and regional economic development on March 25, * * * "We have the resources and the skill. * * * This program will help give us the instruments to match our determination to eliminate poverty. * * *"

We commend your efforts most heartily and we strongly recommend that the act, as introduced, be passed.

Thank you for your efforts.

Sincerely,

JOHN F. MURPHY, *Chairman.*

HAZELTON, PA.

Senator PAT McNAMARA,
*Chairman, Senate Public Works Committee,
 Senate Office Building, Washington, D.C.:*

I am president of the Greater Hazelton Chamber of Commerce and the Economic Development Council of Northeastern Pennsylvania. I heartily endorse S. 148 Public Works and Economic Development Act now pending before your committee and urge its passage. It is my opinion that this bill will fill a great void and it is very much necessary in order to accomplish the aims of the administration as well as the aims of both local areas and regional areas. I shall be glad to detail my thoughts to you or if you so desire I shall be glad to appear before your committee.

LOUIS G. FELDMAN.

CITY OF BOLIVAR,
Bolivar, Tenn., April 30, 1965.

Hon. PAT McNAMARA,
*Chairman, Senate Public Works Committee,
 Senate Office Building, Washington, D.C.*

DEAR SENATOR McNAMARA: The smaller municipalities strongly urge you to support with all the resources at your command the Public Works Economic Development Act of 1965. This legislation will be of incalculable value to all the cities and towns of the United States.

With genuine best wishes, I am,

Very sincerely yours,

HARLAN THOMAS, *Mayor.*

CENTERVILLE, TENN.

Senator PAT McNAMARA,
Chairman Public Works Committee,
Washington, D.C.

DEAR SENATOR McNAMARA: On behalf of the citizens of Hickman County, Tenn., we would like to urge the passage of the Public Works and Economic Development Act of 1965, which we understand is now being considered by your committee.

We understand that the act not only combines the best features of the accelerated public works program and the area redevelopment program, but extends the principles of the Appalachia development program so that groups of counties and others can join together to plan for economic growth where conditions have existed which kept the area behind the national level of prosperity. We believe that this legislation is sound and will be of great benefit to many people throughout the land.

Sincerely yours,

IRA H. RICH.

LIVINGSTON STATE BANK & TRUST CO.,
Denham Springs, La., April 29, 1965.

HON. PAT McNAMARA,
Chairman, Senate Public Works Committee,
U.S. Senate, Washington, D.C.

DEAR MR. McNAMARA: We are vitally interested in the passage of the Economic Development Act, which is now being considered by your committee. The economy of this area will be greatly assisted by the provisions of this act and we urge your favorable consideration.

Yours very truly,

JACK C. ODOM,
Vice President and Cashier.

CLAIBORNE COUNTY CHAMBER OF COMMERCE,
Tazewell, Tenn., April. 29, 1965.

HON. PAT McNAMARA,
Chairman, Public Works Committee,
U.S. Senate, Washington, D.C.

DEAR SIR: The Claiborne County Chamber of Commerce has been following very closely the proposal in regard to the public works and Economic Development Act of 1965.

Prior to the enactment of the ARA, Claiborne County merely existed. We had a gradual drain in our population and our future looked dark. The passage of ARA gave Claiborne County new light. With the assistance of ARA our future looks very bright.

We, the Claiborne County Chamber of Commerce, feel that the enactment of the Public Works and Economic Development Act of 1965 would further assist our economic recovery as well as other communities over this great land of ours.

It is our strong belief that the passing of this act would assist and aid us and other communities so that they may help themselves.

Yours truly,

WILLIAM R. STANIFER,
Executive Secretary.

MANY, LA.

HON. PAT McNAMARA,
Chairman, Senate Public Works Committee,
U.S. Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: As mayor-elect of the town of Many, La., I am most interested in favorable consideration of the Economic Development Act of 1965 which I understand is before your committee and was anxious for you to have my views in this regard.

With best wishes, I am,

Yours very truly,

Mrs. VIRGINIA G. GODFREY, *Mayor-Elect.*

IDAHO FARMERS UNION ORGANIZATION COMMITTEE,
Hazelton, Idaho, April 29, 1965.

Hon. PAT McNAMARA,
Chairman, Committee on Public Works,
U.S. Senate, Washington, D.C.

DEAR SENATOR McNAMARA: We learn through the press that your committee has scheduled hearings on the Public Works and Economic Development Act of 1965.

The Farmers Union in Idaho considers this legislation to be highly desirable for Idaho and for the Nation. We strongly urge that your committee give this proposed legislation speedy and favorable consideration.

Sincerely yours,

MERRILL PASLAY, *Chairman.*

DENHAM SPRINGS CHAMBER OF COMMERCE,
Denham Springs, La., April 29, 1965.

Senator PAT McNAMARA,
Chairman, Senate Public Works Committee,
U.S. Senate, Washington, D.C.

HONORABLE SIR: We are vitally interested in the passage of the Economic Development Act which is now being considered by your committee. The economy of this area will be greatly assisted by the provisions of this act and we urge your favorable consideration.

Yours truly,

J. W. ELLIS, *President.*

SPRINGFIELD CHAMBER OF COMMERCE,
Springfield, Tenn., April 29, 1965.

Hon. PAT McNAMARA,
Chairman, Senate Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR McNAMARA: Springfield has taken good advantage of both the ARA (Area Redevelopment Administration) and APW (Accelerated Public Works) Acts in the past, and has additional need for their use in the future.

We have used ARA to finance one new industry that has been a success. We have used APW for, and expansion of, our water system.

At the present time we have three prospective plants considering Robertson County; all three would be ARA financed. We are desperately in need of an industrial park. Due to our topography, the development of this park will be very expensive, and help will be needed in financing this project.

We believe that the Public Works and Economic Development Act of 1965 can be used by us to help alleviate the unemployment problem that we have—9.9 percent during 1964. Our source of local taxes is too limited to provide the funds that are need to carry out our economic development program as it should be done.

We sincerely hope that your committee will take favorable action on the Public Works and Economic Development Act of 1965.

Respectfully,

DON PAYNE, *President.*

MAY 3, 1965.

SENATE PUBLIC WORKS COMMITTEE,
Washington, D.C.

DEAR SIR: Will you please support Senate bill 1648? This would be very beneficial to the people of New Mexico. I would appreciate your support.

Sincerely,

A. C. STANLEY.

Senator DOUGLAS. The hearings are adjourned until tomorrow at 10.

(Whereupon, at 12:10 p.m., the subcommittee recessed to reconvene at 10 a.m., Friday, May 7, 1965.)

PUBLIC WORKS AND ECONOMIC DEVELOPMENT

FRIDAY, MAY 7, 1965

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON PRODUCTION AND STABILIZATION.
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:05 a.m., in room 5302, New Senate Office Building, Senator Edmund S. Muskie presiding.

Present: Senators Muskie, Proxmire, Bennett, and Thurmond.

Senator MUSKIE. The hearing will be in order.

We have two final witnesses this morning on the Banking and Currency Committee's portion of the hearing on this bill.

Our first witness this morning—and I am happy to welcome him—is the Comptroller General of the United States, the Honorable Joseph Campbell.

Mr. Campbell, will you proceed?

STATEMENT OF JOSEPH CAMPBELL, COMPTROLLER GENERAL OF THE UNITED STATES; ACCOMPANIED BY RALPH RAMSEY, ASSOCIATE GENERAL COUNSEL; ARTHUR SCHOENHAUT, DEPUTY DIRECTOR; AND CLERIO PIN, ASSISTANT DIRECTOR, CIVIL ACCOUNTING AND AUDITING DIVISION; GREGORY AHART AND SHERMAN HENIG, SUPERVISORY ACCOUNTANTS

Mr. CAMPBELL. Mr. Chairman and members of the subcommittee, I am accompanied by the following members of our staff:

Ralph Ramsey, Associate General Counsel; Arthur Schoenhaut, Deputy Director of our Civil Accounting and Auditing Division; Clerio Pin, Assistant Director of that Division; Gregory Ahart and Sherman Henig are supervisory accountants in that Division.

We appear before you today to present our views on titles II and IV of S. 1648, a bill to provide grants for public work and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

In his letter dated March 31, 1965, transmitting a draft of this bill to the Congress for consideration, the President stated that the bill was based upon experience under the accelerated public works program and the area redevelopment program. The purposes of the bill are matters of policy for consideration by the Congress, and we therefore make no recommendation as to its enactment. We have, how-

ever, comments which we believe are desirable for consideration by the subcommittee during its deliberations on the bill.

Our comments relating to titles II and IV of the bill are based largely upon information disclosed through our reviews of the various activities of the Area Redevelopment Administration, Department of Commerce, and other Federal agencies, under the Area Redevelopment Act (42 U.S.C. 2501) and the Public Works Acceleration Act (42 U.S.C. 2641).

As a result of our reviews, we have issued 15 reports to the Congress and 1 report to the Senate Committee on Banking and Currency.

Certain of our reports to the Congress directly relate to provisions of the proposed legislation being considered by the subcommittee and will be discussed briefly during our testimony today. Other of our reports concern the degree of effectiveness achieved by the cognizant Federal agencies in administering selected aspects of the two programs and the accuracy of certain reported accomplishments or expected accomplishments of the programs. Copies of these reports have been made available for your information and use.

Senator MUSKIE. Mr. Campbell, you understand that the public works sections of the bill have been heard by the Public Works Committee of the Senate. Is it your intention to get into those aspects of it this morning?

Mr. CAMPBELL. We do not expect to do so, Mr. Chairman. There may be some interrelationship that we may require mentioned, but in general we will not go beyond titles II and IV.

Senator MUSKIE. Do you think there are aspects of the public works sections of the bill that ought to be heard by the Public Works Committee from your point of view?

Mr. CAMPBELL. We have had no request from that committee to date, Mr. Chairman.

Senator MUSKIE. Is it your view that you have information on those provisions of the bill that ought to be heard?

Mr. CAMPBELL. We are inclined to believe so, sir.

Senator MUSKIE. So you think the Public Works Committee hearing ought to be reopened in order to heard your testimony of those aspects of the bill?

Mr. CAMPBELL. We think it would be advisable.

Senator MUSKIE. Thank you.

Mr. CAMPBELL. Section 201 of title II would authorize the Secretary, subject to certain conditions, to make loans to assist in financing improvements for public works, public service, or development facility usage. This section, in effect, replaces and enlarges the scope of section 7 of the Area Redevelopment Act.

Because of the terms "public works," "public service," or "development facility usage" convey broad meanings and could encompass a wide range of types of facilities, you may wish to define or have defined in more specific detail the types of facilities which will be eligible for financial assistance under this provision of legislation.

Senator MUSKIE. May I ask, Mr. Campbell, whether you or your staff have had an opportunity to study the hearings that have already been held by the Public Works Committee on this section of the bill?

Mr. CAMPBELL. No, we have not had an opportunity to study the Public Works transcript, but we either have seen the transcript of the Banking and Currency hearings or we know what has been said.

Senator MUSKIE. I think it might be helpful if you look at the transcript on the Public Works Committee hearings, because we did get involved in at least one discussion, and perhaps more with the Secretary and Mr. Batt on this very point. We asked them to illustrate the kinds of projects which in their judgment would or would not be included under this provision of the bill. I think that in the event the chairman of the Public Works Committee decides to reopen those hearings in order to take your testimony, it might be helpful to you in testifying to have read those sections of the transcript.

Mr. CAMPBELL. We will get those, Mr. Chairman.

Senator MUSKIE. Thank you.

Mr. CAMPBELL. Under the proposed legislation, the project for which financial assistance is sought must directly or indirectly either tend to improve the opportunities for the establishment or expansion of commercial or industrial facilities; assist in the creation of long-term employment, benefit the unemployed and members of low-income families, or otherwise further the objectives of the Economic Opportunity Act of 1964.

Under a somewhat comparable provision of the Area Redevelopment Act the Secretary was authorized to extend financial assistance to public facility projects if he found that the project would tend to improve the opportunities for the establishment or expansion of commercial or industrial plants or facilities which would provide more than a temporary alleviation of unemployment or underemployment. In an effort to assure that public facility assistance results in a maximum of permanent jobs, the Administration adopted the position that assistance under section 7 of the act would be given only where it would trigger the location or expansion of a factory or business which would create new employment.

As the stated purpose of the proposed legislation is to provide financial assistance needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions, we suggest that consideration be given to modifying the bill to require the Secretary to make certain prior to approving such a project, that a definite relationship exists or will exist between the project and the new permanent employment opportunities. This suggestion would appear to be consistent with the Area Redevelopment Administration's stated policy.

Senator MUSKIE. May I ask two questions here, Mr. Campbell?

First, it is not unusual in a community or an area to try to trigger industrial development by establishing industrial parks, as you know. These may or may not be related to a specific industry which is in the offing ready to move in. The park can be speculative in nature.

And in connection with such a development, it is not unusual for the community to arrange for building a railroad spur, for example, as a public facility.

Do you understand it to be the policy of the Area Redevelopment Administration not to support that kind of public facility in those circumstances? I emphasize that I am postulating a situation where there is no specific industry in the offing ready to move in to take advantage of the facility.

Mr. PIN. We have a case directly in point, sir, where the ARA did allow Federal participation in such costs as you are indicating now. The only limiting feature that they brought into the picture is that the community had to have lined up at least one industry.

Senator MUSKIE. Before they would give it support?

Mr. PIN. That is right, sir.

Senator MUSKIE. So that is clearly the present policy of ARA?

Mr. PIN. That is right.

Senator MUSKIE. Now, as I understand the intent of the present experiment——

Senator BENNETT. Well, what is clearly the present policy? Not to support the so-called industrial parks until at least one agency, one potential customer, has been lined up? Is that right?

Mr. PIN. Until they have a commitment.

Senator MUSKIE. That is your understanding of the present policy?

Mr. PIN. We have a project exactly on point that we did examine where they also built the railroad spur to assist the industrial park.

Senator MUSKIE. And you are satisfied that the ARA would not under its present policy build such a spur unless there was such a specific industrial prospect in the offing?

Mr. PIN. This is their policy, sir.

Senator MUSKIE. All right. Now let me ask you the second question which relates to your recommendation on the present bill. The present bill, as I understand it, is designed to lay down a broader policy than the one which we have just been discussing. As a matter of fact, as I understand the testimony of the Secretary, the public facilities which the bill envisions include not only those directly related to specific industrial development opportunities but also the building up of what he has called the infrastructure of the community, which would include sewage treatment facilities, waterworks, even highways, which would develop in the community a climate, a structure more favorable to attracting new industry.

And the language in the bill to which this relates is found on line 18 at page 3 of the bill, which states that "the project for which financial assistance is sought will directly or indirectly tend to improve the opportunities."

Now, this policy which has been outlined by the Secretary, as I understand it, is broader than the ARA policy which we have been discussing but narrower than the accelerated public works policy which governed those projects.

Now, as I understand your testimony at the top of page 4, you would disagree that that would be a wise policy? Am I correct?

Mr. SCHOENHAUT. I don't think we are disagreeing with the policy that is proposed by the legislation.

Senator MUSKIE. Well, let me refer to the language that seems to suggest that to me.

Beginning on line 4 of your statement on page 4, this language appears:

We suggest that consideration be given to modifying the bill to require the Secretary to demonstrate prior to approving such a project that a definite relationship exists or will exist between the project and the new permanent employment opportunities.

Now, that language appears to be an endorsement of the present policy of ARA as we have discussed it here this morning. Now, is that your intent?

Mr. SCHOENHAUT. Yes, sir.

Senator MUSKIE. So you would not agree that the bill ought to authorize waterworks, sewage treatment plants in communities which would improve the attractiveness of the community for industrial development whether or not those projects have a definite relationship to a specific project and specific new employment opportunities?

Mr. CAMPBELL. Well, I would say that a definite relationship—we say here “relationship exists or will exist.” There should be, we think, some background reporting which would support the decision to a reasonable degree.

Senator MUSKIE. Then are you saying, Mr. Campbell, that if there is a logical and rational prospect unrelated to specific projects that the public facilities contemplated would increase the possibility for industrial development in a community, that that in your judgment would be a legitimate legislative objective?

Mr. CAMPBELL. We think so, Mr. Chairman.

Senator MUSKIE. If the bill provides no more than that, then you would think that the bill is sound on that point?

Mr. CAMPBELL. We believe so.

Senator BENNETT. On this same point, any community with inadequate sewage and water facilities could, under a broad interpretation, say, “If you will give me ARA money to improve our community facilities, we may attract some sometime in the future.”

So it would seem to me you may be opening the door to allowing any community with inadequate water and sewer facilities to apply for ARA money on the ground that this would increase their desirability as a source.

Senator MUSKIE. This refers to any community which qualifies for eligibility under the program of the bill. Not any community in America.

Senator BENNETT. But with this new regional program, you greatly broaden an opportunity to qualify. And yesterday we accepted an amendment from Senator Mondale which says once you qualify you are there forever.

Senator MUSKIE. Conceding that, but, nevertheless, we are talking about communities which would fall within the eligibility requirements of the bill, however broad.

Mr. CAMPBELL. Well, Senator Bennett, I think that what we are saying is that the Secretary should have adequate information to support the approval of a project.

Senator BENNETT. It must be more than the gleam in the eye of the secretary of the chamber of commerce?

Mr. CAMPBELL. Precisely.

Senator BENNETT. It has got to be an industry that has indicated a very definite interest in coming in to the community if it had these community facilities available?

Mr. CAMPBELL. Or some survey which would show that an industry would come in or might come in.

Excuse me, Senator. Mr. Ahart, who is familiar with some cases here, would like to comment.

Mr. AHART. What we have in mind here is within this overall economic development plan which they have for a particular area presumably they have identified what types of industries they want to attract, how they want to develop the area. Now, within that, they should be spelling out what types of facilities they do need to attract the types of industries that they need.

And if sewage treatment plants or waterworks or some facility of that type does constitute the stumbling block for this particular community and this could be reasonably expected to help them attract industry, then it should fit within the program.

This is what we have in mind on this "definite relationship."

Senator MUSKIE. Let me ask a question on this point. You are saying that waterworks should be industry related?

Senator BENNETT. I don't think he is.

Senator MUSKIE. As I understand, you say that a community, in your judgment, in order to qualify, ought to have made an economic development plan so specific and precise that it envisions rather specifically the kinds of industries which it wants to attract and that unless the water requirement is related to the requirements of those specific kinds of industries that the community ought not to qualify for a waterworks project under this bill.

Mr. AHART. It would be a question as to whether the waterworks or inadequate waterworks is the stumbling block for this community in its development. This is what we have in mind.

If this is the stumbling block and to cure this defect would make the community more attractive or would enable them to attract industry, then it should come in under the provisions.

This is the type of relationship we have in mind: How does it fit into the overall economic plan, community resources, and so on?

Senator MUSKIE. Let me pose an illustration here. Let's say that we are trying to develop a rural area industrially and that the only sewage facilities in that area by and large are the old-fashioned Maine "outhouse." In your development program you want to provide within reasonable limits for the directly industry-related facilities and you want to make it a place where people want to live—the management, the specialists.

Would you say it would be inappropriate under this act to provide sewer facilities in that town in order to serve the homes of the management and employees of that industry more adequately and make the community attractive for them?

Mr. PIN. No, sir. In fact, under their present operation they will lend money to install sewer facilities which not only serve the industrial project but, as well, the residential community. We have not had any problem with this situation.

But what is first and foremost in our view is that there is some relationship between the money that is going to be spent and the creation of jobs, consistent with the purpose that you have specified in the legislation.

Senator MUSKIE. Everybody uses those same words.

Mr. PIN. Well, no, I mean specifically—

Senator MUSKIE. What I am trying to find out is what they mean.

Mr. PIN. There is a reasonable relationship between the facility that is to be constructed and the commercial and industrial facility that will be provided, that there is a need.

Senator MUSKIE. I think it would be very helpful to get into the record the language beginning on line 17 of page 3 and going through line 3 of page 4 so that whoever reads the record will have that language in front of them. Without objection, it will be inserted.

(The language referred to follows:)

(A) the project for which financial assistance is sought will directly or indirectly (i) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities; (ii) otherwise assist in the creation of additional long-term employment opportunities for such area, or (iii) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964;

Senator MUSKIE. Secondly, I think that it would be helpful if you would read that portion of the testimony of the Public Works Committee record in which, if the Secretary has met my request, there should be a list of types of projects that would or would not be included.

And I want you to bear in mind that those projects could be unrelated to a specific immediate industrial prospect.

We are talking about creating a community that would be more attractive to industry.

Mr. PIN. But, nevertheless, there would be a relationship to this potential industrial or commercial—

Senator MUSKIE. I want you to look at those illustrations to determine whether in your judgment, as we consider making a community more attractive to industry, without any prospects right outside the door waiting, those would be, in your judgment, legitimate legislative objectives.

And also I would ask you to direct your attention to the language on top of page 4, line 2, which states that this subsection authorizes projects which would "otherwise substantially further the objectives of the Economic Opportunity Act of 1964." I would like to have you submit a comment on how you view that authorization—unless you are prepared to make that comment now.

Mr. PIN. No, sir; we are not. We will be glad to take a look at it. (See p. 320.)

Senator BENNETT. May I just follow this up with one more question while we are on it?

Senator MUSKIE. Yes indeed.

Senator BENNETT. What you are saying might be illustrated by another "far out" example. Here is a rural community of the type Senator Muskie has described. Because of its location and the local conditions, it has got to go 50 miles to a mountain range to get any water. And this is going to cost them a million dollars. And the prospect they have is for an industry that will employ 15 people.

Would you think that would be a reasonable relationship on which to base authorization for a loan of a million dollars for community water in order to employ 15 people?

Is there a dollar aspect of this relationship?

Mr. PIN. I would think there should be. But under their present program there isn't any measure of investment to job. In other words, there is no ceiling on it. But my own opinion is that I would have a tough time approving that project.

Senator BENNETT. Well, you used the word, or I thought you used the word, "reasonable." You used the word "definite." But it is a matter of judgment and reason, isn't it? And we are not automatically okaying the use of funds for community projects without there being a reasonable relationship with the volume of employment that will be created?

Mr. PIN. This has to be measured; that is right.

We have seen ARA projects now where the people examining the applications will express concern as to whether the number of jobs that they will obtain are reasonably representative of the Federal funds that will be invested. It is a valid consideration, something that should come into play in any of these judgments.

Senator BENNETT. All right.

Senator MUSKIE. I have just one other question in order to clarify what I think is an important point.

We have been discussing what you think ought to be the legislative objective and not what you think is the meaning of the language now in the bill?

Mr. PIN. That is right, sir. We are presenting these for your consideration.

Senator MUSKIE. Right.

Mr. CAMPBELL. Mr. Chairman, we are being a little selfish about this. We wanted to have these things ironed out, because, the more clearly and succinctly the bill is written, the easier our job is going to be when the program gets moving along.

Senator MUSKIE. I think your testimony is most helpful, and these discussions are most helpful. This is the kind of thing that ought to be in the legislative record not only for you people but Members of Congress when we begin to represent our constituents before the agency.

Senator BENNETT. That is right.

Mr. Chairman, off the record.

(Remarks off the record.)

Senator MUSKIE. Back on the record.

It is my own view that this kind of legislation contemplates some risk taking by communities and by the Federal Government to help create climates favorable to economic growth. But we want that risk taking to be rational. We want it to be reasonably related to objectives and prospects.

But, nevertheless, it is the kind of risk taking that should go beyond what will be or can be contemplated by conventional lending institutions, private lending institutions or perhaps even by community public enterprises.

This is why the Congress, I take it, is willing to put the resources and the risk taking capability of the Federal Government behind this kind of program.

So, because it ought to be rational, I think that this kind of colloquy and discussion is very useful.

Mr. CAMPBELL. That is why I have said, Mr. Chairman, these terms are so broad that perhaps your committee or the Congress should define your intentions more clearly and in more specific detail.

Senator MUSKIE. I think that one way of doing it—and this is why I asked the Secretary for his insertion in the record—is by

illustration. If the list of illustrations is comprehensive enough and broad enough in the committee report, I was hoping for that kind of approach. Maybe we can improve the language too.

Mr. CAMPBELL. Yes, sir; that would help us immeasurably.

Senator MUSKIE. Yes.

Mr. CAMPBELL. Section 201(b) would provide that the rate of interest on loans to be made under section 201 will be not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on certain outstanding marketable obligations of the United States less not to exceed one-half of 1 percent of interest a year.

As presently administered the interest rate on public facility loans under the Area Redevelopment Act is $3\frac{3}{4}$ percent.

The desirability of modifying the method of establishing interest rates is a policy matter to be considered by Congress. The modification would result in reducing the interest to be paid to the Government, and would result in an interest subsidy to the borrower to the extent that the Government's cost of borrowing and administering the funds is in excess of the interest charge to the borrower.

Senator MUSKIE. I think that is an accurate definition.

Mr. CAMPBELL. Section 201(c) of the proposed legislation would authorize to be appropriated sums not in excess of \$170 million annually to carry out the loan and guarantee provisions of sections 201 and 202.

Section 707 of the bill would require the Secretary of Commerce, to the fullest extent practicable in carrying out the provisions of the act, to use the available services and facilities of other agencies and instrumentalities of the Federal Government.

Because of the differences between the programs which would be authorized by sections 201 and 202, and inasmuch as the programs will probably be carried out by different agencies, it would seem advisable from the standpoint of program planning and administration to identify the sums authorized to carry out the purposes of each section.

We believe that the bill as drawn presents a considerable degree of flexibility in program financing, the need for which is not readily apparent to us.

Senator MUSKIE. May I ask you, Mr. Campbell: Do you in your discussion get into the question of whether or not we ought to have a single agency administering this entire program or whether we should continue the present "delegate agency" arrangement even in a modified way?

Mr. CAMPBELL. No, we have not gone into that, Mr. Chairman.

Senator MUSKIE. Is it a point that you would care to go into? We have had some discussion about it, particularly yesterday when the SBA presented the modifications which they are instituting in their arrangement with ARA.

Mr. CAMPBELL. Our feeling is that there is no reason why you could not continue to use the existing agencies as in the past.

Senator MUSKIE. Does this result in additional administrative expense over and above what we would have if we had a single agency?

Mr. CAMPBELL. I can't answer that question. I don't know.

Senator MUSKIE. I think it would be useful if you would study it. You may not be able to reach conclusions prior to the time that we take up the bill, but I think it would be a useful study.

Mr. PIN. You mentioned SBA agreed to some modifications. We are not specifically knowledgeable of these changes. But we understand that the SBA regional offices are to report directly to ARA. This is the informal advice that we have received. Is this the substance of what they indicated yesterday?

Senator MUSKIE. I have not had an opportunity to study their plan in detail, but, as I understand it, it would involve setting up 12 regional offices which would be staffed by both ARA and SBA as sort of an integrated office. The field people would move into those offices, and then you would move up from there with your appeals.

The chart of the arrangement is here in this document. You undoubtedly will not want to comment in an off-the-cuff way on it. But over and above this arrangement between ARA and SBA I think it would be very useful to the Congress to have an evaluation of the single agency versus the multiple agency approach to this program.

Mr. PIN. Sir, we are aware that there have been problems as between ARA and the delegate agencies. The change in operation is presumably going into effect or has gone into effect as of April 15. Would you have in mind that we look at the structure as it was prior to this date or as it is functioning now?

Senator MUSKIE. I think that it would be useful, first, to have an evaluation of how the entire system has operated prior to this date—that is, not only SBA but the other delegate agencies—and relate that to the advantages or disadvantages of converting to a single agency operation.

Then also comment upon this, the new proposal, which perhaps you would be in a better position to comment upon after they have accumulated some experience.

Mr. CAMPBELL. That would be a considerable job, but we——

Senator MUSKIE. Just consider it.

Mr. CAMPBELL. Yes, sir.

Senator MUSKIE. If it is something you cannot handle without your present resources, we can understand. But I wanted to throw it out as a possibility.

Mr. SCHOENHAUT. I would point out, Mr. Chairman, that, of course, we are constantly looking for ways of streamlining administration in all our examinations. And while there have been some problems on specific cases between the delegate agencies and ARA, there has not been any obvious waste of money that has come to our attention. Otherwise, we would have had a report to Congress.

Senator MUSKIE. Fine. That is helpful, I think, for the record.

Mr. CAMPBELL. We would also like to call attention to the fact that the \$170 million appropriation limitation also pertains to guarantees of working capital loans under section 202 of the proposed legislation. The liability incurred by the Government under the guarantee provision will be of a contingent nature.

Accordingly, unless it is intended to fund anticipated losses, the extent to which annual appropriations will be required under this activity will be entirely dependent on the unfavorable experience that the administering agency may encounter.

Section 202 of the bill establishes a financial assistance program involving both direct and guaranteed loans for eligible projects. Most of the provisions of this section are identical or similar to the existing provisions of section 6 of the Area Redevelopment Act.

We believe that the manner in which certain of these provisions have been administered by the Area Redevelopment Administration as described in our following remarks, would be of interest to you.

Section 202(a) (1), which would authorize the Secretary to make loans and purchase evidences of indebtedness to aid in financing any project within a redevelopment area for the purchase or development of land and facilities including, in cases of demonstrated need, machinery and equipment for industrial and commercial usage, is identical to the corresponding language of section 6(a) of the Area Redevelopment Act.

According to the conference report on the Area Redevelopment Act the provision relating to the conditions under which financial assistance may be granted with respect to machinery and equipment was adopted in lieu of a House amendment which would have authorized such assistance "in exceptional cases."

The Small Business Administration is responsible, under the delegation of authority from the Secretary of Commerce, for certain functions relating to section 6 of the act, including determinations of the need for Federal assistance because sufficient private financing is not available, the amount of Federal assistance for which a project is eligible, the reasonableness of assurance of loan repayment, and other credit considerations.

In our examination of the administration of this section of the act, we have noted that, in actual practice, the Area Redevelopment Administration makes the determination that there is a demonstrated need for assisting in the financing of machinery and equipment before forwarding an application to the delegate agency for review, and without having available the facts disclosed by a detailed financial investigation by the Small Business Administration.

Accordingly, the subcommittee may wish to clarify, in the legislative history, the significance that should be attached to the terminology "in cases of demonstrated need," as used in the bill.

Sections 202(a) (2) and 202(b) (4) provide that loan or loan guarantee assistance shall not be extended unless it is established that such assistance is not available on reasonable terms from private lenders or from other Federal agencies on terms more favorable to the Government which would permit accomplishment of the project. The factors that would be considered in this connection would include maturity period, interest rate, and collateral considerations.

In the administration of this provision, the question arises as to the extent to which the terms offered by a private lender, in determining their reasonableness, and the terms offered by another Government agency, in determining whether they would permit the accomplishment of the project, should be compared with the terms specified under the proposed bill which are generally more attractive. Accordingly, the subcommittee may wish to consider setting forth the criteria that should be used in administering this provision.

Senator BENNETT. May I—

Senator MUSKIE. Yes, Senator Bennett.

Senator BENNETT. Are you saying to us in effect, Mr. Campbell, that it is obvious that if a potential borrower can be accepted by ARA that he will get a better financial arrangement than he could get as a private borrower from a private lending institution and that there-

fore it should not be an adequate demonstration of the inability or the lack of availability of private funds merely to show that the bank won't lend him as much money or on as satisfactory terms, including interest rate, as he can get from ARA, and that we should specify some kind of margins which would indicate what would be a reasonable basis for refusal?

Mr. PIN. Sir, what we would suggest is that the determination as to whether or not private financing is available be made after SBA makes their detailed investigation.

Right now they make a determination generally before the application goes to SBA. We would suggest that if, after the detailed analysis is completed, the terms offered by private lenders would not adversely affect the economic feasibility of the project—

Senator BENNETT. Not merely that they might be less beneficial than what SBA could offer?

Mr. PIN. That is right. If the project can carry the amortization requirements, then, to the extent possible, private financing should be used.

Senator MUSKIE. The language in this bill, I understand, is comparable to that used in other programs; housing and so on. Could you tell us anything about the experience in those programs on such language? Is it useful, and should it be converted to this one?

Mr. PIN. I would think that if the purposes are basically the same, sir, I think what we are suggesting here ought to be the criteria.

Senator MUSKIE. So that we ought to, in this program, look for guidance to the other programs who have had experience under it?

Mr. PIN. Well, we do know that SBA follows the practice that ARA does, which is essentially to get two letters from lending institutions.

Senator MUSKIE. Is that adequate?

Mr. PIN. No, sir. We do not think it is. Again we think that it could be adequate if this effort is made after the project has been analyzed in detail rather than in advance.

Without knowing really what the project can sustain in terms of debt, it is difficult to discuss whether or not private financing is available. You could go to the banker with specific terms. You could indicate to him that he would have a first mortgage on x dollars worth of assets, that you need a loan having a term of 10 years, or whatever the case may be, and an interest rate of x percent. At least you would have a specific idea of what the project could afford.

Senator MUSKIE. What does HHFA do?

Mr. PIN. We can't answer that question, sir.

Senator MUSKIE. Would you submit that for the record?

Mr. PIN. We would be glad to.

Senator BENNETT. It is my memory HHFA requires that the man show he has been refused by private lenders, and I don't remember that there is that condition in the ARA.

Mr. PIN. If I may add one point, and I believe this is true of Community Facilities Administration, one of the units in the Housing and Home Finance Agency, I understand that they stipulate a bid even under the ARA program, as to what they will buy the bonds at, require the community to advertise, and if bids are not received which would be equal to or more beneficial, then they would pick up the bonds.

In other words, here we have the advertising process.

Senator MUSKIE. I think it would be useful, if you can assemble it in reasonable time, to have in the record a statement covering the practices of other agencies which have similar language. If the language varies in any degree, I would like to have that called to our attention. But I assume it is the same type.

Mr. PIN. We will be glad to, sir. (See p. 320.)

Senator PROXMIRE. Could I ask a question at this point, Mr. Chairman?

Senator MUSKIE. Senator Proxmire.

Senator PROXMIRE. Would this procedure you suggest here slow down the approval of the application at all or is there a way in which it can be handled so we can be sure it won't slow it down?

Because one of the most painful parts of the process and one on which we receive the most complaints is that it has been much too slow. And if it has been slow, it has been very hard on smaller businesses whose capital is limited, and they find they cannot hold a situation and continue in it if it is going to be delayed.

Now, if this detailed financial investigation by the SBA before approval which you seem to suggest here would in any way slow down the final availability of the funds, then I think we ought to try and work out some way in which it would not.

If it would not, then I would like to know it.

Mr. PIN. No, sir. What we are suggesting, in effect, is that we just reverse the order of when the determination is made. Rather than before the financial investigation is made, make it afterward. It is just a question of reversing the time.

Senator PROXMIRE. Say that again.

Mr. PIN. What we are suggesting is that you reverse the order of when the determination is made. Rather than determining before the financial investigation is made, you make the determination after the financial investigation.

Senator PROXMIRE. You make your determination later?

Mr. PIN. That is right, sir.

Senator PROXMIRE. No effect on availability of any funds?

Mr. PIN. That is right.

Senator PROXMIRE. It would not affect the timing of availability of any of the funds?

Mr. PIN. I should not think so.

Senator PROXMIRE. It would not?

Mr. PIN. I do not think so.

Senator BENNETT. If you have to make two investigations, they have both got to be completed before any decision will be made.

Mr. SCHOENHAUT. The same amount of work is required. It is just a matter of what order you do it in.

Senator MUSKIE. Let me ask you this: If you were to continue determining the question of availability of other credit before you did anything further, you might eliminate some of the work load that you would get if you wait until after you have evaluated the project before you determine whether there is other credit available.

Mr. CAMPBELL. That could be.

Senator MUSKIE. Is that a possibility?

Mr. SCHOENHAUT. It is a possibility, but we also may wind up making Federal loans in situations where private financing is available.

Senator MUSKIE. I think we understand it then.

Mr. PIN. Senator, we have a case that we would like to cite and we think what we are suggesting would have prevented just this circumstance.

Mr. AHART. We have a situation which is described in one of our reports where prior to the SBA investigation the bank had committed itself to loan an amount of \$22,750 to a project. After the detailed financial investigation, the bank found out that—or the borrower found out at that time—that ARA would go 65 percent of project costs when before he had understood they would only go 55 percent.

Well, at that point in time he reduced the bank loan from \$22,000 which was available down to \$13,000. In other words, he transferred ARA money for bank money which was available for the project.

Senator MUSKIE. Which project was that?

Mr. AHART. This was the Vineland and South Jersey Cooperative Egg Auction and Poultry Association, Inc.

We issued a report dated December 30, 1964, on certain aspects of that project. This is discussed at page 18 of our report.

Senator BENNETT. May I, Mr. Chairman—

Senator MUSKIE. Yes.

Senator BENNETT (continuing). Just suggest another aspect, another thing that might happen if these two things were reversed? A banker who is bidding or quoting more or less in the dark quotes a set of terms, and SBA, examining the situation carefully, comes up with more beneficial terms. The banker might decide that he would like to reach out for a correspondent or some other source of capital or that he was quoting rates that are too high to start with, and, if the loan were desirable, he might move in because he knows what his competition is.

But if these are reversed, it gives the banker or lender an opportunity to decide whether this is a loan he would like to make in view of more definite information that might be available as a result of this other study.

Senator MUSKIE. I am not sure that this reverse would have changed the result of the Vineland case. Don't you think the banker would have known, even in that procedure, that the ARA would offer 65 percent and so he would never have made the initial offer perhaps?

Mr. AHART. If I may, what this illustrates is that because of the attractiveness of the Federal loan the borrower finds it is to his advantage if he can't go up to the maximum 65 percent, and that is presumably what happened in this case—that as soon as he found out that he could go to 65 percent with an ARA loan, he got the bank to reduce its commitment from what it had previously committed down to \$13,000.

Senator MUSKIE. I understand. All I am suggesting is that under the present procedure what the banker did was disclosed, but under the procedure you recommend he might do the thing in a way that was never disclosed.

In other words, if he has opportunity to contemplate through all this preliminary evaluation what ARA's role will be, what ARA's

contribution will be, then he might not, in the first instance, have made the larger offer.

In other words, the present procedure identified what the bankers did, and I am not too sure that the new procedure would.

Senator BENNETT. I wonder whether the banker decided to cut from \$22,000 to \$13,000 or whether the borrower decided that \$13,000 was all he was going to give the bank, that he cut it back. What do you think?

Mr. PIN. Our impression was it was the borrower who decided. He had an open line of credit or some line of credit with this bank.

Senator BENNETT. So he cut the volume of the loan down because he was getting more attractive rates from ARA?

Mr. PIN. That is right. This procedure we are suggesting presumes good faith on the part of these people. When the borrower goes to the bank, he is not telling them in advance: "Tell me that you won't lend me the money." He is going—

Senator MUSKIE. We have got to assume good faith in any procedure in order to compare the procedures.

I think we have explored that point. Proceed.

Mr. CAMPBELL. Section 202(b) (7) generally limits the maturity dates for loans, or evidences of indebtedness, to 25 years. The subcommittee may wish to provide some limitation on the duration of working capital loans which may be guaranteed under section 202.

Also, the subcommittee may wish to provide that the duration of loans to assist in financing the purchase of machinery and equipment, some of which may have a relatively short useful life, be related, within the 25-year limitation to the estimated useful life of the machinery and equipment.

Senator MUSKIE. Yes, I think these are two good suggestions, Mr. Campbell. We will take note of them.

Mr. CAMPBELL. Section 202(b) (8) would provide that loans shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury plus such additional charge, if any, toward covering other costs of the program as the Secretary of Commerce may determine to be consistent with its purpose.

If it is intended that the business loan program is to be self-supporting, we believe that the bill should be revised to require the Secretary to establish a charge which will recover the cost of operating the program and to specify the expenses that should be recovered.

Senator BENNETT. May I question on that a minute? Is it your feeling that you are trying to get a uniform rate of loan or uniform charge which would be applied to all borrowers rather than leaving the Secretary to determine what he is going to add on each individual loan as it comes up?

Mr. CAMPBELL. We believe that the Secretary should take a position that there should be a fixed charge against the loan under a particular project in addition to interest, so that the costs of operating the program would be covered.

Senator BENNETT. Do you think that charge should vary from project to project or should be fixed on all projects?

Mr. SCHOENHAUT. We think it ought to be fixed based on cost, based on the agency's cost of operating the program.

Senator MUSKIE. I think it would be untenable to have a varying charge.

Senator BENNETT. I just want to get this in the record that it should be a fixed charge and everybody should know that it exists and should be able to depend on it.

Mr. CAMPBELL. Exactly. I think if it were done any other way there would be a discrimination against the small borrower because, as we all know, a small loan usually costs more to service than a large loan.

Senator BENNETT. Right.

Mr. SCHOENHAUT. The charge could be subject to revision periodically based on the experienced costs in the past, however. We would not want to once fix a charge and have it stay forever.

Senator BENNETT. Well, would you suggest it be reviewed annually or in some other way?

Mr. SCHOENHAUT. Yes, sir. If they develop an accounting system that will produce the costs of each one of the activities, they should be able to annually determine what their cost experience has been.

Senator PROXMIRE. Mr. Chairman——

Senator MUSKIE. I shall ask one question to pinpoint the issue here, so that on reading the record the subcommittee may understand what it is. Under the language of the bill, which reads, "Such additional charge, if any, toward covering other costs of the program as the Secretary may determine to be consistent with its purpose," presumably what is left open is the possibility that in order to promote industrial development, in order to give an additional stimulus, the Secretary may determine that it would be wise for the Government to assume some portion of the cost of financing this program. Is that how you read the language?

Senator PROXMIRE. This is the crucial point, and I don't think it was read that way.

In other words, the chairman is saying, as I understand it, that the Congress is not taking a position on this bill that there will be no subsidy in the program. Congress is taking the position in the bill that there should be discretion with the Secretary of Commerce, if interest rates go high enough and if the situation is sufficiently urgent in an area, that the Secretary of Commerce can make a policy decision here which would result in an element of subsidy.

Mr. SCHOENHAUT. We are addressing our testimony to what the Congress intends by the bill. If it is intended that the program be self-supporting, then you would have to have a fixed charge to cover the cost of administration. If it is intended that the program be subsidized to the extent of at least the administrative expenses, then obviously no charge is required.

Senator MUSKIE. In other words, let's make clear congressional intent on this point? Is that what you are saying?

Mr. PIN. That is right.

Senator BENNETT. I think if you add to the language a requirement for annual review this would help strengthen the situation. At least for 1 year the borrowers will know what the charge will be. The Secretary, if he decides——

Senator MUSKIE. Annual review by the Secretary?

Senator BENNETT. By the Secretary.

Senator PROXMIRE. The difficulty is, the way the bill is worded with the "if any," Congress has not made it "Congress" but has made it "Secretary," and Congress in effect says the Secretary of Commerce will decide and in most cases it will be self-supporting but there will be instances, a situation perhaps of rising interest rates or some other reason, where we feel the Secretary should have the discretion to provide an element of subsidy.

That is the way it is now worded, and we know it——

Senator BENNETT. You don't think that should vary from project to project? You are thinking in terms of time pattern, are you not?

Senator PROXMIRE. Right.

Senator BENNETT. If he varies it for one, he varies it for all?

Senator PROXMIRE. I would like to hear from the chairman on that.

Senator MUSKIE. It is an interesting question. My initial reaction was the same as that of the Senator from Utah, that it ought to be a uniform charge. But I think I would like to contemplate the possibility that in a particularly desperate situation the Secretary might, maybe ought to, have discretion to eliminate a charge that had been established as a usual policy.

I would have to contemplate that. My initial reaction is the same as yours, Senator Bennett.

Senator BENNETT. My feeling is if you leave that discretion in the Secretary he will immediately be under tremendous pressure to furnish all loans at the lowest price.

Senator MUSKIE. I think that is a legitimate observation.

Senator BENNETT. And we would help supply the pressure.

Senator MUSKIE. I think the record is clear. Now we have got to decide what to do.

Senator THURMOND.

Senator THURMOND. I would like to concur with the opinion just expressed by the Senator from Utah on that point.

I might say that I have another committee meeting to go to and I am going to leave at this time to go to that meeting. I have had occasion to read through this statement and the next witness' statement too, and I just want to compliment Mr. Campbell for the splendid statement with the excellent suggestions he has made here this morning.

I want to say further to Mr. Campbell that I think his department has acquired a reputation for competence and integrity and character and this has been a great inspiration I am sure to other Government agencies. It certainly has been of tremendous assistance to the Congress.

Mr. Campbell has proved to be a very excellent investigator and has pointed out many, many times where hundreds of millions of dollars can be saved to this Nation.

And before leaving this morning I just wanted to highly commend him for the outstanding service he is rendering to our Government.

Senator MUSKIE. Thank you, Senator.

Mr. CAMPBELL. Thank you, Senator.

Senator PROXMIRE. As I understand it, the Senator from Utah is saying that whether or not we subsidize it ought to be announced in advance and made clear.

Senator BENNETT. Yes, and available to every borrower.

Senator PROXMIRE. All on an equal basis?

Senator BENNETT. That is right.

Now, if the Secretary decides to subsidize and 3 months later decides the subsidy is no longer needed, he should again correct his position, and every borrower thereafter should have it. Otherwise I think we would be under constant pressure from applicants in our States to try and help them talk the Secretary in to either the lowest subsidy he has announced or even a new low subsidy because every applicant can demonstrate that his needs are greater than anybody else's have ever been.

Senator PROXMIRE. At the same time, it certainly is possible that because of the developments, the balance-of-payments situation or what not, interest rates may necessarily rise to a level at which it may seem to be desirable at least for a period of time to provide an element of subsidy, but it should be in advance and everybody ought to be treated on an equal basis?

Senator BENNETT. That is my feeling. I am not going to quarrel about the subsidy at this point, because you have got other subsidies in this bill.

Senator PROXMIRE. Yes.

Senator MUSKIE. I must say I am strongly inclined to agree with you, Senator Bennett, on the uniformity. The other thing is a possibility.

Senator BENNETT. It is fraught with a lot of problems.

Senator MUSKIE. Yes, it offers some problems.

Mr. CAMPBELL. Mr. Chairman, we have been discussing this as you have. Our thought is that if there is to be a deviation by the Secretary, then he should make a showing that the project could not have succeeded unless he waived this charge.

Senator MUSKIE. You mean an individual deviation?

Mr. CAMPBELL. Yes.

Senator MUSKIE. What is your comment on the advisability of permitting any individual deviations?

Mr. PIN. If it is your intention, sir, that this program be subsidized, this would be our suggestion as to the approach to it.

Senator MUSKIE. You mean by individual cases?

Mr. PIN. If there is to be a waiver and he makes an individual judgment on a case-by-case basis, then he would permit the approval of a project if he waived the charge.

Senator MUSKIE. In other words, if there were to be individual deviations, there ought to be a strong case made on the record?

Mr. PIN. That is right, sir. And this has to develop, because, again, SBA makes this analysis of economic feasibility, and they should be in a position where they can decide what principal and interest charges or other charges that the project may be able to carry.

Senator PROXMIRE. Certainly it would be a lot more difficult to administer, would it not, than one in which you simply have an invariable rule that applies to everybody?

Certainly the experience all of us have had with ARA and we are going to have in the future is that all of our constituents are going to

come in and say, "We know so-and-so got a lower rate. Why can't we get it? He says he's desperate. I'm desperate too."

How do you determine whether or not this is going to make or break a specific project?

It is much better, easier, it seems to me, from an administrative standpoint, to treat everybody alike, and then you don't have this element of trying to say, "Well, this is the point on which a project is going to succeed or fail." It is so hard to tell with a relatively modest amount involved.

Mr. SCHOENHAUT. We would agree it would be an administrative headache. No question about it.

Senator MUSKIE. And would open the door to some GAO investigation. [Laughter.]

Mr. SCHOENHAUT. Quite possible.

Mr. CAMPBELL. And we have plenty to do without looking for more.

Senator MUSKIE. Proceed.

Mr. CAMPBELL. Section 202(b)(9) of the proposed legislation would provide, as does section 6(b)(9) of the Area Redevelopment Act, that loan assistance not exceed 65 percent of the aggregate cost to the applicant of acquiring or developing land and facilities and of constructing, altering, converting, rehabilitating, or enlarging the building, or buildings, of a particular project.

In our review of activities of the Area Redevelopment Administration we found that, for projects involving the expansion or improvement of industrial or commercial facilities owned by an applicant, the Administration interpreted this statutory provision to permit, under certain circumstances, the inclusion in project costs of all or part of the value of the applicant's existing land and facilities.

As a result of this interpretation, the Administration has in a number of cases approved Federal financing of more than 65 percent and in some cases 100 percent of the new capital expenditures required for industrial or commercial area redevelopment projects.

Although the language of the statute and its legislative history are not clear in this respect, we believe that the legislative intent may have been to limit Federal financing to 65 percent of the new capital expenditures required for a project and to require that the remaining 35 percent of the funds needed for new capital expenditures be secured from non-Federal sources.

Accordingly, in a recent report, we recommended that the Congress, in considering section 202(b)(9) of the proposed legislation, consider clarifying the intended application of the limitation on Federal financial assistance to industrial or commercial projects involving the expansion of existing facilities.

Senator MUSKIE. Let me ask some questions here. This is a very important policy question which you raise, and so I would like to explore the implications of both answers to it just a little.

You are saying that whether or not the noncash contributions are given a sound value—you are not talking here about watered values I assume; we are talking about sound values—that whether or not these noncash contributions have sound values that they ought not to be included in the figure representing the cost of the project to which the 65 percent Federal contribution applies.

Mr. CAMPBELL. That is correct.

Senator MUSKIE. That is a pretty hard and fast rule. I can see that it might in some cases entirely wipe out the advantage that the bill

proposes to give to communities in reducing from 10 to 5 percent the requirement for community participation in the project.

Mr. PIN. That would not be the problem here, sir. If I might suggest, we treated this particular subject in a report issued on April 30, 1965, and in there we cited three examples, and these may help to identify more specifically the problem.

Senator BENNETT. What page are you reading from?

Mr. PIN. Page 11, sir, is the first example, and there are two additional ones.

Senator MUSKIE. What is the date?

Mr. PIN. April 30, 1965, sir, page 11.

Senator MUSKIE. What is the title of the report?

Mr. PIN. "Possible Need for Clarification of Statutory Provision Limiting the Amount of Federal Financial Assistance to Industrial or Commercial Projects."

Senator MUSKIE. Will you call our attention to the pertinent section?

Mr. PIN. Yes indeed. The examples commence on page 11.

Senator MUSKIE. First of all, before we get into examples, what you are talking about is something like this, for illustration? Suppose we are talking about erecting an industrial plant. Now, that plant includes the land and the building, and in some cases machinery and equipment in cases of demonstrated need under the language of the bill.

Now, what you are saying is that if the land is in the form of a noncash contribution by the community that it ought not to be included——

Senator BENNETT. No, no——

Mr. PIN. No, sir.

Senator BENNETT. Let me try an example.

Senator MUSKIE. All right. Well, wait. Let me finish that to have the record clear on it, because if that is not what is meant I would like the record to indicate it.

If we are talking about a project which includes building and land, if the land is a noncash contribution by the community, it ought not to be counted? Now, your answer to that is not——

Mr. PIN. No, sir. That is not part of the problem.

Senator BENNETT. Let me try an example. The company qualifies for a loan, and it already had an existing building. So it says: "Well, we'll put up our existing building for our 35 percent, and you loan us the rest, and that's your 65 percent."

So, in effect, the Government gives them 100 percent of the new capital they need and the borrower has said: "The value I already have should be worth the new capital I would put up," and, thus, you get a Government loan of 100 percent of what is needed to either remodel the existing building or add to it.

Mr. PIN. This approaches the problem, sir, but if we start on page 6 I think we tried to distill exactly what we want to say.

We say:

Since the objective of the act is to assist in providing new employment opportunities, we believe——

Senator PROXMIRE. Page 6 of April 1965?

Mr. PIN. That is right, sir. I will start over.

However, since the objective of the act is to assist in providing new employment opportunities, we believe that the Congress may have intended that the aggregate project costs include only the cost of those items which reasonably must be acquired, constructed or developed and the value of that property which reasonably must be newly committed to provide the additional employment opportunities contemplated.

Dealing with your example now, if that was a vacant structure and it was being converted to a new use, as we say here, newly committed to provide the additional employment opportunities, we would not have a problem there either.

What we have specific reference to are assets in use.

You have a business as we identify in example 1 that had existing facilities valued at \$75,000, a going business, which had people on the employment rolls. These assets are considered as the contribution of the individual. This is where we run into a problem.

Senator BENNETT. Well, let's suppose the vacant building belonged to the man or the company that is making the loan and that will now use it. I can't see much difference between that and the fact that there happened to be three people working in the building at the present time. It seems to me that there should be a clear line that new capital required should be provided 65-35 and that the borrower should not be allowed to put up existing capital equipment or facilities which are going to be remodeled or improved and say: "Well, this is my 35 percent. You give me 100 percent of the money that I am going to need from now on."

Maybe I am——

Senator PROXMIRE. I have a somewhat less restrictive conception here in the next sentence on page 7.

Mr. PIN. That is right.

Senator Proxmire (reading) :

The value of previously acquired assets owned by applicants which are not to be dedicated to a new use * * *.

In other words, they can have their building, and so forth, but now if it is going to be put into new use, then it can be part of their contribution in their 35 percent.

Mr. PIN. That is right.

Senator BENNETT. Then you turn on the new use or present use concept?

Mr. PIN. No, sir. We are being guided again by the objective of the act—whether or not the assets that will be placed into the project will result in new employment opportunities. This is the controlling factor in the judgment that we are making.

Senator MUSKIE. It is whether it is a new or continuing use?

Mr. PIN. That is right.

Senator MUSKIE. This is what you are talking about.

On the face of it, the policy which you just read, from pages 6 and 7 of your report, seems to me a very realistic and useful one. But let me put a modification of Senator Bennett's illustration.

Suppose that an applicant had a piece of land that he already owned—no use, no previous use. Now, that, as I understand it, could be counted as his noncash contribution.

Mr. PIN. That is right—reasonable value of the land.

Senator MUSKIE. Suppose he had contemplated building a building on this land, had made his plans to do so, but had not yet committed it to a use. Could that be included as his noncash contribution?

Mr. PIN. We would not have any problem with that.

Senator MUSKIE. Well, this would seem to me to work out well. Let's get into your cases now and maybe we will get further illustration of your proposed policy.

Mr. PIN. Well, in the first example the applicant had existing—

Senator BENNETT. Back to page 11?

Mr. PIN. Yes. He had existing assets of \$75,000, and the cost of expanding the facility was estimated at \$100,000. ARA's policy resulted in—

Senator MUSKIE. Would you read the whole of that for the record?

Mr. PIN. Yes. [Reads:]

In a project involving the expansion of existing marine repair facilities, the loan applicant's existing facilities were appraised at \$74,770, and the cost of expanding the facilities was estimated at \$100,000. Had project costs been limited to the cost of expansion, the maximum ARA loan would have been \$65,000 (65 percent). The minimum State or community contribution would have been \$10,000 (10 percent). And the applicant would have been required to obtain up to \$25,000 (25 percent) from private sources.

ARA, however, permitted the inclusion in project costs of \$33,333 in addition to the cost of expansion, for a total of \$133,333. The amount of \$33,333 represented part of the value of part of the applicant's existing assets and was apparently derived on the basis that the total project costs in the amount of \$133,333 would result in a maximum amount of permissible Federal financing and the minimum amount of required State or community financing, while eliminating completely the need for private financing.

Accordingly, the proposed sources of funds for the project were as follows:

We have three captions here—

"Sources of Funds," "Amount," and "Percent."

Source of funds: ARA loan: amount. \$86,667; 65 percent.

State or community: \$13,333; 10 percent.

Applicant, in the form of existing assets: \$33,333; 25 percent.

Total project costs: \$133,333; 100 percent of the cost.

Senator MUSKIE. Now, was there any evidence or was this a part of the ARA policy that there was some evidence of commitment to a new use in the new facilities—or in the old facilities?

Mr. PIN. No, sir. What they did here was in line with their policy.

Mr. AHART. Actually, Senator, initially when they implemented the new law, ARA adopted a policy which was consistent with the view which we expressed on pages 6 and 7 of the report—that is, that the assets had to be committed to a new use in connection with the project to be eligible for inclusion in project costs.

But subsequently, on January 15, 1962, they modified that policy, and that is referred to on page 7 of our report.

This policy required that previously acquired assets—Excuse me. The January 15, 1962, policy was consistent with our view and required assets be dedicated to a new use as part of the project. They subsequently modified that policy in their financial assistance guidelines and included in the financial assistance guidelines the quote on page 8 of our report, and they made this statement in the guidelines:

In determining aggregate cost of projects, it is within the Administrator's discretionary authority to include previously acquired land, buildings, machinery, equipment, and other facilities as part of the aggregate project cost under section 6, provided that such land and/or facilities are so physically

related to the prospective construction or acquisition so as to create in connection therewith an interdependent or integrated economic function.

Such previously acquired land or facilities will be included at a conservatively appraised value as determined by the processing agency.

In no event will ARA lend more than the net cash outlay required to complete a project or 65 percent of the aggregate cost of the project, whichever is less.

Senator MUSKIE. Well, apparently the justification of that policy is the integration of the economic function.

Mr. AHART. That is correct.

Senator MUSKIE. Now, was there a third policy guideline?

Mr. AHART. The third policy guideline is a little bit more specific as to the conditions under which they will permit the inclusion of the previously acquired assets, and that is quoted at the bottom of page 8 of our report.

Such previously acquired property will be accepted only in satisfaction of the 5-percent requirement of section 6(b) (9) (C) of the act—

which was the applicant's share generally—

in the case of an industrial or commercial applicant, or in satisfaction of the 5-percent and the 10-percent requirements of section 6(b) (9) (C) and 6(b) (9) (B) in the case of a local development organization.

Exceptions to this policy may be permitted where a showing is made that every reasonable effort to obtain the additional necessary funds from private sources has been made and failed.

Care will be taken to see that the value of such previously acquired property is not substituted for available private financing nor allowed unnecessarily to increase the amount of money which ARA lends to the project.

Senator MUSKIE. Now, do you consider that a restriction of policy guideline No. 2 or simply a clarification?

Mr. AHART. Of policy guideline No. 2, sir?

Senator MUSKIE. Yes.

Mr. AHART. Actually this was a revision of the previous policy guideline which was also policy guideline No. 3. They had a January 1962 issuance.

Senator BENNETT. Is it restricted or expanded?

Mr. AHART. It is an expanded policy.

Senator MUSKIE. You mean more liberal?

Mr. AHART. The 1962 guideline required the dedication to a new use in connection with the project.

Senator MUSKIE. On page 8 you have two definitions, or two guidelines. Is the second one on page 8 a restriction or a clarification or an expansion of the first one on page 8?

Mr. AHART. Well, if I may develop it chronologically, I think it would clarify the matter.

The January 1962 policy statement adopted the dedication to a new use principle. In May 1962 this was modified, in effect, in another document, the financial assistance guidelines, which required the physical relation to the construction or acquisition to create an economic function. This was the language they used.

Now, in January 1964 the policy guideline picked up the criteria from the financial assistance guidelines—that is, the relationship to the construction or acquisition so as to create an interdependent or integrated economic function, and, in addition, it spelled out, as we have on page 8 of the report, the criteria as to the circumstances under

which this would be permitted—that is, dependent upon the availability of the non-Federal financing which would otherwise be required.

Senator BENNETT. This is a liberalization.

Mr. AHART. Yes, sir; it is.

Senator BENNETT. Very definitely.

So all a man has to do now is to demonstrate that he can't get any money outside, that he is without cash capital to finish the thing off, so they say, "All right; we will let you count your property."

Mr. AHART. That is basically the criterion; yes, sir.

Senator MUSKIE. Let me ask you this as one possible further consideration: Assuming that the existing plant was not an economically viable one, that the question of expansion was one of survival of the industry, in that circumstance could you view it or view the expansion as maybe not exactly a new use but in a different light that has significance?

Mr. PIN. These are the gray area cases. [Laughter.]

Senator MUSKIE. Would you like to think about it?

Mr. PIN. No; we will give you—

Senator MUSKIE. We would just as soon have it submitted for the record.

You see, all we are trying to do is to get as many variations of possible policy here as possible for the guidance of the committee in finally reaching a conclusion.

Mr. PIN. We can make one condition. If it were obvious that the business would go bankrupt, people would lose their jobs, I don't think we would have a problem.

Senator PROXMIRE. You say you would not have a problem or you would?

Mr. PIN. I am coming back to the objective of the statute, which is to provide employment.

Senator MUSKIE. He said "would not."

Senator BENNETT. Would it have to be equally obvious that the addition of so many more people and so much more machinery would change the situation that was bankrupting the company in the first place?

Mr. PIN. We are dealing with economic feasibility of the project. Yes, sir; that would also have to be clear.

Senator MUSKIE. I think we have explored this about as much as we can.

Senator PROXMIRE. Could I ask, Mr. Chairman, in view of the fact that this is the last day of hearings and the Comptroller General has raised some very interesting and probing and significant points, I think it would be helpful to the committee if the ARA could file comments later particularly on this testimony.

Senator MUSKIE. I think that would be very helpful.

Senator BENNETT. When is "later"? We have been told—

Senator MUSKIE. Before we close the record.

Senator BENNETT. We have got to get this thing handled by Tuesday. We have got to have an executive session Wednesday and report this bill out.

Senator MUSKIE. Is there someone representing ARA here?

ARA REPRESENTATIVE. Yes, sir.

Senator MUSKIE. Could we have it this afternoon?

ARA REPRESENTATIVE. Yes.

Senator MUSKIE. Why don't we give you until Monday?

Senator BENNETT. I hate to have to remind the chairman—

Senator MUSKIE. Well, all right. This afternoon is fine.

Senator BENNETT. Senator Douglas instructed his staff to have his complete recommendations done by Monday morning.

Saturday midnight.

Senator MUSKIE. Saturday midnight? I just want to be sure the agency has a chance to give meaningful, thoughtful consideration.

Senator BENNETT. I wish they had more time. This is crowding the time down.

Senator MUSKIE. Well, Saturday midnight then. If you can get it in this afternoon it would be all the better, but Saturday midnight will be the formal deadline.

(The comments by ARA follow :)

U.S. DEPARTMENT OF COMMERCE,
AREA REDEVELOPMENT ADMINISTRATION,
Washington, D.C., May 8, 1965

HON. PAUL H. DOUGLAS,

Chairman, Subcommittee on Production and Stabilization, Committee on Banking and Currency, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I am writing this letter in response to the courtesy which was extended me to respond on behalf of the Area Redevelopment Administration to some of the views expressed during the testimony of the Honorable Joseph Campbell, Comptroller General of the United States, and members of his staff before your committee on May 7, 1965. I appreciate this opportunity.

The Comptroller General raises a question concerning the application of the requirement that an Area Redevelopment Administration loan be limited to 65 percent of the aggregate cost of the project. The language in S. 1648, in this regard, is the same as in the Area Redevelopment Act. Whether and to what extent previously acquired noncash assets might be included as a part of aggregate project cost has been the subject of considerable discussion and correspondence between the General Accounting Office and the Area Redevelopment Administration since at least as far back as 1963. I believe we are all agreed on one point—that there is nothing in the wording of the statute or its legislative history which clearly indicates the intent of Congress on this question. As was pointed out by Mr. Clerio Pin, Assistant Director, Civil Accounting and Auditing Division of the General Accounting Office, in his testimony before the committee, the Area Redevelopment Administration at an early date enunciated a policy of restricting the inclusion of previously acquired noncash assets to those being dedicated to a "new use." Apparently, the General Accounting Office would have no disagreement with the policy expressed in that manner. The Area Redevelopment Administration discovered, however, as a matter of operating experience, that there was grave difficulty in determining when assets were being put to a new use. Here are some examples: When an applicant owns machinery which it has previously purchased and which is in dead storage, it is obvious that its installation in a new factory would constitute new use of such machinery. If the machinery were presently installed in the factory premises of an applicant, but was not being presently utilized, and had not been for some time, an improvement to the factory facilities which would involve a reactivation of the use of such previously idle machinery might well be said to involve a new use. More difficult cases are presented when an applicant may have been using his plant and facilities on a limited scale but as a result of a proposed project intended to utilize his present facilities on a greatly expanded scale. Would this be a new use of the existing assets? And what if the improvements proposed by the applicant were to make possible an expansion of product lines? Would the use of existing installed facilities as a part of the expansion into new products constitute a new use? These kinds of questions convinced us of the desirability of restating agency policy so as to require that previously acquired assets "must

be so physically related to the prospective acquisition or construction as to create, in connection therewith, an interdependent or integrated economic function." Other conditions and limitations which we have established in our policy guideline on the subject of previously acquired assets have, I believe, served to protect the Government's interest and carry forward the objectives of the Area Redevelopment Act.

Mr. Pin of the General Accounting Office, in answer to Senator Bennett, stated that "we are being guided again by the objective of the act— whether or not the assets that will be placed into the project will result in new employment opportunities. This is the controlling factor in the judgment that we are making".

In response to Senator Muskie's inquiry as to whether the expansion of an existing plant which might be necessary to its survival would justify consideration of existing assets even though involving "not exactly a new use." Mr. Pin stated, "We can make one condition. If it were obvious that the business would go bankrupt, people would lose their jobs, I don't think we would have a problem."

It would seem to me from a reading of this testimony that less of a difference of opinion exists between the General Accounting Office and ourselves than may have been previously thought. I am sure that clarification of intent by the Congress would be welcome to all and I believe that a sanction of the present policy of the Area Redevelopment Administration would adequately protect the Government's interest and further the purposes of the present and proposed legislation.

The Comptroller General has raised the question of the meaning of the term "in cases of demonstrated need" as used to apply to the inclusion of machinery and equipment in commercial or industrial projects under section 6 of the Area Redevelopment Act. Identical language is contained in section 202 of S. 1648.

The Area Redevelopment Administration has found, in its experience with the administration of the act, that in order to carry out the purposes for which the act was passed, it was necessary in a great many cases to make loans for machinery and equipment. Without this authority, a large number of projects would never have come to fruition.

It has always been our belief that ARA would, first of all, make a determination as to whether machinery and equipment were needed in the project without regard to financial considerations, and thereafter to consider the recommendations of the Small Business Administration as to whether financing was otherwise available on reasonable terms. This second determination included machinery and equipment, where these items were a part of the project forwarded to SBA by ARA.

In the 3½ years that we have operated under ARA, and to the best of our recollection, the question of whether our interpretation of "demonstrated need" was correct was never raised until the Comptroller General testified at the hearings before the Senate Banking and Currency Committee on May 7, 1965. We had always assumed that our interpretation was in accord with the intent of Congress and the purposes of the act.

The fact that difficulties have now occurred makes it essential, we believe, that the confusing language be eliminated. It is, in effect, redundant, because no project is undertaken and no item included in a project unless there is a demonstrated need for it. Moreover, every project is judged as to whether or not financing is otherwise available, and is not qualified for approval unless such financing is not available.

We would certainly hope that if the confusion is not cleared up by eliminating the language, steps will be taken to give as wide a latitude as possible under the proposed legislation to include machinery and equipment. The experience under ARA indicates that it is extraordinarily difficult to get new projects started in redevelopment areas, and it ought to be possible to provide every appropriate form of assistance. We are hopeful that the Congress will broaden the Federal ability to help depressed areas by including new tools such as the working capital guarantee and the interest rate subsidy. If, at the same time, Congress limits the authority which has been exercised under ARA in the case of machinery and equipment, there will be no net gain in the Federal ability to help depressed areas, and there may well be a net loss.

With regard to guarantees for working capital loans made by private lending institutions, the Comptroller General suggests that the committee may wish to limit the duration of the loan and stipulate a maximum interest rate that can be charged by the private lending institution. We believe that such working

capital loans should be reasonably restricted in time but we do not believe it necessary to state a maximum term in the law. These loans, for the most part, will be made by commercial banks. They will be made in accord with traditional lending policies which presently place a relatively conservative maximum on their duration. In the same way, we expect the banks to charge the current rate of interest for reasonably well-secured working capital loans. If we impose a low maximum interest rate by statute, the loan may become unattractive and if we announce a high maximum, it may become the effective minimum rate.

Also, the Comptroller General suggests the committee may wish to consider reducing the 25-year loan limitation to a lesser period for loans for machinery and equipment. We enclose a copy of ARA policy guideline No. 19, entitled "Length of Loans for Machinery and Equipment." We believe this policy guideline provides adequate protection for the Federal Government and, at the same time, allows our borrowers the maximum flexibility.

In discussing section 202(b)(8), the Comptroller General suggested that if it is intended the public loan program be self-supporting, the Secretary should be required to establish a total interest charge which will recover the cost of operating the program. During his testimony, the committee discussed the manner in which such a charge might operate. While we do not believe this program should be completely self-supporting, we do believe that any charge should be set for a particular period of time, such as the fiscal year. It should be incorporated into the interest rate for all loans made while it is in effect and it should continue for the life of those loans regardless of any future changes in the agency's interest rate.

The committee and Comptroller General also discussed section 202(b)(9)(B) of the bill which requires financial participation in project costs by non-Federal interests. This section is similar in certain respects to section 6(b)(9)(B) of the Area Redevelopment Act. In the past, the General Accounting Office and the Area Redevelopment Administration have interpreted that section differently; particularly the legality of our borrower or persons interested in our borrower contributing to a local development company soliciting funds in support of our borrower's ARA project. We are enclosing a copy of ARA policy guideline No. 2, "Some Policies Relating to Local Development Organizations."

Following receipt of a draft report on this subject from GAO, the Administrator suspended this guideline and has required that no funds be made available to the local development company by our borrower, or any party having an interest in the project substantially identical to that of our borrower. We suggest the committee review policy guideline No. 2 and consider approving this policy for use in implementing section 202(b)(9)(B).

In discussing section 202(a)(3), the Comptroller General stated that it was his understanding that the proposed interest rate reduction payment would be clearly in lieu of Federal financing and thus be limited to 65 percent of the aggregate project cost, as would a Federal loan. As we read the language of the proposed act, we believe that this interpretation is incorrect. No limitation would be placed upon the amount of the aggregate project cost which would be eligible for the interest rate reduction payment. The purpose of the 65-percent limitation on Federal financing is to limit the Government's direct participation in the financing of a particular project. No such requirement would be needed with respect to private financing, when private lenders are willing to provide more. Accordingly, we would intend to allow the interest rate reduction payment to include the total amount of an eligible loan, where this amount is obtained from non-Government sources.

During the course of the Comptroller General's testimony, Senator Muskie inquired whether a single Federal agency should administer the new economic development program. We are in agreement with Mr. Campbell that there is no statutory reason why this arrangement could not continue as in the past, since the language of the proposed act directs the Secretary to make use of the available services and facilities of other agencies "to the fullest extent practicable" in carrying out its provisions. However, as Mr. Foley testified on the preceding day, SBA and ARA have frequently suffered confusion, delay, and frustration as a result of the existing system. Drastic modifications are therefore clearly necessary, and we would like to take this opportunity not only to commend the Small Business Administration for its excellent cooperation (despite the inherent defects of the system) in the past, but also for its initiative in issuing a directive intended to expedite the processing of projects during the remaining weeks of ARA's existence. However, as Mr. Foley indicated, the new

system is still in the formative stages, and it is not yet practicable to determine whether or to what extent this experimental system will be appropriate for the processing of projects under the program which would be authorized by the legislation now before the committee.

For your reference, I am also enclosing a copy of the existing ARA policy guideline No. 3.

I would like to express my appreciation for this opportunity to comment for the record.

Sincerely,

W. L. BATT, Jr., *Administrator.*

U.S. DEPARTMENT OF COMMERCE
AREA REDEVELOPMENT ADMINISTRATION

No. 2 (REVISED)

POLICY GUIDELINE

Date March 26, 1964

TO: ARA Staff, Field Coordinators
Delegate Agencies,
State Designated Agencies

FROM:

W. L. Batt, Jr.
William L. Batt, Jr., Administrator
Area Redevelopment Administration

SUBJECT

Some Policies Relating to Local Development Organizations

A community or area organization within the meaning of Section 6(b)(9) of PL 87-27 must be an association or corporation dedicated primarily to community development, including economic development. The fact that it is legally a profit making organization will not disqualify it provided that the profit purpose is minor or incidental to a principal purpose of serving a broad public need.

Funds of a local development organization should come from a broad base in keeping with the semi-public character of such an organization. Provided that a bona fide effort is made to raise funds on a broad base, there is no absolute limitation on the amount which a prospective ARA borrower may contribute to the development organization. Such contributions should not, however, be in form that would permit a single firm or individual to acquire a controlling interest in the voting stock of a local development corporation.

There is no prohibition against the organization of a new local development corporation to meet the need created by a contemplated project. The organization, however, should have broad representation from the public and its make-up must be such as to assure its continuing existence and effectiveness for further projects and community responsibilities.

The local development organization may furnish to a project both the 5% money required by Section 6(b)(9)(C) and the 10% money required by Section 6(b)(9)(B). When both are being contributed by such an organization, they are added to make 15%. The 5% is not included within the 10%.

An interest rate or a contract for cumulative preferred dividends in excess of 6% per annum with respect to the statutory minimum 5% and 10% funds, will ordinarily be regarded as inconsistent with the semi-public character required of local development organizations.

(This revision supersedes the January 8, 1962, issue of Policy Guideline No. 2)

U.S. DEPARTMENT OF COMMERCE
AREA REDEVELOPMENT ADMINISTRATION

No. 3 (REVISED)

POLICY GUIDELINE

Date January 29, 1964

TO: ARA Staff, Field Coordinators,
Delegate Agencies,
State Designated Agencies

FROM:

William L. Batt, Jr.
William L. Batt, Jr., Administrator
Area Redevelopment Administration

SUBJECT: Previously Acquired Land and Facilities

An applicant for an industrial or commercial loan may be permitted to include previously acquired land, buildings, machinery, and equipment as part of the aggregate cost of the project where it can be shown that the project will have a substantial economic impact on an area and the project cannot be completed without such inclusion. Such land and/or facilities must be so physically related to the prospective acquisition or construction as to create, in connection therewith, an interdependent or integrated economic function. Such land and/or facilities may be included only at a conservatively appraised value as determined by the processing agency.

Such previously acquired property will be accepted only in satisfaction of the 5 percent requirement of section 5(b) (9) (C) of the Act in the case of an industrial or commercial applicant, or in satisfaction of the 5 percent and 10 percent requirements of section 6(b) (9) (C) and 6(b) (9) (B) in the case of a local development organization applicant. Exceptions to this policy may be permitted where a showing is made that every reasonable effort to obtain the additional necessary funds from private sources has been made and failed. Care will be taken to see that the value of such previously acquired property is not substituted for available private financing nor allowed unnecessarily to increase the amount of money which ARA lends to the project.

In no event will ARA lend more than the net cash outlay required to complete a project, or 65 percent of the aggregate cost of the project, whichever is less. ARA will require a lien on all previously acquired land, buildings, machinery, and equipment which are included as part of the aggregate project cost.

* * * * *

(This revision supersedes the January 15, 1962, issue of Policy Guideline No. 3)

U.S. DEPARTMENT OF COMMERCE
AREA REDEVELOPMENT ADMINISTRATION

No. 19

POLICY GUIDELINE

Date January 9, 1963

TO: ARA Staff, Field Coordinators,
Delegate Agencies,
State Designated AgenciesFROM: *H. Williams*
Acting Administrator
Area Redevelopment Administration

SUBJECT

Length of Loans on Machinery and Equipment

Section 6 of the Area Redevelopment Act permits ARA, in cases of demonstrated need, to finance the purchase of machinery and equipment, some of which may have a relatively short useful life. Where such purchase is allowed to be included as part of the project cost, generally that portion of the loan should be repaid within the estimated useful life of the machinery and equipment. This estimate will normally not be more than 15 years and generally will be less.

However, if the increased monthly payments resulting from a shorter-term loan would substantially jeopardize the economic feasibility of the project, a longer-term loan may be offered to the applicant, provided that:

1. The extension of loan maturity beyond 15 years is based upon a reasonable ratio of cost of land and buildings to cost of machinery and equipment; or,
2. The amount of the annual depreciation on machinery and equipment is set aside in a separate fund as additional security, and/or is reinvested; or,
3. A similar arrangement or combination of arrangements can be worked out to prevent any significant decrease in the relative value of the collateral securing the ARA loan during the term of the loan.

* * * *

Mr. CAMPBELL. Section 202(b)(9)(B) of the bill would, in effect, consolidate the language in section 6(b)(9)(B) and (C) of the Area Redevelopment Act which relates to required participation in project costs by non-Federal interests.

Section 6(b)(9)(B) of that act requires that not less than 10 percent of aggregate project cost of federally assisted industrial or commercial projects be supplied by the State or any agency, instrumentality, political subdivision thereof, or by an Indian tribe or community or area organization which is nongovernmental in character, as equity capital or as a loan repayable only after the Federal financial assistance has been repaid in full and, if such loan is secured, its security shall be subordinate and inferior to the lien or liens securing such Federal financial assistance.

Under the proposed language, the required State or community financial participation in projects would be reduced to 5 percent and the Secretary, in accordance with standards prescribed by regulation, could waive the requirement and allow the applicant or such other source as he may approve to supply such funds.

The legislative history of the Area Redevelopment Act shows that the requirement for State or community financial participation was intended to insure that each project assisted under section 6 of the act had the active support of the community in which it was located, as evidenced by the willingness of the State or local community organization to invest in the project funds in the amount of 10 percent of the aggregate project costs and to assume with respect to this investment a risk position subordinate to that of the Federal Government.

Shortly after the inception of the area redevelopment program in 1961, the administration found that, with respect to certain prospective section 6 projects, cognizant local development corporations were unable to raise the funds necessary to meet the 10-percent requirement.

Faced with this situation, the administration, on a case-by-case basis, decided to advise certain prospective borrowers, and later adopted as a formal policy, that, in cases where the local development corporation had made a bona fide fund-raising effort, there was no limitation on the extent to which the borrower could provide funds to the local development corporation to enable it to make the required 10-percent contribution to the project.

In a recently issued report to the Congress, we expressed the view that the mere channeling of funds of the borrower or of others having an interest in the project substantially identical to that of the borrower through a local development corporation and back into the borrower's project, without such corporation's undertaking a bona fide financial risk with respect to the project, did not constitute compliance with the terms of section 6(b)(9)(B) of the act.

We stated that dependent upon the specific standards which would be established by regulation, the effect of the proposed legislative provision could be to permit the adoption of the administration's policy related to section 6(b)(9)(B) of the Area Redevelopment Act.

If the intent of the proposed legislative provision is to be similar to that of section 6(b)(9)(B) of the Area Redevelopment Act, and if it is desirable to permit the waiver of the requirement, we believe the subcommittee should give consideration to the manner in which the administration has administered the provisions of section 6(b)(9)(B)

of the act and to the need to amend the proposed legislation to provide criteria to better assure that, if enacted, its intent will be achieved. We included a recommendation to this effect in our report to the Congress on this subject.

Senator MUSKIE. The question raised here is whether or not under any circumstances—if so, what circumstances—people associated with the enterprise itself—that is, with the industry——

Senator BENNETT. The borrower.

Senator MUSKIE. The borrower—should participate in the community's contribution to the project in whole or in part. That is the issue, is it not?

Mr. CAMPBELL. That is the essence of it; yes.

Senator MUSKIE. And we are dealing usually with corporations, I assume, and in some cases so-called family corporations.

Mr. CAMPBELL. Yes, sir.

Senator MUSKIE. Closely held corporations.

Let me put an illustration here to highlight again what the issue is. Assume that some relatively well-off members of the community decided to organize for the purpose of creating an industry in the community. They are members of the community to start with unrelated to a corporate entity or not even borrowers at that stage. They simply decide on some economic asset of the community—forest, recreational resources, etc.—that they would be willing to put in some of their money to build an enterprise for the community. They are willing to put in the entire 35 percent as members of the community

They form the corporation, and they are the owners of the corporation.

Now, they might feel some inhibitions about going around and passing the hat among their economically distressed neighbors for contributions to their welfare. They might prefer to put up the entire money.

Now, in that kind of a situation, which I would grant may be an unusual one, but I put it simply to highlight it, would you, on reading the act, feel that such an arrangement ought to be frowned upon by the agency?

Have I put it clearly?

Mr. RAMSEY. You have, sir. I think such an arrangement need not necessarily be frowned upon, Senator. In the type of an organization you are speaking of, I take it that the people in the area are concerned generally with advancing the welfare of that area. They all get together, and perhaps they go to some of the more affluent members and some of the more affluent corporations and collect money for general purposes of bettering the community.

Now, the Area Redevelopment Act calls for a contribution by, among other things, a local development corporation. If the person contributing to the local development corporation does so with the idea that this corporation is going to engage in general activities, I think that is fine, that is all right. But if this happens to be the borrower who loans money to the local development corporation on condition that the local development corporation loan that money back to him again to meet the 10-percent requirement, we doubt that that meets the purpose of the act.

Senator MUSKIE. I was not speaking of a local development corporation. I am speaking of two or three entrepreneurs, wealthy people in the community, who decide they are going to start a business as a private business corporation to contribute to the community's development effort, and they do so.

Obviously, if it is a local development corporation, they have gone through the mechanics necessary to avoid the problem. But if it is a private business corporation, they own it. They are also willing to put up the community's share. This is the situation I put.

Mr. RAMSEY. Mr. Chairman, in our reports and testimony we are speaking in terms of what the Area Redevelopment Act provides, which allows 10-percent participation by States or agencies, instrumentalities or political subdivisions thereof, or Indian tribe or a community or area organization which is nongovernmental in character—that is, a contribution by a community or area organization.

I suppose it would be a question whether these two or three people who got together really had an area organization. If they did, apparently they would come within the terms of the act.

What we are speaking of here, I think, would strictly have to be measured by the terms of the act.

Senator MUSKIE. You concede the possibility that one wealthy member of the community could put up the entire community share in any project, thus obviating any evidence that this presents a community willingness to assume some risk?

Senator PROXMIRE. Mr. Chairman, could I ask about another common situation in a way? One of the great problems we have in America, and it is true in Wisconsin, Maine, Utah, and elsewhere, is that people are leaving our farms and our rural areas. Furthermore, those who remain are underemployed.

Now, you have a situation in which a big factory decides it would like to locate in a pretty small community and it really wants to locate there for many good reasons. There is a labor surplus area. But the little community just doesn't have the financial wherewithal to make this kind of a contribution to locate in that territory.

Now, they would draw employment throughout the area. It would pay its taxes in one place. So it would be hard perhaps to get people from around the country to contribute.

Under these circumstances, it seems to me that a very stringent interpretation of the 10-percent factor would hurt the purpose of this act, which is to take care of the underemployment and the low income of people living in rural areas, and also the dispersion of plants which is desirable for many other reasons, defense and so forth.

Mr. RAMSEY. Yes, Mr. Senator; that might very well be so—that the act as presently written puts the burden on an area which is least able to make the 10-percent contribution before it can qualify for help.

I think in our testimony, though, we were turning our attention both to that provision and the desirability, if there is to be a waiver, of setting some sort of criteria by which the waiver will be governed.

Senator PROXMIRE. I think that makes a lot of sense. I am not arguing that there shouldn't be some contribution, but I think there may be exceptional cases where you have a big plant and a small community where perhaps the 10 percent might be reduced somewhat.

Senator BENNETT. May I raise an example over on the other side? Let's go up, say, to a forest products community, a place where they have a couple of sawmills and there is a glut in the market. So that let's say they have three sawmills operating and they are operating on the narrow edge. And this is the only natural resource.

Suppose an individual decides he is going to get an ARA loan and open another sawmill, and the community, as such, will not support him, in part because the three potential competitors say, "We can't stand another sawmill."

Suppose the newcomer organizes a development corporation and he puts his money into it, and the development corporation takes the leadership and satisfies the demands of ARA for community funds.

It seems to me that that clearly is outside of the meaning of the act, and yet isn't this one of the things that could happen if the borrowers, the potential borrower, is permitted to put up the 10-percent community funds or any substantial part of it? He is in a position to overcome the will of the community if he can get an acceptable community organization organized which will become his sponsors.

Mr. RAMSEY. Yes, Mr. Senator. I think that is correct. Now, as we read the act and the history of it, it seemed to us that the essential purpose of this 10-percent participation was to insure that there was a community interest and a community backing for a project which was being brought in.

All we were doing or are doing is trying to read and apply the provisions of the act as we interpret them. Whether, of course, it is desirable or absolutely necessary in every case to get this type of participation I think is a matter of policy for the Congress to decide.

Senator BENNETT. What would you recommend? Would you recommend a change in the law to prevent the borrower from putting in any substantial part of the 10 percent?

Mr. RAMSEY. I don't believe we do, Mr. Chairman. I think we have simply turned our attention to this waiver provision and suggested that there be——

Senator BENNETT. Criteria?

Mr. RAMSEY (continuing). Criteria to show under what circumstances or to what extent it would be waived—or could be waived I should say.

Mr. PIN. Senator, we have another report where we make this recommendation that we would like to call to your attention. It was issued on May 6, 1965. The title of the report is "Lack of Compliance With Statutory Requirements for Local Financial Participation in Area Redevelopment Projects."

Senator BENNETT. Page?

Mr. PIN. Page 20, sir. One element is there, and the second element is on page 21.

Senator MUSKIE. Read it into the record.

Mr. PIN (reading):

Dependent upon specific standards which may be contained in the regulations to be promulgated by the Secretary, the effect of the proposed legislative provision could be to permit the adoption in connection with the administration of the proposed legislation, if enacted, of ARA's previous policy related to section 6(b)(9)(B) of the Area Redevelopment Act.

In our view, the failure of a community to respond to a fundraising drive for the benefit of a project is not necessarily evidence that the community is not

able to financially participate in the project but, rather, might evidence a lack of community support for the project. Accordingly, if the intent of the proposed legislative provision is to be similar to that of section 6(b)(9)(B) of the Area Redevelopment Act, that is, to insure that each federally assisted industrial or commercial project has the active support of a community in which it is located, and should the Congress wish to permit the waiver of the requirement where the State and the community lack financial ability to participate in the project, we recommend that the Congress in its deliberation on the proposed legislation give consideration to the manner in which ARA has administered the provisions of section 6(b)(9)(B) of the Area Redevelopment Act and to the need to amend section 202(b)(9)(B) of the proposed legislation to provide criteria as to the means by which the Secretary is to determine whether State or community funds are reasonably available to a project.

Such criteria might require that the determination be made not with reference to such response as may have been obtained from fundraising efforts but, rather, with reference to objective economic standards by which the ability of a State or the community to participate in the project would be judged.

If, utilizing such criteria, the requisite financial ability were found to exist, the extent to which the State or community would be willing to participate financially in a project could be considered a valid indicator of their support for the project.

In essence, what we have said is what I think Senator Proxmire indicated before. If the community lacks the financial wherewithal to carry out the project, then the waiver might be justified. But, otherwise, a simple showing that a community would not respond to a fundraising drive in our opinion doesn't provide reasonable evidence that you have community support for a project.

Senator MUSKIE. I think on the illustration that Senator Bennett posed that we ought to indicate that there are other safeguards against that kind of thing developing in the law. For instance, in the report, Area Redevelopment Act Amendments of 1963, there is this language:

Before extending any aid to any firm, ARA should determine that consumer demand, regional or national, or foreign demand, would be able to absorb new capacity created in the industry within a reasonable period of time.

I think that ARA has indicated that it is its policy to evaluate this factor.

Senator BENNETT. When you consider this coal mine in Carbon County, Utah, it is evident to me that they ignore this fact.

Senator MUSKIE. Well, you have got one incident there. I do not know all of the facts relating to it.

Senator BENNETT. There may be others.

Senator MUSKIE. There may be others. If there is one, you could probably say there have been others somewhere. But I think it is a fact that there is this policy, that this policy is laid down in the Senate report, and ARA has testified that it has that policy and regards it as a real one and a meaningful one.

Senator BENNETT. We needn't take the time with these gentlemen to probe that one further. We have already discussed it.

Senator MUSKIE. Are you ready to proceed, Mr. Campbell?

Mr. CAMPBELL. Section 202(a)(2) would authorize the Secretary to guarantee loans for working capital made to private borrowers by private lending institutions in connection with projects assisted under section 202(a)(1) provided that the guarantee shall not exceed 90 percent of the amount of the outstanding unpaid balance of such loans. Under the Area Redevelopment Act, financial assistance could not be extended for working capital.

Whether the assumption of the additional risk involved in this form of financial assistance is essential to the furtherance of the program objective is a matter for congressional consideration. However, there are several factors which we believe should be considered by the subcommittee in its deliberations on this provision.

First, if the working capital guarantee program is intended to be self-supporting, the subcommittee may wish to consider requiring the assessment of a premium to cover the costs of administration of the program and to offset guarantee payments which may be required.

Second, inasmuch as these loans could carry a 90-percent Federal guarantee against loss, the subcommittee may wish to stipulate a maximum interest rate that could be charged on such loans.

Senator MUSKIE. Just two comments on that. First, with respect to the first recommendation, I think the Secretary in his testimony indicated he intended to do this. And the second recommendation, I think, is also a very good one.

Mr. CAMPBELL. Also, section 202(b)(9)(C) of the bill would authorize the Secretary, as does section 6(b)(9)(D) of the Area Redevelopment Act, to subordinate the Government's lien position on project assets to lien positions of other loans made in connection with such project.

The Area Redevelopment Administration has, in some instances, under the Area Redevelopment Act, subordinated its lien position on project assets to assist the borrower in obtaining a working capital loan from a private lending institution.

Because of the security which would be provided the private lending institution by the Federal guarantee, the subcommittee may wish to require that any working capital loan guarantee under section 202 be otherwise unsecured or, in some other manner, define in the legislation the relative risk positions intended to be assumed by the lender and the Government.

The bill as drawn would provide no limitations on the amount of loans that may be guaranteed in 1 year or on the amount of guarantees that may be outstanding at any one time. Because of the varying needs of the individual projects, we cannot offer a reasonable estimate of the total amount of working capital loans that might be needed in the course of 1 year.

We believe that the bill should include some limitation. Simply by way of illustration, if working capital needs averaged about 50 percent of project costs and such costs totaled \$150 million in 1 year, it is evident that the Federal Government could incur a substantial contingent liability.

Section 202(a)(3) would authorize the Secretary to make payments to or on behalf of qualified borrowers, for periods not to exceed 10 years, of amounts sufficient to reduce by 2 percentage points the interest paid by such borrowers on loans obtained from nongovernmental sources and which are not guaranteed by any Government agency.

It is our understanding that this benefit will be available only in those cases where investment of private capital is clearly in lieu of Federal financing as limited in section 202(b)(9), that is, not to exceed 65 percent of aggregate project cost.

One aspect of the proposed interest subsidy provision which we believe should be considered concerns the possible relationship between the borrower and the lender.

In one case on which we recently issued a report to the Congress, the Area Redevelopment Administration required, for special reasons, the parent corporation to participate to the extent of \$100,000 in the loan which the Administration made to a subsidiary corporation.

As we understand the language of the provision, the subsidiary corporation in such circumstances would be entitled to receive the 2-percent interest subsidy on the amount received from the parent corporation.

If it is intended that borrowers in situations such as the cited case not be eligible for this type of assistance, we suggest that it be made clear that the interest subsidy provision be applicable only to project financing arrangements conducted on an arm's-length basis.

Section 203 would authorize to be established in the Treasury of the United States a revolving fund which would be available to the Secretary of Commerce for the purpose of extending financial assistance under sections 201, 202, and 403 and for the repayment of all obligations and expenses arising in connection therewith.

We believe that this proposal would tend to avoid the need for annual appropriations, and thus there would be less compulsion for careful evaluation by successive Congresses of the need for continuing particular programs.

We have consistently taken the view that the public interest is best served when congressional control of Federal activities is exercised through annual review and affirmative action on planned programs and financing requirements which attend the appropriation processes.

Departures from this procedure should be permitted only on a clear showing that an activity cannot be successfully operated in the public interest within this framework.

In the absence of special circumstances, we believe that the revolving fund method should be adopted only if its demonstrable merits in terms of more efficient operation of the activity clearly outweigh the disadvantages of reduced congressional control.

If the revolving fund feature is to be retained in the bill, we suggest that the bill be revised to provide that funds may be used for the loan programs and for administrative expenses only in amounts stipulated in annual appropriation acts.

Section 401 of title IV entitled "Area and District Eligibility" presents criteria for the designation of redevelopment areas which involve matters of policy for determination by the Congress, and we have no suggestions with respect thereto.

Section 402 would require an annual review by the Secretary of the eligibility of all areas designated or under consideration for designation under section 401 and would authorize the Secretary, on the basis of his review, to terminate or modify designations of such areas in accordance with objective standards prescribed by regulation.

In contrast, section 13 of the Area Redevelopment Act requires termination of eligibility of an area when the Secretary determines that it would no longer be eligible for designation under that act.

If it is intended that the Secretary, in formulating regulations, is to adopt the designation criteria contained in section 401 as the basis

for termination or modification actions, we believe that the subcommittee should consider the desirability of making this a specific requirement of the legislation.

In this connection, the subcommittee may wish to consider information contained in our report to the Congress dealing with the Area Redevelopment Administration's policy of administratively delaying the termination of area eligibility for rather long periods of time after the Secretary of Labor had found that such area no longer met the criteria for designation.

Under section 402, areas designated under the Area Redevelopment Act would be eligible for benefits provided by this bill until the first annual review of eligibility. We note that the bill does not specify when the first annual review is to be undertaken.

We note also with particular reference to subsections 401(a) (2) and (3) of the bill and subsection 5(b) of the Area Redevelopment Act, criteria for area designation contained in the bill represents a significant change from those contained in the Area Redevelopment Act.

In the light of these factors, we believe the subcommittee might wish to consider the desirability of specifying in section 402 that the first annual review of eligibility of areas designated under the Area Redevelopment Act be undertaken as promptly after the date of enactment as is practicable.

Section 402 would also provide that no termination of eligibility shall affect the validity of any application filed, or contract or undertaking entered into with respect to the affected area prior to termination.

The effect of this provision, which is somewhat similar to a provision contained in section 13 of the Area Redevelopment Act, would be to extend the availability of financial assistance to an area for an unspecified period of time after the eligibility of an area has been terminated.

Senator BENNETT. May I interrupt at this point, Mr. Campbell? Would it solve the problem you have just raised if we required the Secretary to "finalize" every pending application and existing contract at the time the area eligibility is terminated so that he either has to say, "Well, we're going to terminate the area; we'd better either approve this contract or terminate it, and we're either going to continue this program or terminate it"?

Mr. CAMPBELL. I think that would be a practical approach. It would answer our problem.

Senator BENNETT. It would require all pending matters be terminated when the area eligibility is.

Senator MUSKIE. Under the present ARA policy is it not so that projects which have not been approved prior to de-designation or prior to the date of de-designation fall?

Mr. AHART. No.

Senator MUSKIE. If they have not been approved?

Mr. PIN. If they have an application—

Senator MUSKIE. If there is an application filed it is still active?

Mr. PIN. That is right, sir. There is even a step before the application. If they have a project proposal, it would qualify for assistance under their present policy.

Senator MUSKIE. A proposal that has not been filed?

Mr. PIN. If it has been filed.

Senator MUSKIE. If there is a project proposal on file before designation takes effect, it can still be eligible under present policies?

Mr. PIN. Right.

Senator BENNETT. Maybe I could suggest that within 60 days after eligibility of the area has been terminated these other things should be either approved or eliminated.

Senator MUSKIE. Would that not depend upon how long it takes the agency to process the proposal? It is not the local community's fault as to whether or not a proposal is delayed in consideration by the agency. It is the agency's fault.

Senator BENNETT. Let's say the determination whether to approve must be made by the agency, even though they take longer time to process the papers. They must make the determination within 60 days after eligibility has been terminated.

Senator MUSKIE. Would you want to comment on what period of time is reasonable, in the light of your evaluation of the agency, for processing of a proposal that has been filed?

Senator BENNETT. I would not quarrel with 60 days or 90 days. Let's put a terminal date within a reasonable period of time after the termination of the eligibility by which the agency must make final determination on all existing applications.

Mr. PIN. The discussion you just had relates to the delays that may occur internally. There could have been problems insofar as the applicant also. He may delay in submitting an application. He will have his project proposal on record and it may be some 6 months afterward that he will submit an application.

So really the problem is two-pronged. And in stipulating what would be a reasonable——

Senator MUSKIE. I don't have clear in my mind the difference between filing of a proposal and filing of an application.

Mr. PIN. Under their current system, sir, an applicant will submit a project proposal which is a rather sketchy description of what he intends to do, and on this basis the agency takes an action, makes a brief examination, and either decides to proceed further with the application or terminate it at that point.

Senator MUSKIE. How long does that process typically take?

Mr. PIN. I have no way of answering that question, sir.

Senator MUSKIE. In effect, it is an initial, preliminary application?

Mr. PIN. That is right.

Senator MUSKIE. So you really cannot give us any judgment at the moment on what is a reasonable time for processing of applications?

Mr. PIN. To give you a specific idea; no, sir.

Senator BENNETT. If we said within 1 year, would that give them a reasonable time?

Mr. PIN. That would seem rather liberal.

Senator BENNETT. That is what I think.

Mr. PIN. Going back to the objective of the statute, once you designate these areas, presumably they no longer need financial assistance.

Senator MUSKIE. There has been considerable discussion on a policy level in this committee on that point as to whether the fact that an area no longer meets the specific criteria for eligibility which justified designation in the first place is really justification for a sharp cutoff.

The policy question has not been decided, but there is some at least doubt in the committee on the wisdom of sharp cutoff keyed directly to the criteria which create eligibility in the first instance.

I think we would be interested. I think you can make a case for continuing consideration of proposals that have been filed prior to dedesignation. But what you finally decide as a matter of policy depends upon what you decide about cutoff.

Mr. PIN. That is right.

If I may suggest this, if all parties were on notice that commitments would have to be outstanding within 90 days from the date of termination, I think it would hasten the proceeding.

Senator MUSKIE. Commitments outstanding? By that you mean in the pipeline?

Mr. PIN. That there would be a commitment by the Federal agency to the local party that, "You have a project as far as we are concerned." A firm one.

Senator MUSKIE. Commitment based upon the preliminary application or commitment based upon the formal application?

Mr. PIN. No, after full investigation. My suggestion would be after the application.

Senator BENNETT. I think we have got the problem.

Senator MUSKIE. Yes, we know the problem.

Proceed.

Mr. CAMPBELL. Section 13 of the Area Redevelopment Act did not specifically refer to the validity of applications filed prior to termination. However, the Area Redevelopment Administrator interpreted the word "undertaking" as used in that section to include the filing of a project proposal, which generally precedes the filing of a formal application.

In the administration of that act, financial assistance has been approved as much as 13 months after the date of termination of the eligibility of the area involved. Accordingly, the subcommittee may wish to consider the desirability of specifying in section 402 the period of time after which a pending application would not be valid.

Section 403(f) would authorize appropriations not to exceed \$50 million annually for financial assistance extended under the provisions of subsections 403(a) (3) and 403(a) (4), the latter of which authorizes increased grants for public facility projects in redevelopment areas which are consistent with an approved district overall economic development plan.

With regard to section 403(f), and, as we suggested in connection with section 201(c) of the bill, the subcommittee may wish to consider the desirability of specifying maximum appropriations amounts authorized for each type of assistance authorized: that is, public facility grants, public facility loans, industrial and commercial loans, and public facility grant increases.

The subcommittee may also wish to consider making working capital loan guarantee contracts under section 403(a) (3) subject to a limitation separate from that which we have suggested be established under section 202 of the bill.

Senator MUSKIE. Thank you very much, Mr. Campbell. The statement and discussion have obviously been useful to the committee, as we have taken so much time on it, and I appreciate your patience. I

think that your proposals have been most useful and provocative, and I think they will constitute an important part of the record as the subcommittee considers the bill.

I would like to ask just one question. I think I have covered most of my questions in the course of the testimony.

We have had some interest in the course of the hearings in the employment multiplier which translates the direct jobs to the indirect jobs that a project can be credited with.

The multiplier that is used conventionally apparently is 0.6, or 1.6, depending upon how you use it. The U.S. Chamber I think uses that multiplier.

It has been suggested in the course of the hearing that the relationship ought to be considered to be 1 to 1 or 2.0. And I wondered whether or not you had any independent judgment or evaluation of what this factor ought to be, whether you ever had an opportunity to study the question.

MR. CAMPBELL. We have not analyzed that, Mr. Chairman.

Senator MUSKIE. I think this could be very useful. We are involved in this sort of question not only in these programs but from time to time in public works legislation, and I think it would be most useful.

I do not know how much work it would involve for you, but it is an accounting concept and I think it would be most useful.

Senator BENNETT. Mr. Chairman, I did not get into the discussion the other day. It seems to me it must vary from community to community depending on the extent to which new people come in or the extent to which the indirect services to the new employees can be absorbed by existing local institutions that are far short of their capacity. So that there might be no multiplier.

Senator MUSKIE. I think that may undoubtedly be true, and, if it is, then we should not continue using the 0.6 multiplier of the chamber of commerce.

Senator BENNETT. Or the 0.1 multiplier of Senator Douglas. I do not think you can use any multiplier figure and be sure it is accurate.

Senator MUSKIE. No, the 1.0 multiplier of which I am speaking is the one suggested by the New England group that testified before, and I do not think they were fed by Senator Douglas. This was their own.

Senator BENNETT. Senator Douglas has been talking about multipliers for a long, long time, and I confess I have forgotten what figure he uses.

Senator MUSKIE. No, he uses 1.0. But I was not referring to Senator Douglas. And all I am asking you, Mr. Campbell, is to let us know, one, whether there is any value to such a multiplier, and, if there is, whether or not you might find it possible to develop one that would have validity.

I am not trying to prejudge the question either from Senator Douglas' point of view or the U.S. Chamber's point of view or Senator Bennett's point of view.

MR. CAMPBELL. This problem gets into the economic area, and we do not pretend to be economists in our organization. But we want to be helpful. It is not something we have gotten into, and in the ordinary course we would not.

Senator MUSKIE. Would you give it some thought?

Mr. CAMPBELL. We certainly will; yes, sir.

Senator MUSKIE. I do not know we will ever resolve this debate.

Senator BENNETT. I would think this should be referred to the Committee on the Economic Report or an organization like that that works in theoretical economics rather than to this group of auditors.

Senator MUSKIE. If they tell us it is not an appropriate function for them to fill, we will accept their judgment.

Mr. CAMPBELL. Mr. Chairman, I know that you thought that the record would be closing tomorrow night, and Mr. Schoenhaut points out to me that we do not know whether we can meet that deadline.

Mr. SCHOENHAUT. You have asked us to submit a number of things for the record, and I am quite sure we could not possibly get it done by tomorrow night.

Now, could we, as an alternative, perhaps submit it directly to the Committee on Public Works, whom we understand this subcommittee will report to?

Senator MUSKIE. I think in order to answer that question fairly to everyone concerned, it would be necessary to distinguish between that information that we asked you to submit which might be helpful to the committee in framing its report and those pieces of information which would simply be useful in the record for those evaluating the legislation generally.

Senator BENNETT. May I ask, Mr. Chairman, do we report to the full committee before the full committee reports to Public Works?

Mr. HALE. Yes.

Senator BENNETT. So perhaps if this information were available by the time the full committee meets, let's say Tuesday noon—

Senator MUSKIE. Would that give you enough time?

Mr. CAMPBELL. We will get this transcript and we will be able to do that.

Senator MUSKIE. Fine.

Thank you very much, gentlemen.

We have one final witness, I think, and I guess we owe him some apology for making him wait so long.

Mr. William C. Heyn of the National Association of Manufacturers.

**STATEMENT OF WILLIAM C. HEYN, ASSISTANT TO THE PRESIDENT,
NEW HOLLAND MACHINE CO., DIVISION OF SPERRY RAND CORP.,
NEW HOLLAND, PA., ON BEHALF OF NATIONAL ASSOCIATION OF
MANUFACTURERS**

Mr. HEYN. Mr. Chairman, members of the subcommittee, in the interest of brevity at this point, I will—

Senator MUSKIE. Do you have a prepared statement?

Mr. HEYN. Yes, sir; I do. I will try to cut that down to about 5 minutes if that suits.

Senator MUSKIE. All right. Your complete statement will be included in the record.

Mr. HEYN. We would appreciate that very much.

Senator MUSKIE. Now, you have some attachments.

Mr. HEYN. Yes, sir. These relate to a program that is promulgated by the NAM, but we are suggesting it as helpful in the direc-

tion of solving the unemployment problems in some of these depressed areas.

Senator MUSKIE. I see no reason why those should not be included in the record. So they will be included in the record also.

Mr. HEYN. Very good. Thank you, sir. (See pp. 201-208.)

My name is William C. Heyn; I am assistant to the president, New Holland Machine Co., division of Sperry Rand Corp., New Holland, Pa.

My testimony is presented on behalf of the National Association of Manufacturers, a voluntary association of business enterprises, large, medium, and small, located in every State, which account for the production of approximately 75 percent of the Nation's manufactured goods.

These enterprises are keenly interested in the maintenance of high levels of employment. Therefore we appreciate this opportunity to comment on proposed legislation dealing with the economic and employment problems of various areas of the Nation.

My personal business experience has provided me with a background concerning industrial plant location decisions and problems involving the relationships of these decisions to industrial development programs. At the moment, we are completing a study which will result in our building a sizable plant in Grand Island, Nebr. Through a consulting firm, we have carefully studied the special inducements offered by the Area Redevelopment Administration and many individual localities across the country and have come to the conclusion that our decision should be based on unsubsidized economics rather than on special artificial inducements.

It is on the subject of these artificial industrial location inducements that I have asked to speak before you here today. I have been authorized to discuss section 202 of S. 1648 which would in effect perpetuate the program of industrial and commercial loans at below market interest rates which has been carried out under legislation due to expire on June 30, 1965.

In summary, our objections to the perpetuation of this program are:

1. It is unfair to existing industry to use their tax money to subsidize new industry which will compete for their markets.
2. Such a subsidy program will result in an inefficient misallocation of U.S. resources.
3. The resulting higher costs and inefficiencies will hamper our economy in competing with the economies of other nations.
4. Because such a subsidy program introduces artificial considerations, it will result in unsound and often just temporary industrial stimulation for the communities involved.
5. Since industrial development is a highly competitive activity, it is unfair and discriminatory for the Federal Government to take sides in behalf of some areas, thereby working against other areas to create competition for their products and jobs.
6. There are other, more effective methods to solve employment problems.

UNFAIRNESS OF SUBSIDIZED COMPETITION

Subsidies do not create new markets, so it is inevitable that a new, subsidized industrial plant will compete for existing markets with industrial plants already established at no cost to the taxpayers. And,

it might be added, plants that have capacities to supply the effective demand for any class of goods that one can think of. It is manifestly unfair and unsound to tax existing industrial enterprises with a Federal corporate income tax only now being reduced to a 48-percent level, and then use this tax money to subsidize new competitors.

Where potential markets are available, nonsubsidized industrial enterprises will seek them out without the necessity of tax-supported subsidies. Thus, such a program unnecessarily uses public money to serve purposes which could be fulfilled by enterprises not dependent on subsidy.

The resulting subsidized competition cannot only be economically harmful to existing industrial enterprises located within the particular area but also to enterprises located elsewhere which serve the markets in that particular area. Thus, such projects would seem almost always to be at the expense of some existing industry and existing jobs. This has been the most widespread criticism of this program.

Such a subsidy program could very well operate to divert machine tool industry markets away from the State of Illinois; to divert food processing industry markets away from the State of Wisconsin; to divert transportation equipment industry markets away from the State of Missouri; to divert light metals industry markets away from the State of Oregon; and to divert pulp and paper industry markets and recreation-tourist industry markets away from the State of Maine.

These moves would be made without subsidy if economically warranted, since, like nature, the competitive economy in this country is so aggressive that few vacuums in supply can be found.

Senator MUSKIE. May I ask is it your view that decisions in the private sector never operate to divert industry markets away from places where they already exist?

Mr. HEYN. Our position, sir, is that most companies employ very well established market research departments, and we are aggressively looking for areas to move into to take the product there. Because we all know after you pass a breakeven point in any industry your margins become very much better so that you have an incentive to get the last dollar to a far greater extent than the earlier dollar.

Senator MUSKIE. I don't think you answered my question.

Mr. HEYN. I am sorry.

Senator MUSKIE. I asked whether in your judgment decisions in the private sector never result in a diversion of industry or industry markets where they exist at the time. We have lost our textile industry in Maine over the years, and that was the result of diversion prompted by decisions in the private sector as I recall it.

We have lost other industries in New England because of such decisions.

So diversion can result from private decisions as well as decisions related to this program.

Mr. HEYN. It seems to me that the answer that we would give there is there were economic reasons presumably that caused these industries to move from one locality—

Senator MUSKIE. We are not talking about causes. We are talking about results.

Mr. HEYN. Yes, sir.

Senator MUSKIE. So if you are saying an argument against this program is that it results in diversion, either that argument is valid or it isn't. Now, you can quarrel with the reasons. You are doing that in the rest of your statement. I am focusing upon the end result which you say is undesirable and which I am suggesting happens in the private sector as well.

Mr. HEYN. It does.

Senator MUSKIE. If it hadn't, we wouldn't be pushing for this program.

Mr. HEYN. We take the position it should happen. In other words, an industry trying to find the very best location based on the economics involved should try to find the place that is closest to its markets, labor supply, raw materials. And it may very well find it should relocate. But it should do this on the basis of economics rather than on the basis of subsidy.

Senator MUSKIE. You are saying decisions in the private sector always result in industry locating in the best location?

Mr. HEYN. If they don't, then the management is somewhere out of—

Senator MUSKIE. Well, whatever the reason, are you suggesting that industries in the private sector always locate in the best location?

Mr. HEYN. I think a well-managed company would have that as its objective.

Senator MUSKIE. Well, you may qualify your answers, but I think we should remember the bankruptcy courts are filled with bad decisions in the private sector.

Mr. HEYN. Yes, sir, and they should be, and that is one of the great things about this economy. People who don't have judgment fail, and those who have good judgment succeed, and that is why we are—

Senator MUSKIE. The point I am making—because you are making it—is that you are suggesting that in the Government sector when we get involved in these decisions they are always bad by nature of the fact that they are Government activities, and the implication is that in the private sector the decisions are always good—

Mr. HEYN. Sir—

Senator MUSKIE (continuing). Because they emerge in the private sector.

Mr. HEYN. I think what I would like to try to differentiate would be between a move that was economically justified—in other words, where your costs would be lower in making the move, which should result in lower costs in the product, should result in benefits to the country at large—

Senator MUSKIE. Are you saying there isn't a single ARA project that was economically justified?

Mr. HEYN. No, sir. We are saying that as a generality we feel that by introducing artificial means into getting companies to locate—

Senator MUSKIE. Would you define those artificial means?

Mr. HEYN. Well, inducements in the way of cost reduction, tax abatement—

Senator MUSKIE. Are there any tax abatement provisions in this program?

Mr. HEYN. No, sir. Excuse me. I am thinking in terms of various incentives——

Senator MUSKIE. Why don't you talk about those provided in this program?

Mr. HEYN. All right, sir. If you offer a stimulus for someone to move into an area because of lower interest rates or certain subsidies——

Senator MUSKIE. Well, the ARA program at present involves no lower interest rates.

Mr. HEYN. Well, I guess I am taking too broad a view on this matter of subsidy. But may I make the general statement——

Senator MUSKIE. The ARA program is a loan program.

Mr. HEYN. Yes, sir.

Senator MUSKIE. It is designed to provide capital in areas which otherwise have inadequate capital resources to develop their resources.

Mr. HEYN. Yes, sir.

Senator MUSKIE. And that is a bad thing in your judgment?

Mr. HEYN. We feel that it could be a bad thing if it causes the growth of an industry in an area that otherwise would not support that industry from the standpoint of good economics.

Senator MUSKIE. I would agree with that. I think ARA would agree with that. And I think it is the objective of ARA to avoid that.

Mr. HEYN. Yes, sir. Well——

Senator MUSKIE. I mean if they succeed, then do you otherwise approve of the program?

Mr. HEYN. Well, I think just the discussion we have had here this morning shows how difficult it is to administer a program on the basis of fairness, and, quite aside from that, we feel that just because we have built a new facility in another location doesn't mean we have increased the size of the market.

We feel that you have taken that market and, instead of servicing it from one factory or one group of factories——

Senator MUSKIE. This is where I take issue with you. We are having a tremendous growth in this country, and you are saying that this growth should go only where the private sector decides it ought to go, even if the decisions in the private sector result in that growth ignoring areas of this country. There is some interest and some concern and some responsibility on the part of the Government to divert some of that growth to other areas which might otherwise have to be abandoned, areas which would otherwise be neglected by the private sector.

We are not suggesting that this program is going to add measurably or significantly to the gross national product. What we are saying is that the country as a whole is contributing to this increase in the gross national product. And we are saying that some of that—I don't see that this is such a criminally poor decision to make—might go into Washington County, Maine, where the unemployment rate is 25 per cent year round, or that it might go into some other economically depressed areas of the country.

Is that so bad?

Mr. HEYN. Well, I think——

Senator MUSKIE. Should they be abandoned in your judgment?

Mr. HEYN. No, sir. We just feel that there should be different and better ways to do——

Senator MUSKIE. Well, what are they? We have been waiting in Maine for a hundred years for you people to come up there and give us an industrial base. Now, when are you coming?

Mr. HEYN. Well, sir, we have tried potato harvesters and things like that.

I think that it is quite possible that we may have pockets of population in this country that should relocate based on what is a reasonable place to find a good subsistence level based on what they can do——

Senator MUSKIE. I'll tell you what I'll do with you. You come up to Washington County, Maine and you tell them that; will you?

Mr. HEYN. I recognize that might not be popular with the individuals.

Senator MUSKIE. It would not even be economically justified in my judgment. You can't tell me Washington County, Maine has no resources worth putting to work. They may not offer the kind of maximum profit that would entice your company to come up there in view of the fact that your company can make greater profits elsewhere. But you can't tell me that there are no economic resources worth developing in a State which is 85 percent forest covered. You can't convince me of that.

And if the private sector isn't doing it and isn't likely to do it, you say, "Move out until the private sector is ready."

Mr. HEYN. I submit the private sector, using as a yardstick moves that are profitable, may have passed that point up, feeling that there were other areas of the country where they can put their efforts to work to greater advantage. But if we start up a pulp mill or an activity up there that is unwarranted in terms of economics, then we are taking away——

Senator MUSKIE. But you are postulating something that the ARA itself would reject.

Mr. HEYN. Well, what are we going to do with this extra pulp that we will produce in Washington County, Maine? You can't use it there. It is going to be shipped out.

Senator MUSKIE. ARA isn't subsidizing the pulp in Washington County, Maine.

Mr. HEYN. Well, whatever it is that they would produce there. If this was produced there——

Senator MUSKIE. You say whatever they would produce.

Mr. HEYN. I say if we have a subsidy program that results——

Senator MUSKIE. But what is the subsidy program?

Mr. HEYN. Well, if you have loans, let's say, which in this case we regard as a subsidy——

Senator MUSKIE. There shouldn't be loans in Washington County?

Mr. HEYN. Well, we think there should not be loans unless they are economically justified.

Senator MUSKIE. I think we have gone around that circle enough. I have made my points and you have made yours, so why don't you continue?

Mr. HEYN. All right, sir.

Where potential markets are available——

Senator BENNETT. Mr. Heyn, are you going to read the entire statement?

Mr. HEYN. No, sir. I was going to stop at another page and a half, or I can skip to the conclusions. I will be guided by your wishes.

Senator MUSKIE. I think since the entire statement will go into the record, it probably would be well to read the conclusions on page 12 to summarize your statement.

Mr. HEYN. All right, sir. I will be happy to.

In conclusion, our summary views, which are the ones we hope we can sell here, are:

1. It is unfair to existing industry to use their tax money to subsidize new industry which will compete for their markets.

2. Such a subsidy program will result in a misallocation of U.S. resources.

3. The resulting higher costs and inefficiencies will hamper our economy in competing with the economies of other nations. And this is absolutely true. We have operations in other parts of the world and we see this happening every day in terms of taxes and things that are occurring here that make it impossible for us to ship into areas we otherwise feel we could handle very well from our U.S. factories.

4. Because such a subsidy program introduces artificial considerations, it will result in unsound industrial development for the communities involved.

5. Since industrial development is a highly competitive activity, it is unfair and discriminatory for the Federal Government to take sides in behalf of some areas, thereby working against other areas to create competition for their products and jobs.

We feel there are other and more effective ways to solve these employment problems. Granted they are not perfect any more than just going in and presenting people with a wad of money——

Senator MUSKIE. Do you think that Washington County, Maine, marching down the road hand in hand with the Federal Government, is too formidable a force for you to face?

Mr. HEYN. No, sir, I don't think that. I would hope we could solve it in some other way.

Senator PROXMIRE. Could I ask a question, Mr. Chairman?

Senator MUSKIE. Certainly, I have taken too much of the record.

Senator PROXMIRE. I think that there is a lot of logic, of course, in your position. It is a position that has persuaded many, many people in America.

But what persuades me about the ARA approach is that it is a compromise. It is far from an all-out Government program.

In the first place, these are loans. They have to be repaid. They have to be repaid at interest, and the interest compensates the Federal Government.

Now, there are elements of subsidy in the program as you indicated in previous testimony but very, very limited subsidies. There is a big degree, a major degree of competition involved here.

ARA can't force or can't act to keep an uneconomic, unjustifiable plant alive if the economic conditions don't warrant it. Don't you

really feel on the basis of the economic history of this country with our protective tariffs for infant industries, and so forth, it does make some sense to provide an opportunity in some sections of the country, northern Wisconsin, Maine, many other sections of the country, which have an excess of people now, which have underutilized resources as well as underutilized people, to get them going, to give them a little shove, and then see if on the basis of this very, very limited help by the Federal Government and very limited subsidy help it can continue?

Don't you think that this has much more appeal than a Government program that is very costly to the whole country of keeping these people alive on some sort of dole?

Mr. HEYN. Well, as an alternative——

Senator PROXMIRE. They are working.

Mr. HEYN. This would certainly seem reasonable. On the other hand, the thing that strikes us as manufacturers is that proliferation of industry all trying to serve a given U.S. and foreign market, if you break these things up into many pieces, is going to destroy one of the great things in this country. I am overstating at this point, but you tend to destroy the advantages of mass production if we make it possible for competitive industries in areas that otherwise would not economically justify a manufacturing plant to set up.

These become disorganizing factors in the scheme of things in supply and demand.

Senator PROXMIRE. No. 1, you assume there are no new markets created, that it is only a given limited amount of markets. Now, it seems to me when you create an industry in northern Wisconsin or Maine, when you give people an opportunity to work, there are salary increases, there are income increases, they spend money, and it is just impossible for me to believe this country is so limited that when we open up an opportunity for an industry in an area which has been depressed we automatically deprive some other section of the country of that kind of employment.

Now, in Wisconsin, for example, we have in Milwaukee, if anything, a shortage of labor. We have an unemployment rate of around 2 percent. They need labor. They are seeking it. They can't get it.

I can't believe Milwaukee is going to suffer if the northern part of our State gets more industry on the basis of a very limited 1- or 2-percent Federal subsidy and all the rest is private capital operated by private individuals in competition with the economy on a private basis and not people working for the Government.

Mr. HEYN. Well, to use your example, sir, if you go up into, let's say, Kaukauna, Wis., and set up a plant to make chain, and Rex Chain Belt in Milwaukee as a result loses some customers they otherwise would have, temporarily that Kaukauna plant probably can compete. They have some advantage that Rex Chain Belt doesn't have.

But over a period of time if that was not justified to have that plant up in northern Wisconsin, it would fail, and in the meantime I think that we will have made a social investment, that is, an overall investment in the capital that it took to build that plant, that we would have given people false hope, we will lose the advantages of mass production.

Senator PROXMIRE. Let me just try one other element that it seems to me has contributed. One thing ARA has provided for is training

money and, even more important than that, opportunity for people to learn skills in the community. They are working in a plant. This is a real addition to the true economic strength of this country.

Mr. HEYN. A great thing.

Senator PROXMIRE. They wouldn't have a chance to develop this otherwise. They would be underemployed. They would be idle. And the fact that they can develop this it seems to me does strengthen the economy as a whole and provides an opportunity for greater competition.

It benefits the consumer and I just think that this is such a modest, limited compromise program that it is the kind of thing that appeals to me rather than a public works program, a leaf-raking program, a program such as that which is the alternative.

You say you prefer something else. What else? What would you do about Washington County, Maine or Iron County, Wis.?

Mr. HEYN. Well, as an example, now, we feel that the private sector has increased jobs during this period that the ARA has been in effect by something around 4 million jobs. We think that this is a great thing. I think during that same period the ARA has various claims, some of which the Comptroller General's Office has questioned—some of them. Whether they are correct or not we don't know. We feel as a matter of principle that a large part of those that actually could be documented will result in jobs having been lost to another locality, so that we don't think there is a net gain there in terms of employment of people.

As far as what we would do about this, we have this—

Senator PROXMIRE. Let me just at this point say I don't concede that at all, but let me say if you have a situation in which people have to move from Hurley, Wis. to Kenosha, Wis., pull up roots, leave their community, leave the place they love, where they have lived and have gone to school and have good solid family relationships for a long time, and instead they can have those jobs up in Iron County, what is wrong with that? Why isn't that a social gain? Why isn't that a perfectly proper and appropriate—

Mr. HEYN. Sir, if that could be done within the framework of good economics, I think that would be fine. But it seems to me that, just as in Darwin's law, survival of the fittest, to the extent that we do not use good economic justification for our moves in this country we are compromising our ability to produce effectively and efficiently as against foreign competition.

Senator PROXMIRE. Do you apply Darwin's law rigorously? For example, are you against all subsidies to airlines, to merchant marine? Are you against the subsidy to the oil industry in the depletion allowance and the expensing of intangible drilling costs?

Senator MUSKIE. Are you against the restrictions on residual oil imports?

Mr. HEYN. Well, you are taking me way out of my field, but I would say that in things where we are actually cutting new trails—in the aircraft industry, for instance—I could see reasons why I would think subsidies there would be warranted.

Senator MUSKIE. Why?

Mr. HEYN. Well, in the national interest it seems to me that maybe we have to build something that otherwise would not have gotten started simply on the basis of good economics.

Senator MUSKIE. Well, why?

Mr. HEYN. We want to improve our transportation function. We want the protection that apparently a good——

Senator MUSKIE. We have got some undeveloped forests in Maine. Isn't it in the national interest to develop it and to provide skills and to develop opportunities for young people who can serve our country better in the Armed Forces, whatever line they follow, to get them out of the dropout class, to get them into the skilled class? Isn't this in the national interest?

Mr. HEYN. Well, I think the differentiation I am trying to make there is that we already have apparently adequate forest operations that have made the Maine forests that you are referring to——

Senator MUSKIE. I mean, what gives you the wisdom to make that decision that we have adequate forestry production?

Mr. HEYN. Well, sir, I am not making the decision.

Senator MUSKIE. Don't you believe in the increase, in the growth of the national product?

Mr. HEYN. I certainly do. And I think anybody that is in the business of forestry, if they saw an opportunity there, would move in just as quickly as possible.

Senator MUSKIE. Mr. Heyn, are you saying that the forest products industry in this country is so all seeing, so all perceptive that they have detected with undeviating precision the existence of every opportunity for development of the forest products industry that exists in any corner of this great land?

Mr. HEYN. Well, sir, I don't know whether I would put it that way.

Senator BENNETT. Mr. Chairman, I don't think it is a question of the all-seeing wisdom of the forest industry. The forest industry faces the fact that there is a certain market for forest products. It grows with the growth in the gross national product. But you can't increase it by just going out and cutting down more trees in Maine or anywhere else.

Senator MUSKIE. I think the Senator has drawn the wrong implication from my remarks.

I am talking about—and this is all the program is talking about—our effort to develop a team of Government and business. And, mind you, not a single commercial loan under this program can be even begun without the request of a businessman.

Mr. HEYN. Yes, sir. I understand that.

Senator MUSKIE. Business and local communities search out economic opportunities, not uneconomic ones.

Mr. HEYN. Yes, sir.

Senator MUSKIE. That's all that it is intended to do.

Now, mistakes are made. Of course they are. But they are made in the private sector. Poor judgment is made. Of course it is. And it is made in the private sector.

But the objective is to search out economic opportunity in undeveloped areas of this country which might otherwise be overlooked by the private sector and which could be put to work in the interests of undeveloped areas of this country.

Now, you can try to attack it by horrible examples, and I can give you horrible examples in the private sector. You can attack it as being a misallocation of resources, and I can point out to you misallocation of resources in the private sector.

Every reason that you have listed here can be directed as a criticism at decisions in the private sector.

But does that destroy the private enterprise system in my judgment? Of course not.

We have the right in this country to make mistakes as well, not only in the private sector but in the government sector.

Mr. HEYN. Well, sir, when these things happen in the private sector the people who make the mistakes suffer for them.

Senator MUSKIE. They do in the public sector, too.

Mr. HEYN. Sir, I am sure that in areas of this country there are places where there would be stimulation under a program like this, but, much like in a train of cars, you will start the first one first and the second one next, and gradually the thing is moving.

And it may well be that you are talking about a situation that could be helped by a program of this sort. But we feel that the costs of it, the ramifications of it—well, talking about forestry products again, I presume this would set up competition for other forestry operations that are not publicly assisted. And it is that that we feel is unfair.

Senator PROXMIRE. Let me just ask: Here we have the most prosperous period we have had in a long, long time, the highest income ever in history. The stock market has broken all records. If these areas of the country are going to be depressed under these circumstances, they are always going to be depressed unless we have some kind of program.

Here we come in with a program which is 99 percent private, which is overwhelmingly based on competition, on our system. Now, if this isn't adequate or if this isn't proper, if this is too much of an interference or too much of a sully of pure free enterprise, what should we do? Should we just abandon these communities?

Mr. HEYN. No, sir. I don't think so. And I am outside of my field in this, but it seems to me something should be done to help these people relocate in areas where it is justifiably economically possible to employ them.

Senator PROXMIRE. Then you abandon the community. They pick up and walk off.

Mr. HEYN. Quite possibly, just as you might abandon a desert if the stream dried up that you were irrigating your garden with.

Senator PROXMIRE. Isn't it perfectly proper that Congress make a judgment that this may be a temporary situation? You have had timber, mining, something like that that has been exhausted. It may well be you could develop tourism, some other industry, because you have people who love the community, who have lived there all their life and want to stay.

What is wrong with having society decide they will give them a chance with very little help from the Government, with the other 99 percent, say, private?

Mr. HEYN. Well, this 99 percent private effort is hopefully based on people who have figured out how they can best use the funds that they are usually using as stockholders' money. And if we insert into a situation a completely new facet of how decisions are made as to where moneys are going to be spent, I don't know how industry can rationally say: "We want to build down here because the market looks reason-

able; we think we can get a proper return on the money that is invested for the stockholders," if suddenly alongside of it another industry comes in, a competitive company, which, in fact, has certain advantages that are not accruing to the original one.

I think that is part of the answer. I am not sure——

Senator PROXMIRE. What we are trying to do is add another economic consideration for people to locate industry, and that is to give a little more consideration than they would if they just judged it on sheer economic facts, a little more consideration than they otherwise would to human compassion, to give a human opportunity, so people given a chance to work somewhere will develop skills, will develop a wholesome and a happy life.

Now, I don't see why that is such a terrible think for the Government to do.

Mr. HEYN. I think it is a fine objective. I think that you may be getting an adverse selection of the kind of people who will develop and promote such industries, based on presumably a well-run, well-established company can get financing and will not have to come to ARA, in fact wouldn't qualify for ARA under the stipulations as I believe them to exist. So if this is so, is there some likelihood that you might get ill-conceived projects, that you might get projects that do not liquidate out as is proposed, and do you, in effect, disorient a market?

Senator PROXMIRE. I can tell you the experience I have had with ARA. And I know there is a lot of criticism of it. But they have rejected a number of applications in Wisconsin, and I think rightly in some cases, and they are very careful to use the best judgment they possibly can as to whether or not it will work out, and, of course, they never make the investment unless the private entrepreneur is in position to lose his own money too and the communities will lose their own money too. The penalties are very clear for failure.

Mr. HEYN. Yes, sir.

Senator MUSKIE. Mr. Heyn, I want to thank you for your testimony and your patience. Sometimes we get overzealous or enthusiastic, particularly at the end of a long morning, and sometimes witnesses take a beating when we do that. But we don't really mean it as a personal attack.

Mr. HEYN. Thank you, sir.

Senator MUSKIE. I really appreciate the fact that NAM has sent up here an obviously good tempered man——

Mr. HEYN. Well,——

Senator MUSKIE (continuing). And an intelligent man and an articulate spokesman to present this point of view. We do want it in the record. And I am most grateful for your being here.

Mr. HEYN. We certainly recognize the objectives of the ARA program. We simply question whether this is the way to do it. I think that is the sum and substance of it.

Senator MUSKIE. You made it clear. We have perhaps made ourselves overclear. But, in any case, you have made my day a little lighter.

Mr. HEYN. Thank you, sir.

Senator MUSKIE. Thank you very much.

(Mr. Heyn's prepared statement, together with attachments, follows:)

TESTIMONY ON BEHALF OF NATIONAL ASSOCIATION OF MANUFACTURERS PRESENTED BY WILLIAM C. HEYN, ASSISTANT TO PRESIDENT, NEW HOLLAND MACHINE CO., DIVISION OF SPERRY RAND CORP., NEW HOLLAND, PA.

My name is William C. Heyn. I am assistant to the president, New Holland Machine Co., division of Sperry Rand Corp., New Holland, Pa.

My testimony is presented on behalf of the National Association of Manufacturers, a voluntary association of business enterprises, large, medium, and small, located in every State, which account for the production of approximately 75 percent of the Nation's manufactured goods.

These enterprises are keenly interested in the maintenance of high levels of employment. Therefore, we appreciate this opportunity to comment on proposed legislation dealing with the economic and employment problems of various areas of the Nation.

My business experience has provided me with a background concerning industrial plant location decisions and problems involving the relationships of these decisions to industrial development programs. At the moment, we are completing a study which will result in our building a sizable plant in Grand Island, Nebr. Through a consulting firm, we have carefully studied the special inducements offered by the Area Redevelopment Administration and many localities across the country and have come to the conclusion that our decision should be based on unsubsidized economics rather than on special artificial inducements.

It is on the subject of these artificial industrial location inducements that I have asked to speak before you here today. I have been authorized to discuss section 202 of S. 1648 which would, in effect, perpetuate the program of industrial and commercial loans at below-market-interest rates which has been carried out under legislation due to expire on June 30, 1965.

Our objections to the perpetuation of this program are:

1. It is unfair to existing industry to use their tax money to subsidize new industry which will compete for their markets.
2. Such a subsidy program will result in an inefficient misallocation of U.S. resources.
3. The resulting higher costs and inefficiencies will hamper our economy in competing with the economies of other nations.
4. Because such a subsidy program introduces artificial considerations, it will result in unsound and often just temporary industrial stimulation for the communities involved.
5. Since industrial development is a highly competitive activity, it is unfair and discriminatory for the Federal Government to take sides in behalf of some areas, thereby working against other areas to create competition for their products and jobs.
6. There are other, more effective methods to solve employment problems.

UNFAIRNESS OF SUBSIDIZED COMPETITION

Subsidies do not create new markets, so it is inevitable that a new, subsidized industrial plant will compete for existing markets with industrial plants already established at no cost to the taxpayers. (And, it might be added, plants that have capacities to supply the effective demand for any class of goods one can think of.) It is manifestly unfair and unsound to tax existing industrial enterprises with a Federal corporate income tax only now being reduced to a 48-percent level, and then use this tax money to subsidize new competitors.

Where potential markets are available, nonsubsidized industrial enterprises will seek them out without the necessity of tax-supported subsidies. Thus, such a program unnecessarily uses public money to serve purposes which could be fulfilled by enterprises not dependent on subsidy.

The resulting subsidized competition can, not only be economically harmful to existing industrial enterprises located within the particular area, but also to enterprises located elsewhere which serve the markets in that particular area. Thus, such projects would seem almost always to be at the expense of some existing industry and existing jobs. This has been the most widespread criticism of this program.

Such a subsidy program could very well operate to divert machine tool industry markets away from the State of Illinois; to divert textile industry markets

away from the State of Virginia; to divert food-processing industry markets away from the State of Wisconsin; to divert transportation equipment industry markets away from the State of Missouri; to divert light metals industry markets away from the State of Oregon; and to divert pulp and paper industry markets and recreation-tourist industry markets away from the State of Maine. These moves would be made without subsidy if economically warranted, since like nature, the competitive economy in this country is so aggressive that few vacuums in supply can be found. If the industrial-commercial loan program grows and grows, as Government programs are inclined to do, the result will be an increasing concern in the minds of privately financed plant managements, acting as a depressant to their normal expansionist thinking.

The competitive problem was discussed by Dr. Sar A. Levitan, of George Washington University, at page 125 of his book, "Federal Aid to Depressed Areas," as follows:

"But the ARA could cause decline in business and reduction in employment among established firms by financing new competitors. Though the business community officially views competition as the 'lifeblood' of the American economy, potential or imagined victims of ARA loans have complained about the competition generated by the Government. And there has been ample sympathy in Congress for businessmen who complained about ARA loans to potential competitors. The ARA had to face the fact that the usual attitudes concerning the desirability of competition do not extend to a toleration of governmental assistance to one's competitors."

Dr. Levitan refers on page 113 to the fact that "the single largest ARA loan in the wood products industry—\$1.3 million—was to help finance the building of a particle board plant in Sutton, W. Va. The intense competition that prevails in the industry and the existing overcapacity in related products, such as plywood, subjected the ARA to considerable criticism from established producers."

At pages 128 and 129, Dr. Levitan discussed the case of the ARA loan to a coal mining company in Utah. He stated that "an independent observer expressed doubt about this ARA loan and concluded that, 'the expansion of employment and production at the Columbine mine would doubtless be offset by declining sales in other mines now serving the truckers.'" Also discussed on page 129 is the highly controversial loan to a paper tissue mill in Wisconsin. Dr. Levitan concluded on page 247 that, "it is difficult to defend Government financing of new capacity when established firms operate below their optimum level because of inadequate demand." Other loans which were highly controversial because of their competitive impact have been reported and commented upon in the popular and business press.

The Committee on Banking and Currency of the U.S. Senate recognized the competitive problem in its report, dated June 13, 1963, on the Area Redevelopment Act Amendments of 1963, and stated at page 14:

"Before extending any aid to any firm, ARA should determine that consumer demand, regional or national, or foreign demand, would be able to absorb new capacity created in the industry within a reasonable period of time.

"In short, ARA should take great care to insure that any production capacity will not be obviously excessive or drive other efficient producers in the industry out of business."

The committee's "cure" for the problem would not be effective. The competitive factor is so inherent in a program of industrial and commercial subsidies that there is no provision which could eliminate this undesirable aspect. The only sound approach is the termination of the program.

To underline our position in this regard, I would like to quote the following excerpt from a policy statement adopted by the board of directors of the National Association of Manufacturers on February 17, 1965:

"It is natural that the President would wish to initiate new programs to meet the challenge of contemporary problems, and our major recommendation is that such programs be financed by reduction in spending under old programs.

"Both in the development of new and the reappraisal of old programs, we urge the Federal Government (1) to concentrate on problems of national character, and to avoid problems which it is reasonable to expect will be handled adequately by State or local governments or private institutions; (2) not to bypass State governments and deal directly with public or private organizations at the community or regional levels; and (3) to avoid the direct promotion or subsidy of business enterprises."

It should be noted that the so-called antipirating provision contained in subsection 202(b) (1) does not at all deal with the problem of subsidized competition. It merely provides that, "such financial assistance shall not be extended to assist establishments relocating from one area to another * * *". Thus, it only deals with the situation where an employer intends to shift employment opportunities within his own enterprise from one area to another. Even then, it is still possible to open a new ARA plant and gradually phase out jobs in an existing plant.

Dr. Levitan discussed this possibility, at page 26 of his book, as follows:

"Moreover, some Congressmen who indicated a general sympathy for the Douglas program feared that established industry in more prosperous communities would relocate in areas favored by the legislation, in order to benefit from Federal aid. This is the runaway-shop argument. The proponents of this argument sought guarantees that the legislation would not assist the relocation of industry, which they finally succeeded in getting into the bill. (9) Nevertheless, the nature of the legislation made it impossible to extend ironclad guarantees that relocation would be completely avoided. An employer could still establish a branch plant in a depressed area and then transfer his activities slowly to the new community. Such transfers would be difficult to police, particularly if the employer could show that production costs in the new branch were more profitable and economical. *It is hard to evaluate the effectiveness of the whole program on the basis of this possibility.* Nevertheless, those who had reservations about the program solely on the basis of the runaway-shop argument were satisfied by the prohibition of relocation and voted for the program." [Emphasis supplied.]

Obviously, the "antipirating" provision of subsection 202(b) (1) does not even touch the situation where employment opportunities are transferred from one separate business enterprise to another through subsidized competition.

INEFFICIENT MISALLOCATION OF U.S. RESOURCES

Turning now from the question of subsidized competition, let us examine how such a program affects the allocation of resources. Some serious study in this field has been done by Dr. Thomas P. Bergin, head, Department of Business Organization and Management, University of Notre Dame, and by Dr. William F. Eagan, assistant professor, Department of Business Organizations and Management, University of Notre Dame.

Dr. Bergin discussed some of their findings in an address, entitled "Industrial Development Must Come of Age," presented before the Society of Industrial Realtors Regional Seminar at Atlantic City, N.J., on October 5, 1962. He outlined one instance where "the citizens of two sparsely settled counties in one of our Southwestern States were, in fact, so eager to get industry that they voted a \$535,000 bond issue to build a modern plant for a shirt factory. They leased the plant * * * at a price that will not even pay for the building over a 35-year period and raised their own taxes to make up the difference of almost \$90,000." In order to provide a water system for the factory, they applied for and received a grant from the ARA of \$129,000 and a loan from the ARA of \$31,000. Dr. Bergin commented as follows:

"Now no one will deny this \$1,195,000 investment in the hills of this rural area represents great hope for the citizens in these two sparsely populated counties. However, it does leave unanswered some disturbing questions about the use of Federal, State, and local funds to aid, either directly or indirectly, the low-capital, low-pay, and highly unstable industries that are inevitably attracted to some of these areas. One is continually plagued with the question: Are some of the communities offering inducements of this kind the places where industrial expansion 'ought' to occur? In this particular case, I know personally that it is not working out and the citizens of the community would welcome the opportunity to rid themselves of this new obligation."

This is but one illustration of how artificial inducements can cause a subsidized enterprise to locate in an area where it does not belong. While it is not my purpose today to pass judgment on the right of a community to allocate its financial resources in any way it wishes, including subsidies for industrial development, clearly the National Government should not encourage or support such local subsidies because such practices can and have resulted in uneconomic allocation of resources.

Drs. Bergin and Eagan conducted an extensive survey among the management of 6,000 companies that had expanded or relocated within the past 5 years in 10 Southern States. Those participating in the survey were asked, among other

things, to list those factors which they believed were the most significant in influencing the location of their new plant. The first four factors in order of importance ranked as follows:

1. Availability of labor;
2. Convenience to markets;
3. Availability of raw materials; and
4. Availability of adequate buildings and facilities.

"Financial aid" ranked 15th. This shows very clearly there is no need for financial aid to lure stable industry.

The fact that this subsidy program will tend to attract the less stable type of enterprise into communities is also brought out by Dr. Levitan, at page 246 of his book, as follows:

"* * * there is nothing in the act which offers any real incentive to channel blue-chip or established industry to depressed areas. Four-percent interest on venture capital is not an effective carrot to dangle before successful corporations * * *. The act, in effect, prevents successful corporations from receiving ARA financial assistance by restricting ARA loans to corporations which cannot receive credit from conventional lending institutions * * *. In effect, the law therefore limits ARA assistance to new or marginal firms which cannot obtain credit from private lending institutions."

Another aspect of potential misallocation of resources is brought out by Dr. Levitan, at page 251, as follows:

"A realistic and effective depressed-area program must also recognize that not all depressed communities can be 'saved.' The solution for most of the unemployment in depressed areas whose resource base has been depleted may lie in equipping the unemployed with skills which would be marketable elsewhere. Many resource-based depressed communities are located in isolated areas where new economic activity can be introduced only at prohibitive costs. Other depressed areas, particularly rural ones, have never developed an adequate economic base, and the social capital invested in such areas is normally insignificant."

To sum up this portion of my testimony, it is evident that a subsidized industrial and commercial loan program as proposed in S. 1648 will result in a misallocation of U.S. resources; the resulting built-in costs and inefficiencies will not provide us with the hard, lean competitive economy we need to vie with the economies of other nations; and, because such a program introduces artificial considerations, it will frequently lead to unsound industrial development for the communities involved. We are all well aware of our balance-of-payments problems. Anything that makes us collectively less efficient works against our ability to compete in world markets and hence is in direct opposition to the ability of this country to help with the gold payments problem by exporting more U.S. goods.

UNFAIR FOR THE U.S. GOVERNMENT TO TAKE SIDES

Industrial development is a highly competitive activity. Thousands of organizations are working energetically in this field. In addition, it has been estimated that the State governments committed \$40 million to these efforts in 1 recent year, and the local and regional organizations, both governmental and private, undoubtedly committed even more. We believe that it is manifestly unfair for the U.S. Government to take sides in this competition on behalf of some areas, thereby working against other areas to create competition for their products and jobs. It is easy to imagine the frustration of someone working in the industrial development field when he loses a prospective industrial enterprise to another area because of an ARA loan. Yet this is exactly the overt intent of the program—to channel the future industrial development of the Nation into certain preferred areas.

OTHER, MORE EFFECTIVE METHODS TO SOLVE EMPLOYMENT PROBLEMS

There is a great deal of controversy over the extent to which the industrial-commercial loan program has "created" jobs. The February 1965 issue of *Redevelopment*, the monthly publication of the Area Redevelopment Administration stated:

"As of December 31, 1964, 392 industrial and commercial loans amounting to \$171.5 million were made. The loan recipients estimated that their enterprises, when fully operational, will directly employ over 40,000 workers. The employment and payrolls associated with these projects is expected to stimulate further

employment of 26,000 in service and related activities, bringing the anticipated total of new jobs to 66,000."

As we have already noted, it is probable that a large number of these jobs were created at the expense of already existing jobs, elsewhere. Even the General Accounting Office has cast considerable doubt on the accuracy involved in estimating the number of jobs created. The Comptroller General of the United States, in a letter of transmittal of a May 1964 report, stated that an examination had found that reports of the Area Redevelopment Administration "contained significant overstatements of the number of jobs estimated to be created by accelerated public works projects * * * ." He further stated that "the estimates were overstated by 12,261 man-months or about 128 percent."

It is interesting to note that, during the same period as the operation of the act, the total number of nongovernmental jobs in this country increased by 3,910,000. This is based on the reports of the Bureau of Labor Statistics showing that total nongovernmental employment was 44,998,000 in May 1961 and 48,908,000 in March 1965. Obviously, there is dynamic job creation taking place without the necessity of subsidized industrial-commercial loans. This process of job creation is taking place within a framework of individual decisionmaking subjected to the full rigors of the marketplace, including the prevailing market price of money. We believe that decisionmaking under such circumstances will lead to sounder industrial development and a sounder economy than decision-making subject to being warped by considerations of subsidization.

We further believe that where there are special and difficult employment problems, there are other, more effective methods available than a subsidized industrial-commercial loan program. In an effort to spread knowledge about such methods, the National Association of Manufacturers has launched its STEP program to promote solutions to employment problems. The program collects and publishes case studies analyzing successful solutions to difficult employment problems. The case studies are grouped as follows:

A. Case studies on company employment problems:

1. Selection
2. Company sponsored training
3. Retraining
4. Redirecting

B. Case studies on community employment problems:

1. Self development
2. Community sponsored training
3. Job development
4. Relocation

Companies or communities having one or more of these employment problems can request case studies outlining how other companies or communities, facing similar problems, worked out satisfactory solutions. The case studies are sufficiently detailed to enable the determination of whether or not a similar program perhaps revised to fit local circumstances, would be helpful. Three such STEP case studies are attached herewith and made a part of this statement. Properly conceived self-help programs might well be given greater public prominence in dealing with such problems and the STEP program is an example of sound effort in that direction.

CONCLUSION

In conclusion, we wish to express our appreciation for this opportunity to present our views which, in summary, are as follows:

1. It is unfair to existing industry to use their tax money to subsidize new industry which will compete for their markets.
2. Such a subsidy program will result in a misallocations of U.S. resources.
3. The resulting higher costs and inefficiencies will hamper our economy in competing with the economies of other nations.
4. Because such a subsidy program introduces artificial considerations, it will result in unsound industrial development for the communities involved.
5. Since industrial development is a highly competitive activity, it is unfair and discriminatory for the Federal Government to take sides in behalf of some areas, thereby working against other areas to create competition for their products and jobs.
6. There are other, more effective methods to solve employment problems.

We, therefore, respectfully urge that this subsidized industrial-commercial loan program not be perpetuated.

If you have this Problem

A desire to offer employees the opportunity of obtaining a basic grammar school education.

This Case Study may help you

A company sponsored in-plant grammar school program.

The Campbell Soup Company at its Chicago plant established an In-Plant Warehouse Shippers Basic Education Program, in order to overcome the difficulties involved in providing customer-error-free shipments, compounded by a growing list of new products. The program was at the grammar school level, grades 1 to 6 with 24 employees participating and graduating from the course.

The program was so successful that the Company has expanded its In-Plant Education Program, offering basic education to all employees and adding an advanced course covering the high school level.

On the basis of its experience with the In-Plant Education Program, the Company believes this to be convincing proof that industry can play an important role in the area of adult literacy education, as well as educating employees to meet changing industrial methods and procedures.

Of special importance is that the success of the In-Plant Education Program was dependent upon the close cooperation of three major groups: Campbell Soup Company Management, Officials of Union Local 194 — Retail, Wholesale and Department Store AFL-CIO, and Representatives of the Chicago Board of Education.

ACTION FOR A GROWING AMERICA

COMPANY-SPONSORED TRAINING

Code No. 2-02-2001-365

A case study of a Company sponsored training program to prepare individuals for job openings when and where available.

This particular program involves the establishment of an in-plant basic grammar school program at the Campbell Soup Company, Chicago, Illinois.

Company Policy on In-Plant Educational Programs

The establishment of a broad educational program at the Campbell Soup Company reflects management's attitude that a premium must be placed upon the long service and loyalty of its employees. Wherever possible, emphasis is being placed upon the development of current employees rather than the recruitment of new ones. This major policy decision recognizes the need for preparing employees for newer and more complex assignments that are inescapable by-products of the technological change which has been sweeping the food processing industry.

To lessen the chance of failure in this venture and to provide all employees with equal opportunities to qualify for upgrading, a decision was made to implement a developmental plan immediately. This was a forward-looking approach which has enabled the Chicago Plant to take action even before many job skills become outdated, making the establishment of specific training programs an absolute necessity for future survival. The reasoning was that before an employee could be properly trained to operate, install, or overhaul complex equipment and machinery, he must have

a solid foundation upon which to build — a foundation which is developed through education alone.

Of major significance then was the fact that the mastery of any training program depends upon the ability to read and communicate effectively. The backgrounds of the employees indicated that many were either lacking a sufficient formal education, or else they had become inept at using the basic skills which they had learned while attending school.

Analysis of the situation indicated that, at best, minimal success would result if it became necessary to rush head-on into a series of specific training programs. Management decided, and the employees agreed, that long-range success would be greater if education, rather than training were first emphasized.

An Experiment—Warehouse Shippers' Basic Education Program

With a decision made to educate employees before training them, a program had to be installed which would implement the primary objective of education. Realizing the many difficulties in an undertaking of these proportions, management decided to concentrate upon a specific area of the Chicago Plant, the Warehouse Shipping group. This was done to minimize the problems which would be encountered. With the Warehouse Shipping Department singled out for the pilot project, participants would be able to identify with one another, the hours of work would be identical for each shift, and administrative problems could be discussed with a limited number of supervisors.

Program Planning

Management established the following prin-

ciples as guides for this experimental Warehouse Shippers' project:

1. Classes would be scheduled on employees' time, prior to or after their work shift.
2. Participation would be voluntary, with the continuity of the program maintained through careful scheduling of work hours for the employees enrolled in the program.

Following this preliminary planning, the Chicago Board of Education was asked for assistance and their cooperation and services were a vital factor in the program.

How the Program Works

In February, 1964 the Warehouse Shippers' Basic Education Program was instituted and functioned as follows:

1. Classroom facilities, textbooks and initial school supplies were provided by the Company.
2. The course content was of the grade school level, including reading, arithmetic, spelling, English, and social studies.
3. Teachers were provided and compensated by the Chicago Board of Education.
4. Classes were held, prior to or after the employees' work shift, for two hours on two days of the week.
5. Twenty-six employees volunteered for the Program, with a class leader selected from each class to serve as a spokesman for the students, in reviewing problems and ideas with management.
6. At the end of May, 1964 twenty-four students qualified for awards, based on competitive exams.

At a special graduation ceremony, tribute was paid to the students by Campbell Soup Company management, Chicago Board of Education representatives and officials of Union Local 194 — Retail, Wholesale and Department Store AFL-CIO.

Assessment of the Program

In the opinion of all involved with the Program, the Company, Chicago Board of Education, the Union and the employees, it was an unqualified success.

An indication of its success has been the expansion of the In-Plant Educational Program to include all employees and an advanced program covering grades 7 to 12.

In this expanded program nearly 10 per cent of the hourly work force, 228 employees, have enrolled with 5 classes in the basic curriculum and 3 in the advanced.

The intention of the Company is to run the program on a continuing basis and encourage students to participate until they qualify for a high school diploma.

The Company considers that their In-Plant Educational Program is convincing proof that with the cooperation of educational institutions, industry can play a major role in two areas of major concern: adult literacy education; and the increasing need to educate employees, in preparing them for training programs required to meet technological change.

For further information contact STEP or Campbell Soup Company, Chicago, Ill.

If you have this Problem

A declining economy, people leaving the community, and high unemployment.

This Case Study may help you

Community organized a new industry to use local raw material previously considered unsuitable for processing.

The people of Braxton County, West Virginia (Population 15,152) proved that where there is a will there is a way. Located in central West Virginia and surrounded by rugged mountains, the community was hit hard by the decline in the coal mining industry and the depletion of quality timber for the lumbering industry.

An analysis of the county indicated that the two main resources were people willing to work and a lot of poor quality timber. But how to make use of the timber was the question. Established wood processing firms were not interested.

So, local leaders decided that, if anything was to be done, the citizens of Braxton County would have to do it themselves. A search was made for a method of wood processing that would allow economic conversion of the available timber. A process was discovered. It was so new that machinery and supervisory personnel had to be imported from Germany. Now, Braxton County has an industry in which the people take pride because they built it themselves.

ACTION FOR A GROWING AMERICA

JOB DEVELOPMENT
NO. 7-UX 7000-964

A Program designed to discover or develop job opportunities within the community.

The Braxton County, West Virginia program raised the funds and organized a new industry specifically for the use of local raw materials and to provide jobs for unemployed workers in the community.

The Braxton County Project

The Braxton County Redevelopment Corporation, a private, locally-owned and organized corporation raised money for investment in The West Virginia Forest Products Company. The Company uses a new wood processing method to convert low-quality timber into particle board which is used in various types of furniture, equipment manufacturing, and building construction.

Project Financing

To raise the necessary money, the Redevelopment Corporation asked for pledges from local business firms, organizations, and private citizens. A total of \$411,000 was pledged for the project. Of this amount, \$341,000 was used in the purchase of land, building and equipment.

Market for Product

The Masonite Panel Products Corporation contracted for the total particle board production. The contract developed after the plans for the new plant and its financing had been completed.

Labor Force

Since the machinery and the process to be used by The West Virginia Forest Products Company is new in the United States, a training program for workers was necessary.

1. German technicians supervise the plant operation and teach local workers, using an apprentice on-the-job training program, how to prepare raw materials and use the processing machinery.
2. Prospective employees are taken from the ranks of the unemployed as aptitudes permit. Screening and testing is done by the West Virginia Employment Security Commission.

Assessment of Program

The new industry's production schedule includes three work shifts. Each shift provides jobs for about one hundred and forty workers or about four hundred and twenty jobs in all.

These new jobs, along with the supporting jobs the new industrial payroll has created, has reduced unemployment in the Braxton County area and has contributed to stemming the flow of people out of the area.

FOR FURTHER INFORMATION, contact STEP or Reverend Carl Dodrill, President, Braxton County Redevelopment Corporation, Sutton, West Virginia.

If you have this Problem

Migrants from rural areas attempting to relocate into an urban community.

This Case Study may help you

Chicago established office to help Southern Appalachian Mountain people relocate into Chicago.

From 25,000 to 30,000 Southern Appalachian migrants have moved into a two by five mile area of Uptown Chicago. These migrants are mostly mountain people with a background in farming or mining. They came to Chicago because they heard that jobs were plentiful and wages were good. Shy by virtue of their origin and startled by the bigness and coldness of the city, these people tended to draw together, disillusioned and hopeless.

W. Clement Stone, president of The Combined Insurance Company of America, was convinced, as were other businessmen, civic, and school officials in Uptown Chicago, that these people needed someone who spoke their "language" to help them. Out of this interest, The Council Of The Southern Mountains, Inc. was encouraged to establish an office in Chicago's Uptown Section to help these people learn to live and work in an urban environment.

The office was established in November, 1963 with Dewey W. Wood, a Southerner himself, as Director. Since the office was established, some two hundred families have been helped by the various programs instituted by the Council.

ACTION FOR A GROWING AMERICA

RELOCATION
NO. 8-WO-300-964

This is a case study of a relocation program to help the unemployed find jobs by relocating to areas having job openings.

The Program undertakes to get in touch with Southern Appalachian migrants either before or after these people come to Chicago, to explain the facts of urban living to them, to help them locate suitable living quarters, to assist them in taking an inventory of their job potentials, to aid them in making contacts for jobs, and to encourage local residents and business leaders to accept these people and to give them a chance to prove their worth.

How It Happened

Recognizing the problem of Southern Mountain people migrating to Chicago as one needing special attention, W. Clement Stone, president of The Combined Insurance Company of America, enlisted the interests of other Chicago leaders and donated \$25,000 for the establishment of the Chicago Office of The Council of The Southern Mountains Inc. for the expressed purpose of helping these migrants adjust to urban life.

The Organization

The Council of The Southern Mountains Inc. is located in the heart of the Southern Appalachian Mountains at Berea, Kentucky and is well acquainted with the customs and the problems of the Southern Mountain People. The Chicago Office is located at the center of the Mountain Peoples' area in Chicago and has a

staff of three. Dewey W. Wood is director of the Chicago office and is trained in Social Work. Raleigh Campbell, Migration Consultant, is a former school teacher with teaching experience in the mountains of Kentucky. These men speak the "language" of the mountain people and are able to get their confidence.

The efforts of the Chicago office are directed by an appointed Board of Managers composed of local professional and business people interested in doing something about the problems of the community.

Annual workshops, lasting two weeks, are held in Berea, Kentucky during the summer to help urban leaders from throughout the country understand the customs, cultural values, and attitudes of the Southern Appalachian migrants moving to the large urban areas. The workshops are under the direction of the Urban Affairs Committee of the Council of the Southern Mountains, Inc. Interest in a Chicago project developed out of these Workshops.

Program Financing

The program of the Council of The Southern Mountains, Inc. is financed by organizations, institutions, businesses, and individuals on a volunteer basis. The local urban programs

depend upon the fund raising efforts of the local Board of Managers for their support.

The Chicago Program

1. The Southern Mountain people planning to migrate to the Chicago area are contacted through families, friends, and local agencies in the home community in an effort to alert them to the facts of urban living in the Chicago area. These migrants are urged to contact the Chicago Office as soon as they get to Chicago.
2. Each migrant reporting to the Chicago office is interviewed, an employment history is taken, and skills listed for use in relation to job opportunities known to the Council office.
3. The Council contacts and urges businessmen to use mountain people who qualify for available jobs. Group interviews are arranged for prospective employers at the Council office and the applicants are assisted in understanding the job requirements and in making out applications.
4. Job opportunities made known to the Council are posted on a bulletin board in front of the Council office. Persons having skills for job openings are contacted either by telephone or in person.
5. The migrants are assisted in learning what training opportunities are available, how to apply for training, how to look for a job on their own, and how to react when they are turned down.
6. Each Saturday morning classes are held to help the migrants learn where to look for a job, how to dress when going for an interview, how to participate in an interview, and what an employer expects of employees.
7. Success classes are held one night each week for two hours. At these sessions, conducted by an executive of The Combined Insurance Company of America, the art of self-help is taught and individual migrants tell the class about their personal successes.
8. Public relations programs, undertaking to explain the mountain people and help the urban community assimilate these people into the community include news media stories on the Council's work and special discussions for community leaders.

Program Assessment

Started in November of 1963, the Council's program has already had far reaching effects on the problem of migrant relocation into the urban community of Chicago. More and more businesses and groups are becoming interested in the mountain people and are working to assist them in becoming constructive participants in their community and job.

FOR FURTHER INFORMATION, contact STEP, or Council of The Southern Mountains, Inc., 4606 North Kenmore Avenue, Chicago 40, Ill.

how you can use the clearing house

The CLEARING HOUSE, a part of STEP, collects and publishes case studies analyzing successful solutions to difficult employment problems. Particular attention is paid to these eight areas of concern:

CASE STUDIES ON COMPANY EMPLOYMENT PROBLEMS

SELECTION

The function of **determining the qualifications** of prospective employees. These programs include methods of determining the individual's attitude, aptitude, skill-level, adaptability (for example, to changing methods and processes), etc.

COMPANY SPONSORED TRAINING

Company-sponsored programs to **prepare individuals for job openings** when and where available. These programs include training individuals who are unskilled because of a lack of education or work experience, or whose previous experiences may not fit expected job openings.

RETRAINING

The function of **preparing employees for job changes**. Reasons for retraining programs include the introduction of new processes, elimination of old processes, or other changes in the make-up of the company's work force.

REDIRECTING

Programs **affecting employees no longer needed**. These programs include, for example, early retirement benefits, severance pay, company-sponsored job placement counseling, company-financed private counseling for re-employment.

CASE STUDIES ON COMMUNITY EMPLOYMENT PROBLEMS

SELF DEVELOPMENT

Programs which **encourage individual efforts** in preparing for and seeking employment. These programs include helping individuals understand their job potential, relating individual ability to job opportunity, and counseling individuals in the techniques of applying for a position.

COMMUNITY SPONSORED TRAINING

Community-sponsored programs to **prepare individuals for job openings** when and where available. These programs include training individuals who are unskilled because of a lack of education or work experience, or whose previous experiences may not fit expected job openings.

JOB DEVELOPMENT

Programs designed to **discover or develop job opportunities** within the community. These programs include organizing service industries needed in the community, developing businesses which use local resources (such as raw materials), etc.

RELOCATION

Programs to help the unemployed find jobs by **relocating to areas having job openings**.

If you have one or more of these employment problems, you can request from the CLEARING HOUSE case studies outlining how other companies or communities, facing similar problems, worked out satisfactory solutions. The case studies are sufficiently detailed to enable you to determine whether or not a similar program, perhaps revised to fit your circumstances, would be helpful to you.

JUST WRITE TO STEP OUTLINING YOUR EMPLOYMENT PROBLEMS...WE'LL DO THE REST.

NATIONAL ASSOCIATION OF MANUFACTURERS

ACTION FOR A GROWING AMERICA

277 PARK AVENUE ■ NEW YORK, N. Y. 10017 ■ (212) 826-2100

Senator MUSKIE. The record is open until midnight Saturday—until Monday noon for letters of insertion and until Tuesday for GAO. (Whereupon, at 12:55 p.m., the subcommittee recessed subject to the call of the chairman.)

(The following material was submitted for inclusion in the record:)

89TH CONGRESS
1ST SESSION

S. 1648

IN THE SENATE OF THE UNITED STATES

APRIL 1, 1965

Mr. DOUGLAS (for himself, Mr. McNAMARA, Mr. BARTLETT, Mr. BAYH, Mr. BREWSTER, Mr. BURDICK, Mr. BYRD of West Virginia, Mr. CLARK, Mr. COOPER, Mr. FULBRIGHT, Mr. GORE, Mr. GRUENING, Mr. HARRIS, Mr. HART, Mr. HARTKE, Mr. INOUE, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of New York, Mr. LONG of Missouri, Mr. MAGNUSON, Mr. MCCARTHY, Mr. MCGOVERN, Mr. MCINTYRE, Mr. METCALF, Mr. MONDALE, Mr. MONTOYA, Mr. MORSE, Mr. MOSS, Mr. MUSKIE, Mr. NELSON, Mrs. NEUBERGER, Mr. PASTORE, Mr. PELL, Mr. PROXMIRE, Mr. RANDOLPH, Mr. RIBICOFF, Mr. WILLIAMS of New Jersey, Mr. YARBOROUGH, and Mr. YOUNG of Ohio) introduced the following bill; which was read twice and referred to the Committee on Public Works

A BILL

To provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Public Works and
4 Economic Development Act of 1965".

2

1 STATEMENT OF PURPOSE

2 SEC. 2. The Congress declares that the maintenance of
3 the national economy at a high level is vital to the best
4 interests of the United States, but that some of our regions,
5 counties, and communities are suffering substantial and per-
6 sistent unemployment and underemployment; that such un-
7 employment and underemployment cause hardship to many
8 individuals and their families, and waste invaluable human
9 resources; that to overcome this problem the Federal Gov-
10 ernment, in cooperation with the States, should help areas
11 and regions of substantial and persistent unemployment and
12 underemployment to take effective steps in planning and
13 financing their public works and economic development; that
14 Federal financial assistance, including grants for public works
15 and development facilities to communities, industries, enter-
16 prises, and individuals in areas needing development should
17 enable such areas to help themselves achieve lasting improve-
18 ment and enhance the domestic prosperity by the establish-
19 ment of stable and diversified local economies and improved
20 local conditions: *Provided*, That such assistance is preceded
21 by and consistent with sound, long-range economic planning;
22 and that under the provisions of this Act new employment
23 opportunities should be created by developing and expand-
24 ing new and existing public works and other facilities and

3

1 resources rather than by merely transferring jobs from one
2 area of the United States to another.

3 TITLE I—GRANTS FOR PUBLIC WORKS AND
4 DEVELOPMENT FACILITIES

5 SEC. 101. (a) Upon the application of any State, or
6 political subdivision thereof, Indian tribe, or private or pub-
7 lic nonprofit organization or association representing any
8 redevelopment area or part thereof, the Secretary of Com-
9 merce (hereinafter referred to as the Secretary) is author-
10 ized—

11 (1) to make direct grants for the acquisition or de-
12 velopment of land and improvements for public works,
13 public service, or development facility usage, and the
14 acquisition, construction, rehabilitation, alteration, ex-
15 pansion, or improvement of such facilities, within a re-
16 development area, if he finds that—

17 (A) the project for which financial assistance
18 is sought will directly or indirectly (i) tend to
19 improve the opportunities, in the area where such
20 project is or will be located, for the successful estab-
21 lishment or expansion of industrial or commercial
22 plants or facilities, (ii) otherwise assist in the crea-
23 tion of additional long-term employment opportu-
24 nities for such area, or (iii) primarily benefit the

4

1 long-term unemployed and members of low-income
2 families or otherwise substantially further the ob-
3 jectives of the Economic Opportunity Act of 1964;

4 (B) the project for which a grant is requested
5 will fulfill a pressing need of the area, or part there-
6 of, in which it is, or will be, located; and

7 (C) the area for which a project is to be under-
8 taken has an approved overall economic develop-
9 ment program as provided in section 202 (b) (10)
10 and such project is consistent with such program;

11 (2) to make supplementary grants in order to
12 enable the States and other entities within redevelop-
13 ment areas to take maximum advantage of designated
14 Federal grant-in-aid programs (as hereinafter defined)
15 for which they are eligible but for which, because of
16 their economic situation, they cannot supply the required
17 matching share.

18 (b) Subject to subsection (c) hereof, the amount of
19 any direct grant under this section for any project shall
20 not exceed 50 per centum of the cost of such project.

21 (c) The amount of any supplementary grant under this
22 section for any project shall not exceed the applicable per-
23 centage established by regulations promulgated by the Secre-
24 tary, but in no event shall the non-Federal share (including
25 assumptions of debt) of the aggregate cost of any such

5

1 project be less than 20 per centum of such cost. Supple-
2 mentary grants shall be made by the Secretary, in accord-
3 ance with such regulations as he shall prescribe, by increasing
4 the amounts of direct grants authorized under this section or
5 by the payment of funds appropriated under this Act to
6 the heads of the departments, agencies, and instrumentalities
7 of the Federal Government responsible for the administration
8 of such grant-in-aid programs. Notwithstanding any limita-
9 tion on the use of supplementary grants that may otherwise
10 be applicable to the grant-in-aid program involved, funds so
11 allocated shall be used for the sole purpose of increasing
12 the Federal contribution to specific projects in redevelop-
13 ment areas under such programs above the fixed maximum
14 portion of the cost of such project otherwise authorized by
15 the applicable law. The term "designated Federal grant-in-
16 aid programs," as used in this subsection, means such existing
17 or future Federal grant-in-aid programs assisting in the con-
18 struction or equipping of facilities as the Secretary may, in
19 furtherance of the purposes of this Act, designate as eligible
20 for allocation of funds under this section. In determining
21 the amount of any supplementary grant available to any
22 project under this section, the Secretary shall take into con-
23 sideration the relative needs of the area, the nature of the
24 project to be assisted, and the amount of such fair user
25 charges or other revenues as the project may reasonably be

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1 expected to generate in excess of those which would amortize
2 the local share of initial costs and provide for its successful
3 operation and maintenance (including depreciation).

4 (d) The Secretary shall prescribe rules, regulations, and
5 procedures to carry out this section which will assure that
6 adequate consideration is given to the relative needs of
7 eligible areas. In prescribing such rules, regulations, and
8 procedures the Secretary shall consider among other relevant
9 factors (1) the severity of the rates of unemployment in the
10 eligible areas and the duration of such unemployment and
11 (2) the income levels of families and the extent of under
12 employment in eligible areas.

13 (e) No financial assistance shall be extended under
14 this section with respect to any public service or develop-
15 ment facility which would compete with an existing pri-
16 vately owned public utility rendering a service to the public
17 at rates or charges subject to regulation by a State regula-
18 tory body, unless the State regulatory body determines that
19 in the area to be served by the facility for which the finan-
20 cial assistance is to be extended there is a need for an increase
21 in such service (taking into consideration reasonably fore-
22 seeable future needs) which the existing public utility is not
23 able to meet through its existing facilities or through an
24 expansion which it agrees to undertake.

25 SEC. 102. There is hereby authorized to be appropriated

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1 not to exceed \$250,000,000 annually for the purposes of this
2 title.

3 TITLE II—OTHER FINANCIAL ASSISTANCE

4 PUBLIC WORKS AND DEVELOPMENT FACILITY LOANS

5 SEC. 201. (a) Upon the application of any State, or
6 political subdivision thereof, Indian tribe, or private or pub-
7 lic nonprofit organization or association representing any
8 redevelopment area or part thereof, the Secretary is author-
9 ized to purchase evidence of indebtedness and to make loans
10 to assist in financing the purchase or development of land
11 and improvements for public works, public service, or devel-
12 opment facility usage, and the acquisition, construction, reha-
13 bilitation, alteration, expansion, or improvement of such
14 facilities, within a redevelopment area, if he finds that—

15 (1) the project for which financial assistance is
16 sought will directly or indirectly—

17 (A) tend to improve the opportunities, in the
18 area where such project is or will be located, for the
19 successful establishment or expansion of industrial or
20 commercial plants or facilities,

21 (B) otherwise assist in the creation of addi-
22 tional long-term employment opportunities for such
23 area, or

24 (C) primarily benefit the long-term unem-

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1 ployed and members of low-income families or
2 otherwise substantially further the objectives of the
3 Economic Opportunity Act of 1964;

4 (2) the funds requested for such project are not
5 otherwise available from private lenders on reasonable
6 terms, or from other Federal agencies on terms more
7 favorable to the Government which would permit the
8 accomplishment of the project;

9 (3) the amount of the loan plus the amount of other
10 available funds for such project are adequate to insure
11 the completion thereof;

12 (4) there is a reasonable expectation of repayment;
13 and

14 (5) such area has an approved overall economic
15 development program as provided in section 202 (b)

16 (10) and the project for which financial assistance is
17 sought is consistent with such program.

18 (b) Subject to section 701 (5), the maturity date of any
19 such loan shall be not later than forty years after the date
20 such loan is made. Such loans shall bear interest at a rate
21 not less than (i) a rate determined by the Secretary of the
22 Treasury taking into consideration the current average mar-
23 ket yield on outstanding marketable obligations of the United
24 States with remaining periods to maturity comparable to the
25 average maturities of such loans, adjusted to the nearest one-

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1 eighth of 1 per centum, less (ii) not to exceed one-half of
2 1 per centum per annum.

3 (c) There are hereby authorized to be appropriated such
4 sums as may be necessary to carry out the provisions of this
5 section and section 202: *Provided, however, That annual*
6 *appropriations for the purpose of making and guaranteeing*
7 *loans shall not exceed \$170,000,000.*

8 (d) No financial assistance shall be extended under this
9 section with respect to any public service or development
10 facility which would compete with an existing privately
11 owned public utility rendering a service to the public at rates
12 or charges subject to regulation by a State regulatory body,
13 unless the State regulatory body determines that in the area
14 to be served by the facility for which the financial assistance
15 is to be extended there is a need for an increase in such serv-
16 ice (taking into consideration reasonably foreseeable future
17 needs) which the existing public utility is not able to meet
18 through its existing facilities or through an expansion which
19 it agrees to undertake.

20 LOANS AND GUARANTEES

21 SEC. 202. (a) The Secretary is authorized (1) to
22 purchase evidences of indebtedness and to make loans (which
23 for purposes of this section shall include participations in
24 loans) to aid in financing any project within a redevelop-

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1 ment area for the purchase or development of land and facili-
2 ties (including, in cases of demonstrated need, machinery
3 and equipment) for industrial or commercial usage, includ-
4 ing the construction of new buildings, the rehabilitation of
5 abandoned or unoccupied buildings, and the alteration, con-
6 version, or enlargement of existing buildings; (2) to guaran-
7 tee loans for working capital made to private borrowers by
8 private lending institutions in connection with projects in
9 redevelopment areas assisted under subsection (a) (1)
10 hereof, upon application of such institution and upon such
11 terms and conditions as the Secretary may prescribe: *Pro-*
12 *vided, however,* That no such guarantee shall at any time ex-
13 ceed 90 per centum of the amount of the outstanding unpaid
14 balance of such loan; and (3) to contract to pay, and to
15 pay annually, for not more than ten years, to or on behalf
16 of private business entities amounts sufficient to reduce by 2
17 percentage points the interest paid by such entities on loans
18 which are obtained from non-Government sources, which
19 are not guaranteed by any Government agency, which pro-
20 vide for annual amortization of principal, and the proceeds
21 of which are used for purposes for which the Secretary is
22 authorized to purchase evidences of indebtedness or make
23 loans under this section: *Provided, however,* That subject
24 to limitations in annual appropriation Acts, the annual cost

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1 of new contracts approved in any one year shall not exceed
2 \$5,000,000.

3 (b) Financial assistance under this section shall be on
4 such terms and conditions as the Secretary determines, sub-
5 ject, however, to the following restrictions and limitations:

6 (1) Such financial assistance shall not be extended to
7 assist establishments relocating from one area to another:
8 *Provided, however,* That such limitation shall not be con-
9 strued to prohibit assistance for the expansion of an existing
10 business entity through the establishment of a new branch,
11 affiliate, or subsidiary of such entity if the Secretary finds
12 that the establishment of such branch, affiliate, or subsidiary
13 will not result in an increase in unemployment in the area of
14 original location or in any other area where such entity con-
15 ducts business operations, unless the Secretary has reason to
16 believe that such branch, affiliate, or subsidiary is being
17 established with the intention of closing down the operations
18 of the existing business entity in the area of its original loca-
19 tion or in any other area where it conducts such operations.

20 (2) Such assistance shall be extended only to applicants,
21 both private and public (including Indian tribes), which
22 have been approved for such assistance by an agency or in-
23 strumentality of the State or political subdivision thereof in
24 which the project to be financed is located, and which agency

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1 or instrumentality is directly concerned with problems of
2 economic development in such State or subdivision.

3 (3) The project for which financial assistance is sought
4 must be reasonably calculated to provide more than a
5 temporary alleviation of unemployment or underemployment
6 within the redevelopment area wherein it is or will be
7 located.

8 (4) No loan or guarantee shall be extended hereunder
9 unless the financial assistance applied for is not otherwise
10 available from private lenders on reasonable terms, or from
11 other Federal agencies on terms more favorable to the Gov-
12 ernment which would permit the accomplishment of the
13 project.

14 (5) The Secretary shall not make any loan without a
15 participation unless he determines that the loan cannot be
16 made on a participation basis.

17 (6) No evidences of indebtedness shall be purchased
18 and no loans shall be made or guaranteed unless it is deter-
19 mined that there is reasonable assurance of repayment.

20 (7) Subject to section 701 (5) of this Act, no loan,
21 including renewals or extension thereof, may be made here-
22 under for a period exceeding twenty-five years and no
23 evidences of indebtedness maturing more than twenty-five
24 years from date of purchase may be purchased hereunder:
25 *Provided*, That the foregoing restrictions on maturities shall

1 not apply to securities or obligations received by the Secre-
2 tary as a claimant in bankruptcy or equitable reorganization
3 or as a creditor in other proceedings attendant upon insol-
4 vency of the obligor.

5 (8) Loans made and evidences of indebtedness pur-
6 chased under this section shall bear interest at a rate not
7 less than (i) a rate determined by the Secretary of the
8 Treasury taking into consideration the current average
9 market yield on outstanding marketable obligations of the
10 United States with remaining periods to maturity com-
11 parable to the average maturities of such loans, adjusted
12 to the nearest one-eighth of 1 per centum, plus (ii) such
13 additional charge, if any, toward covering other costs of the
14 program as the Secretary may determine to be consistent
15 with its purpose.

16 (9) Loan assistance shall not exceed 65 per centum
17 of the aggregate cost to the applicant (excluding all other
18 Federal aid in connection with the undertaking) of acquiring
19 or developing land and facilities (including, in cases of
20 demonstrated need, machinery and equipment), and of con-
21 structing, altering, converting, rehabilitating, or enlarging
22 the building or buildings of the particular project, and shall,
23 among others, be on the condition that—

24 (A) other funds are available in an amount which,

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1 together with the assistance provided hereunder, shall
2 be sufficient to pay such aggregate cost;

3 (B) not less than 15 per centum of such aggregate
4 cost be supplied as equity capital or as a loan repayable
5 in no shorter period of time and at no faster an amortiza-
6 tion rate than the Federal financial assistance extended
7 under this section is being repaid, and if such a loan is
8 secured, its security shall be subordinate and inferior to
9 the lien or liens securing such Federal financial assist-
10 ance: *Provided, however,* That, except in projects in-
11 volving financial participation by Indian tribes, not less
12 than 5 per centum of such aggregate cost shall be sup-
13 plied by the State or any agency, instrumentality, or
14 political subdivision thereof, or by a community or area
15 organization which is nongovernmental in character,
16 unless the Secretary shall determine in accordance with
17 objective standards promulgated by regulation that all
18 or part of such funds are not reasonably available to
19 the project because of the economic distress of the area
20 or for other good cause, in which case he may waive
21 the requirement of this provision to the extent of such
22 unavailability, and allow the funds required by this sub-
23 section to be supplied by the applicant or by such other

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1 non-Federal source as may reasonably be available to
2 the project;

3 (C) to the extent the Secretary finds such action
4 necessary to encourage financial participation in a
5 particular project by other lenders and investors, and
6 except as otherwise provided in subparagraph (B), any
7 Federal financial assistance extended under this section
8 may be repayable only after other loans made in con-
9 nection with such project have been repaid in full, and
10 the security, if any, for such Federal financial assistance
11 may be subordinate and inferior to the lien or liens
12 securing other loans made in connection with the same
13 project.

14 (10) No such assistance shall be extended unless there
15 shall be submitted to and approved by the Secretary an
16 overall program for the economic development of the area
17 and a finding by the State, or any agency, instrumentality,
18 or local political subdivision thereof, that the project for
19 which financial assistance is sought is consistent with such
20 program: *Provided*, That nothing in this Act shall authorize
21 financial assistance for any project prohibited by laws of
22 the State or local political subdivision in which the project
23 would be located, nor prevent the Secretary from requiring

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1 such periodic revisions of previously approved overall eco-
2 nomic development programs as he may deem appropriate.

3 ECONOMIC DEVELOPMENT REVOLVING FUND

4 SEC. 203. Funds obtained by the Secretary under sec- :
5 tion 201, loan funds obtained under section 403, and col-
6 lections and repayments received under this Act, shall be
7 deposited in an economic development revolving fund (here-
8 inafter referred to as the "fund"), which is hereby estab-
9 lished in the Treasury of the United States, and which shall
10 be available to the Secretary for the purpose of extending
11 financial assistance under sections 201, 202, and 403, and
12 for the payment of all obligations and expenditures arising
13 in connection therewith. There shall also be credited to the
14 fund such funds as have been paid into the area redevelop-
15 ment fund or may be received from obligations outstanding
16 under the Area Redevelopment Act. The fund shall pay
17 into miscellaneous receipts of the Treasury, following the
18 close of each fiscal year, interest on the amount of loans
19 outstanding computed in such manner and at such rate as
20 may be determined by the Secretary of the Treasury taking
21 into consideration the current average market on outstanding
22 marketable obligations of the United States with remaining
23 periods to maturity comparable to the average maturities
24 of such loans, adjusted to the nearest one-eighth of one per

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1 centum, during the month of June preceding the fiscal year
2 in which the loans were made.

3 TITLE III—TECHNICAL ASSISTANCE, RESEARCH,
4 AND INFORMATION

5 TECHNICAL AND ADMINISTRATIVE ASSISTANCE

6 SEC. 301. (a) In carrying out his duties under this Act
7 the Secretary is authorized to provide technical assistance
8 which would be useful in alleviating or preventing conditions
9 of excessive unemployment or underemployment (1) to
10 areas which he has designated as redevelopment areas under
11 this Act, and (2) to other areas which he finds have sub-
12 stantial need for such assistance. Such assistance shall in-
13 clude studies evaluating the needs of, and developing
14 potentialities for, economic growth of such areas. Such as-
15 sistance may be provided by the Secretary through members
16 of his staff, through the payment of funds authorized for this
17 section to other departments or agencies of the Federal Gov-
18 ernment, through the employment of private individuals,
19 partnerships, firms, corporations, or suitable institutions, un-
20 der contracts entered into for such purposes, or through
21 grants-in-aid to appropriate public or private nonprofit State,
22 area, district, or local organizations. The Secretary, in his
23 discretion, may require the repayment of assistance provided

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1 under this subsection and prescribe the terms and conditions
2 of such repayment.

3 (b) The Secretary is authorized to make grants for
4 economic planning staff and administrative expenses to or-
5 ganizations which he determines to be qualified to receive
6 grants-in-aid under subsection (a) hereof: *Provided, how-*
7 *ever,* That no such grant shall exceed 75 per centum of the
8 aggregate cost of the undertaking for which the assistance is
9 rendered, or of the administrative expenses of any qualified
10 organization in any one year. In determining the amount of
11 the non-Federal share of such costs or expenses, the Secre-
12 tary shall give due consideration to all contributions both in
13 cash and in kind, fairly evaluated, including but not limited
14 to space, equipment, and services. Where practicable,
15 grants-in-aid authorized under this subsection shall be used
16 in conjunction with other available planning grants, such as
17 urban planning grants authorized under the Housing Act of
18 1954, as amended, and highway planning and research
19 grants authorized under the Federal Aid Highway Act of
20 1962, to assure adequate and effective planning and eco-
21 nomical use of funds.

22 (c) There is hereby authorized to be appropriated
23 \$20,000,000 annually for the purposes of this section.

19

1

RESEARCH

2 SEC. 302. To assist in the long-range accomplishment of
3 the purposes of this Act, the Secretary, in cooperation with
4 other agencies having similar functions, shall establish and
5 conduct a continuing program of study and research designed
6 to assist in determining the causes of unemployment, under-
7 employment, underdevelopment, and chronic depression in
8 the various areas and regions of the Nation and in the formu-
9 lation and implementation of national, State, and local pro-
10 grams which will raise income levels and otherwise produce
11 solutions of the problems resulting from these conditions.
12 The Secretary shall include in his annual report under section
13 706 a detailed statement concerning the study and research
14 conducted under this section together with his findings result-
15 ing therefrom and his recommendations for legislative and
16 other action.

17

INFORMATION

18 SEC. 303. The Secretary shall aid redevelopment areas
19 and other areas by furnishing to interested individuals, com-
20 munities, industries, and enterprises within such areas any
21 assistance, technical information, market research, or other
22 forms of assistance, information, or advice which would be
23 useful in alleviating or preventing conditions of excessive

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1 unemployment or underemployment within such areas. The
2 Secretary may furnish the procurement divisions of the vari-
3 ous departments, agencies, and other instrumentalities of the
4 Federal Government with a list containing the names and
5 addresses of business firms which are located in redevelop-
6 ment areas and which are desirous of obtaining Government
7 contracts for the furnishing of supplies or services, and
8 designating the supplies and services such firms are engaged
9 in providing.

10 TITLE IV—AREA AND DISTRICT ELIGIBILITY

11 PART A—REDEVELOPMENT AREAS

12 AREA ELIGIBILITY

13 SEC. 401. (a) The Secretary shall designate as “re-
14 development areas”—

15 (1) those areas in which he determines, upon the
16 basis of standards generally comparable with those set
17 forth in paragraphs (A) and (B), that there has ex-
18 isted substantial and persistent unemployment for an
19 extended period of time. There shall be included among
20 the areas so designated any area—

21 (A) where the Secretary of Labor finds that
22 the current rate of unemployment, as determined
23 by appropriate annual statistics for the most recent
24 available calendar year, is 6 per centum or more
25 and has averaged at least 6 per centum for the

21

1 qualifying time periods specified in paragraph (B) ;
2 and

3 (B) where the Secretary of Labor finds that
4 the annual average rate of unemployment has been
5 at least—

6 (i) 50 per centum above the national aver-
7 age for three of the preceding four calendar
8 years, or

9 (ii) 75 per centum above the national
10 average for two of the preceding three calendar
11 years, or

12 (iii) 100 per centum above the national
13 average for one of the preceding two calendar
14 years.

15 The Secretary of Labor shall find the facts and provide
16 the data to be used by the Secretary in making the de-
17 terminations required by this subsection.

18 (2) those additional areas which have a median
19 family income not in excess of 40 per centum of the
20 national median, as determined by the most recent avail-
21 able statistics for such areas ;

22 (3) those additional Federal or State Indian reser-
23 vations which the Secretary, after consultation with the
24 Secretary of the Interior, determines manifest the great-
25 est degree of economic distress on the basis of unemploy-

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1 ment and income statistics and other appropriate evi-
2 dence of economic underdevelopment;

3 (4) upon request of such areas, those additional
4 areas in which the Secretary determines that the loss,
5 removal, or closing of a major source of employment,
6 has caused or is about to cause an unusual and abrupt
7 rise in unemployment or underemployment of such mag-
8 nitude that the area can reasonably be expected to be-
9 come eligible for designation under the other provisions
10 of this Act within three years unless assistance is pro-
11 vided. Notwithstanding any provision of this section to
12 the contrary, an area may be designated at any time un-
13 der the authority of this subsection and may be given a
14 reasonable time after designation in which to submit the
15 overall economic development program required by sub-
16 section 202 (b) (10) of this Act;

17 (5) notwithstanding any provision of this section
18 to the contrary, those additional areas which were desig-
19 nated redevelopment areas under the Area Redevelop-
20 ment Act on the date of the enactment of this Act: *Pro-*
21 *vided, however,* That the continued eligibility of such
22 areas after the first annual review of eligibility conducted
23 in accordance with section 402 of this Act shall be de-
24 pendent on their qualification for designation under the
25 standards of economic need set forth in subsections

1 (a) (1) through (a) (4) of this section.

2 (b) The size and boundaries of redevelopment areas
3 shall be as determined by the Secretary: *Provided, however,*
4 That—

5 (1) no area shall be designated until it has an ap-
6 proved overall economic development program in ac-
7 cordance with subsection 202 (b) (10) of this Act;

8 (2) any area which does not submit an acceptable
9 overall economic development program in accordance
10 with subsection 202 (b) (10) of this Act within a rea-
11 sonable time after notification of eligibility for designa-
12 tion, shall not thereafter be designated prior to the next
13 annual review of eligibility in accordance with section
14 402 of this Act;

15 (3) no area shall be designated which does not
16 have a population of at least one thousand five hundred
17 persons; and

18 (4) except for areas designated under subsections
19 (a) (3) and (a) (4) hereof, no area shall be designated
20 which is smaller than a “labor area” (as defined by the
21 Secretary of Labor), a county, or a municipality with
22 a population of over two hundred and fifty thousand,
23 whichever in the opinion of the Secretary is appropriate.

24 (c) Upon the request of the Secretary, the Secretary
25 of Labor, the Secretary of Agriculture, the Secretary of the

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1 Interior, and such other heads of agencies as may be appro-
2 priate are authorized to conduct such special studies, obtain
3 such information, and compile and furnish to the Secretary
4 such data as the Secretary may deem necessary or proper
5 to enable him to make the determinations provided for in
6 this section. The Secretary shall reimburse when appro-
7 priate, out of any funds appropriated to carry out the pur-
8 poses of this Act, the foregoing officers for any expenditures
9 incurred by them under this section.

10 (d) As used in this Act, the term "redevelopment
11 area" refers to any area within the United States which
12 has been designated by the Secretary as a redevelopment
13 area.

14 ANNUAL REVIEW OF AREA ELIGIBILITY

15 SEC. 402. The Secretary shall conduct an annual review
16 of the eligibility of all areas designated or under considera-
17 tion for designation in accordance with section 401 of this
18 Act, and on the basis thereof may terminate or modify the
19 designations of such areas in accordance with objective
20 standards which he shall prescribe by regulation. No area
21 previously designated shall retain its designated status unless
22 it maintains a currently approved overall economic develop-
23 ment program in accordance with subsection 202 (b) (10).
24 No termination of eligibility shall (1) be made without
25 thirty days' prior notification to the area concerned, (2)

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1 affect the validity of any application filed, or contract or
2 undertaking entered into, with respect to such area pursuant
3 to this Act prior to such termination, or (3) prevent any
4 such area from again being designated a redevelopment area
5 under section 401 of this Act if the Secretary determines
6 it to be eligible under such section. The Secretary shall
7 keep the departments and agencies of the Federal Govern-
8 ment, and interested State or local agencies, advised at all
9 times of any changes made hereunder with respect to the
10 classification of any area.

11 PART B—ECONOMIC DEVELOPMENT DISTRICTS

12 SEC. 403. (a) In order that economic development
13 projects of broader geographical significance may be planned
14 and carried out, the Secretary is authorized—

15 (1) to designate appropriate “economic develop-
16 ment districts” within the United States with the concu-
17 rence of the States in which such districts will be wholly
18 or partially located, if—

19 (A) the proposed district is of sufficient size or
20 population, and contains sufficient resources, to foster
21 economic development on a scale involving more
22 than a single redevelopment area;

23 (B) the proposed district contains two or more
24 redevelopment areas;

1 (C) the proposed district contains one or more
2 redevelopment areas or economic development cen-
3 ters identified in an approved district overall eco-
4 nomic development program as having sufficient size
5 and potential to foster the economic growth activi-
6 ties necessary to alleviate the distress of the re-
7 development areas within the district; and

8 (D) the proposed district has a district overall
9 economic development program which includes ade-
10 quate land use and transportation planning and con-
11 tains a specific program for district cooperation, self-
12 help, and public investment and is approved by the
13 State or States affected and by the Secretary;

14 (2) to designate as "economic development cen-
15 ters," in accordance with such regulations as he shall pre-
16 scribe, such areas as he may deem appropriate, if—

17 (A) the proposed center has been identified
18 and included in an approved district overall eco-
19 nomic development program and recommended by
20 the State or States affected for such special desig-
21 nation;

22 (B) the proposed center is geographically and
23 economically so related to the district that its eco-
24 nomic growth may reasonably be expected to con-

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1 tribute significantly to the alleviation of distress in
2 the redevelopment areas of the district; and

3 (C) the proposed center does not have a popu-
4 lation in excess of two hundred and fifty thousand
5 according to the last preceding Federal census.

6 (3) to provide financial assistance in accordance
7 with the criteria of sections 101, 201, and 202 of this
8 Act, except as may be herein otherwise provided, for
9 projects in economic development centers designated
10 under subsection (a) (2) above, if—

11 (A) the project will further the objectives of
12 the overall economic development program of the
13 district in which it is to be located;

14 (B) the project will enhance the economic
15 growth potential of the district or result in addi-
16 tional long-term employment opportunities com-
17 mensurate with the amount of Federal financial
18 assistance requested; and

19 (C) the amount of Federal financial assistance
20 requested is reasonably related to the size, popula-
21 tion, and economic needs of the district;

22 (4) subject to the 20 per centum non-Federal share
23 required for any project by subsection 101 (c) of this
24 Act, to increase the amount of grant assistance author-

1 ized by section 101 for projects within redevelopment
2 areas (designated under section 401), by an amount
3 not to exceed 10 per centum of the aggregate cost of any
4 such project, in accordance with such regulations as he
5 shall prescribe, if—

6 (A) the redevelopment area is situated within
7 a designated economic development district and is
8 actively participating in the economic development
9 activities of the district; and

10 (B) the project is consistent with an approved
11 district overall economic development program.

12 (b) In designating economic development districts and
13 approving district overall economic development programs
14 under subsection (a) of this section, the Secretary is author-
15 ized, under regulations prescribed by him—

16 (1) to invite the several States to draw up proposed
17 district boundaries and to identify potential economic
18 development centers;

19 (2) to cooperate with the several States—

20 (A) in sponsoring and assisting district eco-
21 nomic planning and development groups, and

22 (B) in assisting such district groups to formu-
23 late district overall economic development programs.

24 (c) The Secretary shall by regulation prescribe stand-

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1 ards for the termination or modification of economic develop-
2 ment districts and economic development centers designated
3 under the authority of this section.

4 (d) As used in this Act, the term "economic develop-
5 ment district" refers to any area within the United States
6 composed of cooperating redevelopment areas and, where
7 appropriate, designated economic development centers and
8 neighboring counties or communities, which has been desig-
9 nated by the Secretary as an economic development district.

10 (e) As used in this Act, the term "economic develop-
11 ment center" refers to any area within the United States
12 which has been identified as an economic development center
13 in an approved district overall economic development pro-
14 gram and which has been designated by the Secretary as
15 eligible for financial assistance under sections 101, 201, and
16 202 of this Act in accordance with the provisions of this
17 section.

18 (f) There is hereby authorized to be appropriated not to
19 exceed \$50,000,000 annually for financial assistance extended
20 under the provisions of subsections (a) (3) and (a) (4)
21 hereof.

22 (g) In order to allow time for adequate and careful dis-
23 trict planning, subsections (a) and (f) of this section shall
24 not be effective until one year from the date of enactment.

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1 TITLE V—REGIONAL ACTION PLANNING

2 COMMISSIONS

3 ESTABLISHMENT AND COORDINATION

4 SEC. 501. (a) The Secretary is authorized to invite
5 and encourage the several States to establish appropriate
6 multistate regional action planning commissions for the
7 purpose of—

8 (1) advising and assisting him in the identification
9 of optimum boundaries for multistate economic develop-
10 ment regions,

11 (2) initiating and coordinating the preparation of
12 long-range overall economic development programs for
13 such regions,

14 (3) fostering surveys and studies to provide data
15 required for the preparation of specific plans and pro-
16 grams for the development of such regions,

17 (4) advising and assisting him and the States
18 concerned in the initiation and coordination of economic
19 development districts, in order to promote maximum
20 benefits from the expenditure of Federal, State, and local
21 funds,

22 (5) promoting increased private investment in such
23 regions,

24 (6) preparing legislative and other recommenda-
25 tions with respect to both short-range and long-range

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1 programs and projects for Federal, State, and local
2 agencies, and

3 (7) receiving, reviewing, and commenting on all
4 tentative plans or proposals concerning multistate re-
5 gional economic development, and transmitting such
6 plans and proposals with appropriate comments and
7 recommendations to the Secretary and the heads of
8 other interested Federal and State agencies.

9 (b) As used in this Act, the term "region" refers to
10 any area within the United States which includes two or
11 more designated or potential economic development districts
12 in two or more contiguous States.

13 (c) The State members of such commissions shall be as
14 determined and appointed by the Governors of the States
15 concerned. The President shall appoint the Federal member
16 or members of such commissions, if any, who shall report
17 through the Secretary and be compensated at a rate not in
18 excess of that authorized by section 701 (10) of this Act.

19 (d) The Secretary shall present such plans and pro-
20 posals of the commissions as may be transmitted and recom-
21 mended to him (but are not authorized by any other section
22 of this Act) first for review by the Federal agencies pri-
23 marily interested in such plans and proposals and then,
24 together with the recommendations of such agencies, to the
25 President for such action as he may deem desirable.

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1 (e) The Secretary shall provide effective and continuing
2 liaison between the Federal Government and each regional
3 commission.

4 (f) Each Federal agency shall, consonant with law and
5 within the limits of available funds, cooperate with such
6 commissions as may be established in order to assist them
7 in carrying out their functions under this section.

8 PROGRAM DEVELOPMENT CRITERIA

9 SEC. 502. In developing recommendations for programs
10 and projects for future regional economic development, and
11 in establishing within those recommendations a priority
12 ranking for such programs and projects, the Secretary shall
13 encourage each regional commission to follow procedures
14 that will insure consideration of the following factors:

15 (1) the relationship of the project or class of proj-
16 ects to overall regional development including its loca-
17 tion in an area determined by the State to have a
18 significant potential for growth;

19 (2) the population and area to be served by the
20 project or class of projects including the relative per
21 capita income and the unemployment rates in the area;

22 (3) the relative financial resources available to the
23 State or political subdivisions or instrumentalities thereof
24 which seek to undertake the project;

25 (4) the importance of the project or class of proj-

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1 ects in relation to other projects or classes of projects
2 which may be in competition for the same funds;

3 (5) the prospects that the project, on a continuing
4 rather than a temporary basis, will improve the opportu-
5 nities for employment, the average level of income, or
6 the economic and social development of the area served
7 by the project.

8 REGIONAL TECHNICAL AND PLANNING ASSISTANCE

9 SEC. 503. (a) The Secretary is authorized to provide
10 to the commissions technical assistance which would be use-
11 ful in aiding the commissions to carry out their functions un-
12 der this Act and to develop recommendations and programs.
13 Such assistance may be provided by the Secretary through
14 members of his staff, through the payment of funds author-
15 ized for this section to other departments or agencies of the
16 Federal Government, or through the employment of private
17 individuals, partnerships, firms, corporations, or suitable in-
18 stitutions, under contracts entered into for such purposes, or
19 through grants-in-aid to the commissions. The Secretary, in
20 his discretion, may require the repayment of assistance pro-
21 vided under this subsection and prescribe the terms and con-
22 ditions of such repayment.

23 (b) For the period ending on June 30 of the second
24 full Federal fiscal year following the date of enactment of this
25 Act, the administrative expenses of each commission may be

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1 paid by the Federal Government on such terms and condi-
2 tions as the Secretary may approve. Thereafter, not to ex-
3 ceed 50 per centum of such expenses may be paid by the
4 Federal Government. In determining the amount of the
5 non-Federal share of such costs or expenses, the Secretary
6 shall give due consideration to all contributions both in cash
7 and in kind, fairly evaluated, including but not limited to
8 space, equipment, and services.

9 (c) There is hereby authorized to be appropriated
10 \$15,000,000 annually for the purposes of this section.

11 TITLE VI—ECONOMIC DEVELOPMENT

12 ADMINISTRATOR

13 ADMINISTRATOR FOR ECONOMIC DEVELOPMENT

14 SEC. 601. There shall be appointed by the President, by
15 and with the advice and consent of the Senate, an Adminis-
16 trator for Economic Development in the Department of Com-
17 merce, who shall receive compensation at the annual rate
18 applicable to level V of the Federal Executive Salary Act
19 of 1964. The Administrator shall perform such duties in
20 the execution of this Act as the Secretary may assign.

21 ADVISORY COMMITTEE ON REGIONAL ECONOMIC

22 DEVELOPMENT

23 SEC. 602. The Secretary shall appoint a National Pub-
24 lic Advisory Committee on Regional Economic Development
25 which shall consist of twenty-five members and shall be

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1 composed of representatives of labor, management, agricul-
2 ture, State and local governments, and the public in general.
3 From the members appointed to such Committee the Secre-
4 tary shall designate a Chairman. Such Committee, or any
5 duly established subcommittee thereof, shall from time to
6 time make recommendations to the Secretary relative to the
7 carrying out of his duties under this Act. Such Committee
8 shall hold not less than two meetings during each calendar
9 year.

10 CONSULTATION WITH OTHER PERSONS AND AGENCIES

11 SEC. 603. (a) The Secretary is authorized from time
12 to time to call together and confer with any persons, includ-
13 ing representatives of labor, management, agriculture, and
14 government, who can assist in meeting the problems of area
15 and regional unemployment or underemployment.

16 (b) The Secretary may make provision for such con-
17 sultation with interested departments and agencies as he may
18 deem appropriate in the performance of the functions vested
19 in him by this Act.

20 TITLE VII—MISCELLANEOUS

21 POWERS OF SECRETARY

22 SEC. 701. In performing his duties under this Act, the
23 Secretary is authorized to—

24 (1) adopt, alter, and use a seal, which shall be
25 judicially noticed;

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1 (2) hold such hearings, sit and act at such times
2 and places, and take such testimony, as he may deem
3 advisable;

4 (3) request directly from any executive depart-
5 ment, bureau, agency, board, commission, office, inde-
6 pendent establishment, or instrumentality information,
7 suggestions, estimates, and statistics needed to carry out
8 the purposes of this Act; and each department, bureau,
9 agency, board, commission, office, establishment, or in-
10 strumentality is authorized to furnish such information,
11 suggestions, estimates, and statistics directly to the
12 Secretary;

13 (4) under regulations prescribed by him, assign
14 or sell at public or private sale, or otherwise dispose
15 of for cash or credit, in his discretion and upon such
16 terms and conditions and for such consideration as he
17 shall determine to be reasonable, any evidence of debt,
18 contract, claim, personal property, or security assigned
19 to or held by him in connection with loans made or
20 evidences of indebtedness purchased under this Act, and
21 collect or compromise all obligations assigned to or held
22 by him in connection with such loans or evidences of
23 indebtedness until such time as such obligations may be
24 referred to the Attorney General for suit or collection;

25 (5) further extend the maturity of or renew any

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1 loan made or evidence of indebtedness purchased under
2 this Act, beyond the periods stated in such loan or evi-
3 dence of indebtedness or in this Act, for additional pe-
4 riods not to exceed ten years, if such extension or re-
5 newal will aid in the orderly liquidation of such loan or
6 evidence of indebtedness;

7 (6) deal with, complete, renovate, improve, mod-
8 ernize, insure, rent, or sell for cash or credit, upon such
9 terms and conditions and for such consideration as he
10 shall determine to be reasonable, any real or personal
11 property conveyed to, or otherwise acquired by, him in
12 connection with loans made or evidences of indebtedness
13 purchased under this Act;

14 (7) pursue to final collection, by way of compro-
15 mise or other administrative action, prior to reference
16 to the Attorney General, all claims against third parties
17 assigned to him in connection with loans made or evi-
18 dences of indebtedness purchased under this Act. This
19 shall include authority to obtain deficiency judgments or
20 otherwise in the case of mortgages assigned to the Sec-
21 retary. Section 3709 of the Revised Statutes, as
22 amended (41 U.S.C. 5), shall not apply to any contract
23 of hazard insurance or to any purchase or contract for
24 services or supplies on account of property obtained by
25 the Secretary as a result of loans made or evidences of

1 indebtedness purchased under this Act if the premium
2 therefor or the amount thereof does not exceed \$1,000.
3 The power to convey and to execute, in the name of the
4 Secretary, deeds of conveyance, deeds of release, assign-
5 ments and satisfactions of mortgages, and any other writ-
6 ten instrument relating to real or personal property or
7 any interest therein acquired by the Secretary pursuant
8 to the provisions of this Act may be exercised by the
9 Secretary or by any officer or agent appointed by him for
10 that purpose without the execution of any express dele-
11 gation of power or power of attorney;

12 (8) acquire, in any lawful manner, any property
13 (real, personal, or mixed, tangible or intangible), when-
14 ever deemed necessary or appropriate to the conduct
15 of the activities authorized in sections 201, 202, 301,
16 403, and 503 of this Act;

17 (9) in addition to any powers, functions, privileges,
18 and immunities otherwise vested in him, take any and
19 all actions, including the procurement of the services
20 of attorneys by contract, determined by him to be neces-
21 sary or desirable in making, purchasing, servicing, com-
22 promising, modifying, liquidating, or otherwise admin-
23 istratively dealing with or realizing on loans made or
24 evidences of indebtedness purchased under this Act;

25 (10) employ experts and consultants or organiza-

1 tions therefor as authorized by section 15 of the Admin-
2 istrative Expenses Act of 1946 (5 U.S.C. 55a), com-
3 pensate individuals so employed at rates not in excess
4 of \$100 per diem, including travel time, and allow
5 them, while away from their homes or regular places
6 of business, travel expenses (including per diem in
7 lieu of subsistence) as authorized by section 5 of such
8 Act (5 U.S.C. 73b-2) for persons in the Government
9 service employed intermittently, while so employed:
10 *Provided, however,* That contracts for such employment
11 may be renewed annually;

12 (11) sue and be sued in any court of record of a
13 State having general jurisdiction or in any United States
14 district court, and jurisdiction is conferred upon such
15 district court to determine such controversies without
16 regard to the amount in controversy; but no attachment,
17 injunction, garnishment, or other similar process, mesne
18 or final, shall be issued against the Secretary or his prop-
19 erty. Nothing herein shall be construed to except the
20 activities under this Act from the application of sec-
21 tions 507 (b) and 2679 of title 28, United States Code,
22 and of section 367 of the Revised Statutes (5 U.S.C.
23 316) ; and

24 (12) establish such rules, regulations, and pro-

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cedures as he may deem appropriate in carrying out the provisions of this Act.

SAVINGS PROVISIONS

SEC. 702. (a) No suit, action, or other proceeding lawfully commenced by or against the Administrator or any other officer of the Area Redevelopment Administration in his official capacity or in relation to the discharge of his official duties under the Area Redevelopment Act, shall abate by reason of the taking effect of the provisions of this Act, but the court may, on motion or supplemental petition filed at any time within twelve months after such taking effect, showing a necessity for the survival of such suit, action, or other proceeding to obtain a settlement of the questions involved, allow the same to be maintained by or against the Secretary or the Administrator or such other officer of the Department of Commerce as may be appropriate.

(b) Except as may be otherwise expressly provided in this Act, all powers and authorities conferred by this Act shall be cumulative and additional to and not in derogation of any powers and authorities otherwise existing. All rules, regulations, orders, authorizations, delegations, or other actions duly issued, made, or taken by or pursuant to applicable law, prior to the effective date of this Act, by any agency, officer, or office pertaining to any functions, powers, and

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1 duties under the Area Redevelopment Act shall continue in
2 full force and effect after the effective date of this Act until
3 modified or rescinded by the Secretary or such other officer
4 of the Department of Commerce as, in accordance with appli-
5 cable law, may be appropriate.

6 TRANSFER OF FUNCTIONS AND EFFECTIVE DATE

7 SEC. 703. (a) The functions, powers, duties, and au-
8 thorities and the assets, funds, contracts, loans, liabilities,
9 commitments, authorizations, allocations, and records which
10 are vested in or authorized to be transferred to the Secretary
11 of the Treasury under section 29 (b) of the Area Redevelop-
12 ment Act, and all functions, powers, duties, and authorities
13 under section 29 (c) of the Area Redevelopment Act are
14 hereby vested in the Secretary.

15 (b) Any appropriations available to the Secretary for
16 the purposes of the Area Redevelopment Act on or after
17 the date of enactment of this Act shall be available for the
18 purposes of this Act.

19 (c) In the event that the Administrator required by
20 this Act to be appointed by and with the advice and consent
21 of the Senate shall not have entered upon office on the
22 effective date of this Act, the President may designate a
23 person to act in such office until the office is filled as pro-
24 vided in this Act or until the expiration of the first period
25 of sixty days following said effective date, whichever shall

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1 first occur. While so acting such person shall receive com-
2 pensation at the rate provided by this Act for such office.

3 (d) The provisions of this Act shall take effect upon
4 enactment unless herein explicitly otherwise provided.

5 SEPARABILITY

6 SEC. 704. Notwithstanding any other evidence of the
7 intent of Congress, it is hereby declared to be the intent of
8 Congress that if any provision of this Act or the application
9 thereof to any persons or circumstances, shall be adjudged
10 by any court of competent jurisdiction to be invalid, such
11 judgment shall not affect, impair, or invalidate the remainder
12 of this Act or its application to other persons and circum-
13 stances, but shall be confined in its operation to the provision
14 of this Act, or the application thereof to the persons and
15 circumstances, directly involved in the controversy in which
16 such judgment shall have been rendered.

17 APPLICATION OF ACT

18 SEC. 705. As used in this Act, the terms "State",
19 "States", and "United States" include the several States,
20 the District of Columbia, the Commonwealth of Puerto Rico,
21 the Virgin Islands, Guam, and American Samoa.

22 ANNUAL REPORT

23 SEC. 706. The Secretary shall make a comprehensive
24 and detailed annual report to the Congress of his operations
25 under this Act for each fiscal year beginning with the fiscal

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1 year ending June 30, 1966. Such report shall be printed
2 and shall be transmitted to the Congress not later than Janu-
3 ary 3 of the year following the fiscal year with respect to
4 which such report is made.

5 USE OF OTHER FACILITIES

6 SEC. 707. (a) To the fullest extent practicable in
7 carrying out the provisions of this Act the Secretary shall
8 use the available services and facilities of other agencies
9 and instrumentalities of the Federal Government, but only
10 with their consent and on a reimbursable basis. The fore-
11 going requirement shall be implemented by the Secretary in
12 such a manner as to avoid the duplication of existing staffs
13 and facilities in any agency or instrumentality of the Federal
14 Government. The Secretary is authorized to delegate to
15 the heads of other departments and agencies of the Federal
16 Government any of the Secretary's functions, powers, and
17 duties under this Act as he may deem appropriate, and to
18 authorize the redelegation of such functions, powers, and
19 duties by the heads of such departments and agencies.

20 (b) Departments and agencies of the Federal Govern-
21 ment shall exercise their powers, duties, and functions in
22 such manner as will assist in carrying out the objectives of
23 this Act.

24 (c) Funds authorized to be appropriated under this Act
25 may be transferred, with the approval of the Director of

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1 the Bureau of the Budget, between departments and agencies
2 of the Government, if such funds are used for the purposes
3 for which they are specifically authorized and appropriated.

4 APPROPRIATION

5 SEC. 708. There are hereby authorized to be appropri-
6 ated such sums as may be necessary to carry out the provi-
7 sions of this Act. Appropriations authorized under this Act
8 shall remain available until expended unless otherwise pro-
9 vided by appropriations Acts.

10 PENALTIES

11 SEC. 709. (a) Whoever makes any statement knowing
12 it to be false, or whoever willfully overvalues any security,
13 for the purpose of obtaining for himself or for any applicant
14 any financial assistance under section 101, 201, 202, or 403
15 or any extension thereof by renewal, deferment or action, or
16 otherwise, or the acceptance, release, or substitution of secu-
17 rity therefor, or for the purpose of influencing in any way
18 the action of the Secretary, or for the purpose of obtaining
19 money, property, or anything of value, under this Act, shall
20 be punished by a fine of not more than \$10,000 or by im-
21 prisonment for not more than five years, or both.

22 (b) Whoever, being connected in any capacity with the
23 Secretary, in the administration of this Act (1) embezzles,
24 abstracts, purloins, or willfully misapplies any moneys, funds,
25 securities, or other things of value, whether belonging to him

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1 or pledged or otherwise entrusted to him, or (2) with intent
2 to defraud the Secretary or any other body politic or cor-
3 porate, or any individual, or to deceive any officer, auditor,
4 or examiner, makes any false entry in any book, report, or
5 statement of or to the Secretary, or without being duly
6 authorized draws any order or issues, puts forth, or assigns
7 any note, debenture, bond, or other obligation, or draft, bill
8 of exchange, mortgage, judgment, or decree thereof, or (3)
9 with intent to defraud participates or shares in or receives
10 directly or indirectly any money, profit, property, or benefit
11 through any transaction, loan, grant, commission, contract,
12 or any other act of the Secretary, or (4) gives any unau-
13 thorized information concerning any future action or plan of
14 the Secretary which might affect the value of securities, or
15 having such knowledge invests or speculates, directly or
16 indirectly, in the securities or property of any company or
17 corporation receiving loans, grants, or other assistance from
18 the Secretary, shall be punished by a fine of not more than
19 \$10,000 or by imprisonment for not more than five years,
20 or both.

21 EMPLOYMENT OF EXPEDITERS AND ADMINISTRATIVE
22 EMPLOYEES

23 SEC. 710. No financial assistance shall be extended by
24 the Secretary under section 101, 201, 202, or 403 to any
25 business enterprise unless the owners, partners, or offices

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1 of such business enterprise (1) certify to the Secretary the
2 names of any attorneys, agents, and other persons engaged
3 by or on behalf of such business enterprise for the purpose
4 of expediting applications made to the Secretary for assist-
5 ance of any sort, under this Act, and the fees paid or to be
6 paid to any such person; and (2) execute an agreement
7 binding such business enterprise, for a period of two years
8 after such assistance is rendered by the Secretary to such
9 business enterprise, to refrain from employing, tendering any
10 office or employment to, or retaining for professional services,
11 any person who, on the date such assistance or any part
12 thereof was rendered, or within one year prior thereto, shall
13 have served as an officer, attorney, agent, or employee,
14 occupying a position or engaging in activities which the
15 Secretary shall have determined involve discretion with
16 respect to the granting of assistance under this Act.

17 PREVAILING RATE OF WAGE AND FORTY-HOUR WEEK

18 SEC. 711. All laborers and mechanics employed by con-
19 tractors or subcontractors on projects assisted by the Secre-
20 tary under this Act shall be paid wages at rates not less than
21 those prevailing on similar construction in the locality as de-
22 termined by the Secretary of Labor in accordance with the
23 Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5),
24 and every such employee shall receive compensation at a
25 rate not less than one and one-half times his basic rate of pay

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1 for all hours worked in any workweek in excess of eight
2 hours in any workday or forty hours in the workweek, as the
3 case may be. The Secretary shall not extend any financial
4 assistance under section 101, 201, 202, or 403 for such a
5 project without first obtaining adequate assurance that these
6 labor standards will be maintained upon the construction
7 work. The Secretary of Labor shall have, with respect to
8 the labor standards specified in this provision, the authority
9 and functions set forth in Reorganization Plan Numbered 14
10 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 133z-15),
11 and section 2 of the Act of June 13, 1934, as amended
12 (40 U.S.C. 276c).

13 RECORD OF APPLICATIONS

14 SEC. 712. The Secretary shall maintain as a permanent
15 part of the records of the Department of Commerce a list of
16 applications approved for financial assistance under section
17 101, 201, 202, or 403, which shall be kept available for pub-
18 lic inspection during the regular business hours of the De-
19 partment of Commerce. The following information shall be
20 posted in such list as soon as each application is approved;
21 (1) the name of the applicant and, in the case of corporate
22 applications, the names of the officers and directors thereof,
23 (2) the amount and duration of the loan or grant for which
24 application is made, (3) the purposes for which the pro-

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ceeds of the loan or grant are to be used, and (4) a general description of the security offered in the case of a loan.

RECORDS AND AUDIT

SEC. 713. (a) Each recipient of assistance under this Act shall keep such records as the Secretary shall prescribe, including records which fully disclose the amount and the disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance is given or used, and the amount and nature of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient that are pertinent to assistance received under this Act.

CONFORMING AMENDMENT

SEC. 714. All benefits heretofore specifically made available (and not subsequently revoked) under other Federal programs to persons or to public or private organizations, corporations, or entities in areas designated by the Secretary as "redevelopment areas" under section 5 of the Area Redevelopment Act, are hereby also extended, insofar as prac-

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1 ticable, to such areas as may be designated as “redevelop-
2 ment areas” or “economic development centers” under the
3 authority of section 401 or 403 of this Act: *Provided, how-*
4 *ever,* That this section shall not be construed as limiting such
5 administrative discretion as may have been conferred under
6 any other law.

ANALYSIS OF TITLES II AND IV OF THE PUBLIC WORKS AND
ECONOMIC DEVELOPMENT ACT OF 1965

TITLE II—OTHER FINANCIAL ASSISTANCE

PUBLIC WORKS AND DEVELOPMENT FACILITY LOANS

Section 201 authorizes the Secretary to make loans for the same purposes as he is authorized to make grants under section 101. Loans would be made only where funds are not otherwise available and where there is reasonable expectation of repayment. Interest rates would vary according to Federal borrowing costs, less one-half of 1 percent. Pending a change in Federal borrowing costs, the actual interest rate charged to borrowers on such projects would be 3½ percent. A total annual authorization of \$170 million is provided for both development facility loans under this section and for business loans and loan guarantees under section 202.

LOANS AND GUARANTEES

Section 202 authorizes the Secretary (1) to make loans for the purchase or development of land and facilities for industrial or commercial usage within redevelopment area (2) to guarantee loans for working capital made to private borrowers by private lending institutions in connection with direct loan projects, and (3) to contract to pay to or on behalf of business entities locating in redevelopment areas a portion of the interest costs which they incur in financing their expansions from private sources. The new section would contain standard loan conditions (including an express prohibition against aiding relocations) and would limit Federal loan assistance to 65 percent of project cost. A subordinated local share of 15 percent of project costs would be required in all cases, of which 5 percent would have to be supplied by the State or a public or quasi-public organization, unless the Secretary waived the latter requirement because the 5-percent funds were otherwise not reasonably available. To be eligible for assistance, projects must be consistent with overall economic development programs, which the Secretary may require to be revised periodically. Interest rates for direct loans would be determined in accordance with a formula based on Federal borrowing costs, which would result in a current rate of 4½ percent. Interest rate rebate contracts would be limited to purposes for which direct loans could be made and could not exceed a total of \$5 million in new contracts annually.

ECONOMIC DEVELOPMENT REVOLVING FUND

Section 203 establishes an economic development revolving fund in the Treasury of the United States for funds obtained by the Secretary under section 201, for loan funds under section 403, and for collections and repayments. The fund would be available to the Secretary for the purpose of extending loan assistance under sections 201, 202, and 403. Repayment of obligations outstanding under the Area Redevelopment Act would be credited to the fund, and it would pay interest to the Treasury on the amount of the total loans outstanding, based on the current average market yield on outstanding Treasury obligations of comparable maturities.

TITLE IV—AREA AND DISTRICT ELIGIBILITY

PART A—REDEVELOPMENT AREAS

AREA ELIGIBILITY

Section 401 establishes standards for the designation of "redevelopment areas" in terms of unemployment and low family income criteria. The new criteria are (1) unemployment in excess of the national average for specified periods of time; (2) designation on the basis of low family income for those areas which have a median family income not in excess of 40 percent of the national median; (3) those Federal and State Indian reservations which the Secretary after consultation with the Secretary of the Interior determines manifest the greatest need; and (4) those areas experiencing a sudden rise in unemployment due to an economic emergency, such as a major plant closing. However, no area would be eligible for designation if it (1) has a population less than

1,500 persons; (2) is smaller than a "labor area" (as defined by the Secretary of Labor), a county, or a municipality with a population of over 250,000, whichever in the opinion of the Secretary is appropriate; or (3) does not have an approved overall economic development program. In addition to the four types of areas listed, areas eligible under the Area Redevelopment Act would continue to be eligible for assistance until the first annual review of eligibility under section 402, at which time they would be required to qualify under the regular provisions of the act. The Secretary would be authorized to prescribe necessary rules and regulations for the designation of areas, to review such designations annually, and to obtain from the heads of other agencies on a reimbursable basis the data upon which to base area designations.

ANNUAL REVIEW OF AREA ELIGIBILITY

Section 402, which deals with the termination of eligibility of areas, would (1) prescribe an annual review of eligibility of areas, (2) require a currently approved overall economic development program as a condition for continued eligibility, (3) provide 30 days' notice prior to termination of eligibility, and (4) explicitly allow applications filed prior to area termination to be considered by the Secretary.

PART B—ECONOMIC DEVELOPMENT DISTRICTS

Section 403, authorizes the Secretary to designate multicounty economic development districts, with the concurrence of the States affected, for the benefit of the districts as a whole and of the redevelopment areas situated in such districts. The districts must include two or more designated redevelopment areas, be of sufficient size and potential to foster economic growth on a scale involving more than a single area, and contain one or more economic development centers. Where the centers were not already designated redevelopment areas, the Secretary would be authorized to designate such centers as he deemed appropriate, as eligible for loan and grant assistance under the act on the same basis as redevelopment areas. Recommendations for such designations would be contained in approved district overall economic development programs, which would be required prior to the designation of the district. To encourage redevelopment areas to participate in multicounty economic development activities, the Secretary would also be authorized to increase development facility grants for projects in redevelopment areas within designated districts by an amount equal to 10 percent of the cost of the project assisted. To insure adequate time for effective planning, no district would be designated and no development center would be eligible for financial assistance until 1 year after the enactment of this section. However, the Secretary would be authorized to invite the several States to draw up proposed district boundaries and to identify potential economic development centers as soon as practicable. The total authorization for financial assistance to economic development centers and for 10-percent bonuses to redevelopment areas within designated districts is limited to \$50 million annually.

HIGHLIGHTS OF THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

Establishes an Agency for public works and economic development, within the Department of Commerce, to provide Federal financial assistance in areas and regions of substantial and persistent unemployment and underemployment to enable them to take effective steps in planning and financing economic development

Section	Description	Annual authorization
TITLE I—GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES		
101	Provides direct and supplemental grants (up to 80 percent) for public works and development facilities.....	Millions \$250
TITLE II—OTHER FINANCIAL ASSISTANCE		
201	Provides for loans to assist in financing public works or development facilities.....	
202a	Provides industrial and commercial loans to purchase and develop land facilities, purchase machinery and equipment, and construct and rehabilitate buildings.....	
202b	Provides for a guarantee of working capital loans made in connection with loan projects.....	
202c	Provides 2 point interest subsidies to companies which obtain their financing from non-Government sources and locate within redevelopment areas. Total new subsidy contracts not to exceed \$5 million annually.....	5
	Total authorization for secs. 201 and 202 loans and guarantees.....	170
203	Establishes an economic development revolving fund in the U.S. Treasury to receive collections and repayments and to extend financial assistance under secs. 201, 202, and 403.....	
TITLE III—TECHNICAL ASSISTANCE, RESEARCH, AND INFORMATION		
301	Provides for technical assistance studies and for grants (up to 75 percent) for planning and administrative expenses.....	20
302	Authorizes a continuing program of study and research.....	
303	Provides for information to redevelopment and other areas useful in alleviating unemployment.....	
TITLE IV—AREA AND DISTRICT ELIGIBILITY		
401	Establishes the criteria for designation of "redevelopment areas".....	
402	Provides for annual determination of each area's initial or continuing eligibility under the act.....	
403	Authorizes the designation of economic development districts containing 2 or more redevelopment areas and 1 or more centers (which also become eligible for loan and grant benefits); increases grants for redevelopment areas within districts up to 10 percent.....	50
TITLE V—REGIONAL ACTION PLANNING COMMISSIONS		
501	Provides for the establishment of regional action planning commissions to identify boundaries and prepare multistate economic development plans. State members would be appointed by State Governors, Federal members by the President.....	
502	Establishes program development criteria for the guidance of the commissions.....	
503	Provides Federal technical assistance for multistate commissions and permits the Federal Government to pay up to 100 percent of commission administrative expenses for 2 years, and 50 percent thereafter.....	15
TITLE VI—ADMINISTRATIVE		
601	Provides for an Administrator for Economic Development within the U.S. Department of Commerce.....	
602	Establishes a representative 25-member National Public Advisory Committee on Regional Economic Development.....	
603	Authorizes the Secretary of Commerce to confer with individuals and agencies or departments which can assist in alleviating unemployment and underemployment.....	
	Other sections of this bill contain technical and administrative provisions.....	
	Total.....	510

TREASURY DEPARTMENT,
OFFICE OF THE GENERAL COUNSEL,

May 7, 1965.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN : Reference is made to your request for the views of this Department on S. 1648 to provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

The President in his message of March 25, 1965, made certain recommendations relative to area redevelopment and subsequently submitted draft legislation to the Congress to implement these recommendations. S. 1648 incorporates this draft legislation.

The Department recommends favorable consideration of the proposed legislation.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee and that enactment of the proposed legislation would be in accord with the program of the President.

Sincerely yours,

FRED B. SMITH,
Acting General Counsel.

Brief section-by-section comparison of Area Redevelopment Act, Accelerated Public Works Act, Appalachian Regional Development Act, and proposed Public Works and Economic Development Act

Program	Area Redevelopment Act (Public Law 87-27, May 1, 1961)	Accelerated Public Works Act (Public Law 87-658, Sept. 14, 1962)	Appalachian Regional Development Act (Public Law 99-4, Mar. 9, 1965)	Public Works and Economic Development Act (S. 164, Apr. 1, 1965)
<p>1. Grants for public works and development facilities.</p>	<p><i>Sec. 8.</i>—Direct grants of up to 100 percent of project cost for public facilities directly related to identifiable new industrial or commercial employment. \$75,000,000 total authorization.</p>	<p><i>Sec. 3.</i>—Supplementary grants from 50 to 75 percent of project cost for the accelerated construction of essential public works authorized under other Federal programs. \$900,000,000 total authorization.</p>	<p><i>Sec. 214.</i>—Supplementary grants of up to 80 percent of project cost to enable States and communities to take advantage of grants under other Federal programs for which they could not otherwise supply the matching share. \$90,000,000 total authorization.</p>	<p><i>Sec. 101.</i>—Direct grants of up to 50 percent of project cost for public works or development facilities which will (1) tend to improve opportunities for the successful establishment or expansion of industrial or commercial facilities, (2) otherwise assist in the creation of additional long-term employment opportunities in the area, or (3) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act. Supplementary grants of up to 80 percent of project cost to enable States and other entities within development area to take advantage of Economic Development Act and other Federal grant-in-aid programs for which they are eligible, but are unable to supply matching share. The amounts of supplementary grants would be determined on the basis of the relative need of the area and the nature of the project, but in no case would the combined direct and supplementary grant exceed 80 percent of the project cost. Supplementary grants may be reduced where revenues are available from the facility. \$250,000,000 annual authorization.</p>

Brief section-by-section comparison of Area Redevelopment Act, Accelerated Public Works Act, Appalachian Regional Development Act, and proposed Public Works and Economic Development Act—Continued

Program	Area Redevelopment Act (Public Law 87-27, May 1, 1961)	Accelerated Public Works Act (Public Law 87-658, Sept. 14, 1962)	Appalachian Regional Development Act (Public Law 89-4, Mar. 9, 1965)	Public Works and Economic Development Act (S. 1649, Apr. 1, 1965)
2. Loans for public works and development facilities.	<p><i>Sec. 7.</i>—Loans of up to 100 percent of project cost. Same criteria as for grants. \$100,000,000 total authorization.</p>	None	None	<p><i>Sec. 201.</i>—Loans of up to 100 percent of project cost. Same criteria as for grants. Loans would be made only where funds are not otherwise available and where there is reasonable expectation of repayment. Interest rates would vary according to Federal borrowing costs, less $\frac{1}{2}$ of 1 percent. A total annual authorization of \$170,000,000 is provided for both development facility loans under this section and for business loans and loan guarantees under sec. 202, described below.</p> <p><i>Sec. 202.</i>—Direct loans of up to 65 percent of the aggregate cost of land, buildings, machinery, and equipment, where the project creates new long-term employment within designated redevelopment areas. 15 percent of project cost to be deferred and subordinate (to Economic Development Act loan), of which 5 percent of project cost must be supplied by the State or a community or area organization, except where the Secretary waives the 5 percent community requirement in hardship cases. (\$170,000,000 annual authorization contained in preceding section.) Authorizes the Secretary to guarantee loans for working capital made to private borrowers by private lending institutions in connection with direct loan projects.</p>
3. Loans for industrial and commercial enterprises.	<p><i>Sec. 6.</i>—Direct loans of up to 65 percent of the aggregate cost of land, buildings, machinery, and equipment, where the project creates new long-term employment within designated redevelopment areas. 15 percent of project cost to be deferred and subordinate (to Area Redevelopment Act loan), of which 10 percent of project cost must be supplied by the State or a community or area organization. \$100,000,000 total authorization for urban areas and \$100,000,000 total authorization for rural areas.</p>	None	None	

Also authorizes the Secretary to contract to pay, and to pay annually, for not more than 10 years, to or on behalf of private business entities amounts sufficient to reduce by 2 percent-age points the interest paid by such entities on loans which they obtain from private sources. New contracts for this purpose could not exceed \$5 million in any one year.

Secs. 101 and 201.—Development facility grants and loans:

States and political subdivisions, Indian tribes, private or public nonprofit organizations representing redevelopment areas or parts thereof.

Sec. 202.—Loans for industrial and commercial undertakings: Same as above, plus private applicants. Applicants must be approved by an agency or instrumentality of the State or political subdivision thereof in which the project is located. Projects must be consistent with overall economic development programs.

Secs. 301, 302, and 303.—Technical assistance, research, and information under same

criteria as Area Redevelopment Act. Secretary may require repayment of technical assistance where appropriate.

Specific authorization for 75 percent grants-in-aid to State, area, district, and local

organizations for economic planning staff and administrative expenses. Matching

contributions allowable in cash in kind. \$20,000,000

annual authorization for both technical assistance and planning grants-in-aid.

Sec. 303.—States, political subdivision, and local development districts. Applications must be made through the

State member of the Commission representing the applicant and approved by him.

Consultation with appropriate State-designated officials required prior to Commission approval, and Commission recommendation required prior to Federal approval.

Secs. 202 through 206.—Specific programs involving demonstration health facilities

(\$69,000,000), land conservation (\$17,000,000), timber

development and production (\$5,000,000), mining area

restoration (\$36,500,000), and water resource conservation

(\$5,000,000). \$132,000,000 total authorization.

Sec. 302.—Specific authorization for 75 percent grants to

"local development districts" (as defined in sec. 301) for

administrative expenses. \$5,500,000 total authorization.

Eligibility limited to applicants eligible for the specific Federal program involved and in accordance with the criteria governing such programs.

Projects must be not inconsistent with locally approved comprehensive plans where

over such plans exist. [Secs. 3(b), 3(c), and 3(f) (b).]

None.....

Secs. 8 and 7.—Development facility grants and loans: States and political subdivisions.

Indian tribes, private or public nonprofit organizations representing redevelopment

areas or parts thereof.

Sec. 6.—Loans for industrial and commercial undertakings:

Same as above, plus private applicants. Applicants must

be approved by an agency or instrumentality of the State

or political subdivision thereof in which the project is

located. Projects must be consistent with overall economic development programs.

Secs. 11, 10, and 27.—Technical assistance useful in alleviating or preventing conditions of

excessive unemployment or underemployment, to redevelopment areas or other

areas having need for such assistance. Includes studies

evaluating needs and resources. \$4,500,000 annual

authorization. Information to be provided to areas for

same purposes as technical assistance. Research involving

a continuing program to assist in determining causes

and cures of unemployment, underdevelopment, and chronic

depression.

4. Applicant eligibility.....

5. Technical assistance, research, and information.

Brief section-by-section comparison of Area Redevelopment Act, Accelerated Public Works Act, Appalachian Regional Development Act, and proposed Public Works and Economic Development Act—Continued

Program	Area Redevelopment Act (Public Law 87-27, May 1, 1961)	Accelerated Public Works Act (Public Law 87-638, Sept. 14, 1962)	Appalachian Regional Development Act (Public Law 89-4, Mar. 9, 1965)	Public Works and Economic Development Act (S. 1648 Apr. 1, 1965)
6. Area eligibility-----	<p><i>Sec. 5.</i>—Prescribes precise standards for designation of 5(a) or "urban" redevelopment areas on the basis of unemployment statistics but only vague and general standards for designation of 5(b) or "rural" redevelopment areas. Contains provision interpreted as authorizing the designation of at least 1 redevelopment area in every State. No size criteria for areas, except that Secretary may not designate parts of cities.</p>	<p><i>Sec. 5(a).</i>—Eligible areas include (1) areas designated as "redevelopment areas" under Area Redevelopment Act, and (2) areas designated by the Secretary of Labor each month as areas of "substantial unemployment" for at least 9 of the preceding 12 months. No size criteria for areas specified in the act.</p>	<p><i>Sec. 403.</i>—Eligible areas include enumerated counties in 10 Appalachian States, plus all the counties of West Virginia, plus such counties of the State of New York as are contiguous to Appalachia and are agreed upon between the Governor of New York and the Commission.</p>	<p><i>Sec. 401.</i>—Identical unemployment standards as under the Area Redevelopment Act, plus "rural" areas having median family income not in excess of 40 percent of national median. Also provides for designation of (1) Indian reservations, (2) areas experiencing a sudden rise in unemployment due to economic emergencies, and (3) areas eligible under the Area Redevelopment Act until the first annual review of eligibility. Eligible areas must have population of at least 1,500 persons, be a labor area, county, or municipality of 250,000 persons, and have an approved overall economic development program.</p>
7. Termination of area eligibility-----	<p><i>Sec. 13.</i>—Requires changed employment conditions to such an extent that the area is no longer eligible for destination. Interested State and local agencies must be advised of changes. Contains provision interpreted as allowing applications filed prior to termination to be considered by the Secretary.</p>	<p>No termination procedures specified.</p>	<p>No termination procedures specified.</p>	<p><i>Sec. 402.</i>—Requires (1) annual review area eligibility in accordance with standards to be prescribed by regulation, (2) a currently approved overall economic development program as a condition for continued eligibility, and (3) 30 days' notice to areas concerned prior to termination. Explicitly allows applications filed prior to termination to be considered by the Secretary.</p>
8. District eligibility-----	No explicit provisions-----	No explicit provisions-----	<p><i>Secs. 301 through 303.</i>—Local development districts are eligible for benefits in the sense that they are eligible "applicants" (see No. 4, above).</p>	<p><i>Sec. 405.</i>—Authorizes designation of multicounty economic development districts, consisting of 2 or more redevelopment areas and 1 or more "economic development centers." Such centers, upon designation, be-</p>

come eligible for loan and grant assistance. Additional grant assistance of up to 10 percent of project cost (but not to exceed 80 percent maximum) is authorized for redevelopment areas participating in district programs. A \$50,000 annual authorization is provided for assistance to centers and for 10-percent bonuses to redevelopment areas within districts.

Secs. 501 through 503.—Authorizes the Secretary to invite and encourage the several States to establish appropriate multi-State Regional Action Planning Commissions to identify practical regional boundaries and to formulate regional programs. Regions would be composed of 2 or more economic development districts in 2 or more contiguous States, with State members appointed by the Governors and Federal members appointed by the President. Plans and proposals of the Commissions would be presented by the Secretary for review to the Federal agencies primarily concerned and then to the President with the agencies recommendations. The Secretary is authorized to provide liaison between the Federal Government and the Commissions, as well as technical assistance to the Commissions to assist them in carrying out their functions. Administrative expenses of the Commissions for the first 2 years could be paid by the Federal Government and thereafter by the States and the Federal Government equally. A \$15,000,000 annual authorization is provided for regional technical assistance and for the administrative expenses of the Commissions.

Secs. 101 through 107, and 403.—Establishes Appalachian Regional Commission composed of a grade level IV "Federal Cochairman" and a GS-18 alternate (appointed by the President) and one member from each of the participating Appalachian States. Specifies functions of Commission and voting procedures, and identifies participating States. The President to provide liaison between the Federal Government and the Appalachian Commission. Administrative expenses of the Commission to be paid by the Federal Government for the first 2 years and thereafter by the States and the Federal Government equally, \$2,200,000 total authorization is provided for expenses of the Commission.

No explicit provisions.

No explicit provisions.

9. Regional planning.

Brief section-by-section comparison of Area Redevelopment Act, Accelerated Public Works Act, Appalachian Regional Development Act, and proposed Public Works and Economic Development Act—Continued

Program	Area Redevelopment Act (Public Law 87-27, May 1, 1961)	Accelerated Public Works Act (Public Law 87-638, Sept. 14, 1962)	Appalachian Regional Development Act (Public Law 89-4, Mar. 9, 1965)	Public Works and Economic Development Act (S. 1648, Apr. 1, 1965)
10. Administration	<p><i>Sec. 3.</i>—Directs the appointment by the President, with the advice and consent of the Senate, of an Area Redevelopment Administrator in the Department of Commerce to receive compensation at a rate equal to that received by Assistant Secretaries of Commerce (subsequently revised by the Federal Executive Salary Act of 1964 to level V). The Administrator to perform such duties as the Secretary may assign.</p>	<p><i>Sec. 3(c).</i>—The President to prescribe rules, regulations, and procedures. (E. O. 11049, dated Sept. 14, 1962, assigned the task of coordinating the A P W program to the Secretary of Commerce.)</p>	<p><i>Secs. 102 and 103.</i>—The Commission to advise (1) Secretary of Commerce on applications for grants for administrative expenses to local development districts, and (2) interested persons and agencies on the expenditure of Federal, State, and local funds within the region for purposes which are related to the purposes of the act (see also No. 9, above).</p> <p><i>Secs. 214 and 302.</i>—The Secretary of Commerce to administer both supplementary grants-in-aid and grants-in-aid to districts for technical assistance and administrative expenses.</p>	<p><i>Sec. 601.</i>—Directs the appointment by the President, with the advice and consent of the Senate, of an Economic Development Administrator in the Department of Commerce to receive compensation at the annual rate applicable to level V of the Federal Executive Salary Act of 1965. The Administrator to perform such duties as the Secretary may assign.</p>

11. Other major provisions	
<p>1. Standard provisions appropriate to Federal loan programs, dealing with powers of the Secretary, maintenance of records, penalties for falsifying applications, etc.</p> <p>2. <i>Sec. 4</i>—(a) Creates an Advisory Policy Board consisting of representatives of various Federal departments and agencies to advise the Secretary in the performance of functions authorized by the Act; (b) authorizes the Secretary to appoint a National Public Advisory Committee on Area Redevelopment consisting of 25 members representing labor, management, government, and the general public; and (c) authorizes the Secretary to call together and confer with any persons who can assist in meeting the problems of unemployment or underemployment in redevelopment areas.</p>	<p>Criteria pertaining to initiation and acceleration of public works projects to insure that they will fulfill the purposes of the act.</p>
<p><i>Sec. 201</i>.—Authorizes the Secretary of Commerce to assist in the construction of an Appalachian development highway system servicing the Appalachian region (not to exceed 2,350 miles), plus not in excess of 1,000 miles of local access roads to serve specific recreational, residential, commercial, industrial, or similar facilities. \$840,000,000 total authorization.</p>	<p>1. Standard Federal loan program provisions similar to those contained in the Area Redevelopment Act, plus special provisions insuring continuity of programs under the Area Redevelopment Act and the proposed Economic Development Act.</p> <p>2. <i>Sec's. 602 and 603</i>.—(a) Authorizes the Secretary to appoint a National Public Advisory Committee on Regional Economic Development, similar to ARA's National Public Advisory Committee; (b) authorizes the Secretary to call together and confer with any persons who can assist in meeting the problems of area and regional unemployment or underemployment; and (c) authorizes the Secretary to make provision for such consultation with departments and agencies as he may deem appropriate.</p>

U.S. SENATE,
COMMITTEE ON LABOR AND PUBLIC WELFARE,
May 10, 1965.

HON. PAUL H. DOUGLAS,
*Chairman, Subcommittee on Production and Stabilization, Senate Banking and
Currency Committee.*

DEAR MR. CHAIRMAN: In view of the fact that my statement in support of S. 1648, delivered before the Senate Public Works Committee, on April 27, was designed to cover titles II and IV of the bill presently being considered by your committee, I respectfully request that this statement, together with an excellent economic profile of New England's economic problems, be placed in the record of the hearings.

I shall be very grateful for the committee's favorable consideration of this important and far-reaching legislation.

With best wishes,

Sincerely,

EDWARD M. KENNEDY.

STATEMENT DELIVERED BY SENATOR EDWARD M. KENNEDY, DEMOCRAT, OF
MASSACHUSETTS

Mr. Chairman, I am delighted to appear before the committee this morning and express my support for the administration's economic development bill. As the chairman well knows, many of us were seriously concerned during the Appalachia debate that other areas of the country, also lagging in economic growth, should have the opportunity to develop regional programs similar to Appalachia. In fact, we were prepared to introduce our own region amendments to the Appalachia legislation, but held off on this after assurances from the administration that we would be covered in a forthcoming national development bill.

This we now have before us in S. 1648. One of its most important provisions concerns the creation of regional commissions to plan and implement long-range economic programs. For some time, I have urged that the establishment of such a commission for New England would be extremely effective and beneficial. The administration has wisely chosen to extend the Appalachia approach of regional programming to other problem areas. In my opinion, this is one of the most significant new steps in economic development legislation to come forward in many years.

I would suggest that the committee seriously consider integrating the language of S. 812 into the administration bill. S. 812, of which I am a cosponsor, was introduced by the senior Senator from Michigan (Mr. McNamara), whose knowledge and experience in this field is of the highest caliber. I feel that this language would provide more effective guidelines and greater flexibility in the selection of regional commissions; a stronger incentive for such commissions to come to the administration and to Congress with a development program as soon as possible; and a more specific description of the membership of the regional commissions and of the power of the Federal member in approving commission plans.

In addition to providing for regional development commissions, S. 1648 provides for continuation of the better features of area redevelopment and accelerated public works assistance, on a more flexible basis with greater emphasis on planning for permanent industrial development rather than the mere creation of temporary employment. This assistance would be available as soon as money is appropriated, and, for the most part, would not have to wait for long-range programs to be developed by the commission. Continuing ARA and APW type of funding to assist existing redevelopment areas is of crucial importance. My only major concern here is that the annual money authorized for public works and development facility grants is too modest and thus should be increased substantially in order to develop a truly meaningful growth program.

S. 1648 has two other features which I like very much and which I feel will be helpful in implementing long-range growth programs. One involves the recognition of economic development centers which although not distressed, would still be eligible for development assistance if the projects would contribute to the alleviation of high unemployment and low income in surrounding areas. The other concerns the creation of multicounty economic development districts which would bring together eligible and noneligible areas under a kind of subregional development plan and program.

This type of coordinated area attack on unemployment could be extremely effective in the Lowell-Lawrence-Haverhill area of Massachusetts, and in the Fall River-New Bedford-Providence area.

Of particular importance to my State, and to New England, is the new provision for Federal assistance to those areas suffering from military installation closings, or other economic emergencies.

Throughout the bill, there is the basic philosophy that Federal assistance shall be concentrated in accord with sound planning, and directed to projects which will enhance long-term growth. With this kind of assistance, and with the additional funding which I hope will come from a New England regional program developed by its commission, we have substantial reason to be encouraged and hopeful.

New England's present economic status more than qualifies it for the assistance provided in the pending legislation.

It is a six-State area, with economic and cultural ties, separated from surrounding regions by its geographical location and its topography. There is probably no more precise version of an economic region existing in the United States today than New England. We have traditionally shared markets, employment, transportation, financial investment, education, and other resources. In size, the region covers only 2.2 percent of the country's area, yet it has almost 6 percent of U.S. population, and much of this is concentrated in its three smallest States. Because it is a small but distinct area, its problems transcend local and State boundaries, and it is constantly in search of regional solutions.

Recognizing this, our New England Governors recently proposed a six-State regional planning compact to deal with major New England problems. This cooperative effort on the part of our Governors, will be enhanced and strengthened by the creation of a New England regional commission adding the Federal Government as a partner to our regional effort to solve problems and stimulate economic growth.

Details on New England's present economic condition will be set forth in exhibits and analyses which have been prepared by the Library of Congress, the Department of Commerce, State agencies, the New England Council and others. These materials will be submitted for the record during our presentation. From this economic information, I should like to make some important general observations.

New England is a region which is increasingly lagging behind the Nation's level of growth. Unlike Appalachia, we were once prosperous and productive, with a high level of employment in manufacturing and agriculture. As the Nation expanded, our mills moved elsewhere, our farming declined, and there was not sufficient diversification of industry to take up the slack.

As a result, New England's increase in personal income is below the national average. Except for Massachusetts and Connecticut, its per capita personal income is considerably less than the national figure. Serious pockets of poverty are prevalent in its northern rural areas and in older industrial centers of southern New England. Unfortunately, aggregate statistics cannot tell the true story, because the Metropolitan Boston area and southern areas of Connecticut with heavy populations are doing rather well, while many other parts of New England are falling far behind.

The most important single source of personal income in New England has been manufacturing. It has provided a base for the trade and the service industries. It has developed a splendid force of skilled and semiskilled industrial workers. However, during the past 15 years, industrial employment in New England has fallen off by over 250,000. Most of this decline has come from losses of textile, shoe, furniture, jewelry, and other traditional industries which were concentrated in relatively few urban centers. For many, the impact has been catastrophic with substantial unemployment continuing for many years despite efforts to bring in new industry. Almost half of New England's labor markets are in this category.

Other factors contribute to New England's economic distress. The region ranks close to the last in new buildings for trade and industry. Many of the old edifices which housed the production of a great industrial era now stand dilapidated and in some instances, unusable. New industry is not attracted to old environments. Exiting industry lacks the incentive for expansion when cities and towns cannot provide modern public improvements. Much private housing, schools and municipal buildings are of ancient vintage. All of these factors discourage new industry from moving into our labor depressed centers.

We need a major redevelopment effort through Federal assistance to provide the opportunity for more and diversified industrial activity, and the development of our human and material resources.

However, apart from its economic distress, New England has a number of immediate problems which need to be solved through regional cooperation and planning.

We have a crisis in transportation. Our major railroads are in or near bankruptcy and need complete rehabilitation. We are at this moment faced with the discontinuance of all intercity passenger service, and the possibility of substantial abandonment of freight service which could ruin forever industrial development in hundreds of potential growth centers in New England. Our only major airline is fighting for its life in the courts. It needs permanent status as a truckline carrier, major financing for new equipment, and better airports with electronic guidance equipment. Air service from New England to eastern cities is suffering under this situation. Efficient air service is a necessary part of economic improvement.

High-speed expressways are needed to open up the resources of northern New England. The port of Boston is not being adequately utilized. Many urban centers need new and larger warehousing and handling facilities for integration of truck, rail, and airfreight services.

All these things call for a regional program of coordination and assistance to develop a fast, efficient transportation network between New England centers, and to markets outside the New England region. Industry cannot grow without efficient transportation.

New England has an abundance of water—for human consumption, for industry, for power. Yet water is one of its major problems. Sewage and industrial wastes make much of this resource unusable and a peril to recreation, fishing, and industrial development.

Water collection and distribution systems are inadequate. Many urban areas increasing their demands for clean water will be faced with serious shortages. Again, we need a regional program, substantially financed, for both pollution control, and water distribution and conservation.

New England is the highest cost electric power area in the Nation. Its consumers and industries pay almost 30 percent more than the national average. While other regions of the Nation have benefited from billions of dollars of Federal funds, for hydro power complexes, no major facility of this nature has been constructed in New England. Nor do we have any substantial program for buying power from other regions. Instead we rely on small and scattered power systems which must import various fuels from long distances at increased expense. This is another example of the need for a regional plan to coordinate our existing capacity, and to prepare major projects to meet the demand that lies ahead. Cheap and abundant electric power is fundamental to any regional economic development program.

New England has natural resources which have not been adequately utilized. Perhaps it has been our preoccupation with manufacturing that has diverted our attention away from this. We have more of our land area covered by forests than does any other region in the United States. This area is a natural for extensive recreational and housing development for middle and lower income families. At the same time, through modern methods of forestry and transportation, commercial use of this resource can be expanded. Since the early settling of New England, commercial enterprise has looked to the coastal areas and to the sea for profit.

For many reasons, our fishing industry has been allowed to decline, when in fact it should have moved to keep pace with other regions of the United States and foreign countries. This decline has contributed substantially to unemployment in Massachusetts, and other States. The Continental Shelf and coastal regions abound in fish, shellfish, minerals, and other resources. Science has provided us with the technology and know-how to modernize our fishing fleet and its marketing methods, and to begin industrial development of our offshore resources. We need now the program and the initiative to move ahead. This, too, is a regional responsibility.

Other problems concern our human resources. New England's severe unemployment situation in areas which had long been dependent on a single industry points up the need for an accelerated program of vocational education and manpower retraining. This is particularly necessary where the industry we are attracting have job opportunities primarily in the skilled categories. Our spe-

cial need here is for regionally located vocational schools, training institutes, and community colleges, closely integrated with local industrial development programs. New England can benefit greatly from a computerized assessment of its job opportunities leading to regional and subregional placement programs.

Boston is one of the world's most prominent medical centers, yet the rest of New England suffers substantially from the lack of modern hospitals, medical schools, and nursing care facilities. This creates a special problem because our region has one of the highest percentages of citizens over 65, which will need increasing care in advancing years. Many of these older people are in the low-income category. We will have to develop a network of regional medical complexes, combining the latest in psychiatric, medical, and surgical care, and providing special inexpensive diagnostic services. Our State universities must be encouraged to develop medical schools and training centers at these complexes. Extensive centers for aging, nursing care facilities, should be constructed in each of our population centers.

A substantial financial investment is needed with respect to our human resources. A community which cooperates with industry, trains and places its workers, provides top medical care, and looks out for the aging, is a community which is bound to grow. It is attractive to industry, and to the professions which will give it leadership.

Mr. Chairman, I have taken the time to explain some of New England's problems in order to place in perspective the importance of regional planning contemplated by S. 1648, and the great need for substantial Federal assistance to stimulate economic activity in our area.

In many ways we are different from Appalachia. We once had economic success, but now we are slipping behind the Nation, unable to offset fast enough the severe employment losses and industrial shifts dealt us over the past 20 years. Appalachia never got started, but now it is on its way. We still have the economic potentials—in human skills, in resources, in consumer strength, in industrial sites, but we need a new effort to put these potentials to work in a different kind of economy. Both Appalachia and New England, like the areas of the upper Great Lakes, the Ozarks, and others, can benefit from the special assistance and guidance that will come from a Federal-State regional planning program. S. 1648 will begin the task. It is for New England to take the lead from there. We will take that lead, and we will succeed.

REGIONAL DEVELOPMENT NEEDS OF THE NEW ENGLAND ECONOMY

(By Elizabeth M. Heidbreder)

The Library of Congress Legislative Reference Service, Analyst in Area Economics and Transportation, Economics Division, March 19, 1965

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TABLES AND EXHIBITS

- I. Total resident population of the United States and New England, 1960 and July 1, 1964 (provisional).
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- Exhibit I. New England landforms.

1. INTRODUCTION

The purpose of this study is to survey the economy of the six-State New England region with a view toward identifying problems which could benefit from region-wide economic development.

Enactment of the Appalachian Regional Development Act of 1965 has pointed the way to a new Federal-State partnership; a partnership which is to be used to solve the problems of the lagging region of Appalachia.

New England also has problems of lagging economic growth, despite the fact that it is a great industrialized region with proud traditions. It has outstanding centers of learning. It has priceless assets in its forests, mountains, streams, and seacoast. Its new science-based industries are bringing prosperity to many sections of the region. Nevertheless, New England has some persistent economic problems. It is these problems, rather than its assets, which are the primary focus of this report.

2. THE REGIONAL APPROACH

The concept of regionalism in the United States goes back to the great depression. It was one way in which the New Deal sought to solve some of the complex economic problems of the 1930's. Regional planning was a tool conceived to improve resources and thus improve the economic welfare of the people within the region.

The Federal Government first entered into regional planning in the 1930's through the field of water resources where it most clearly had primary jurisdiction. The watershed or river basin, therefore, became the focal point for regional development. Through the development of water resources, it was hoped that social and economic advance could be furthered.

The regional program of the Tennessee Valley Authority is, of course, well known and probably the most successful of the various programs to develop watersheds. Other programs have included the Columbia Basin, the Missouri Valley, and the Arkansas-Red River Valleys. Projects in these watersheds have included flood control; the development of facilities for navigation, electric power, irrigation, and recreation stream sanitation; erosion control, reforestation, and even mineral development.

Comparatively recently, the river basin approach was used in a resource development study of the New England-New York area. This study was conducted by the New England-New York Interagency Committee composed of representatives of the seven States involved and the Departments of Agriculture, Army, Commerce, Health, Education, and Welfare, Interior, Labor, and the Federal Power Commission. It was headed by the Department of the Army, presumably because of the authority of the Army Corps of Engineers in the area of water resource development. This study resulted in a 1957 report that was over 40 volumes long and contained a great deal of technical data. The Governor of Vermont characterized the report as "exhaustive" and "voluminous."

The comments on the report by Gov. Dennis J. Roberts of Rhode Island are worth quoting in some detail as follows:

"As Governor of a densely populated and highly urbanized State, it is incumbent upon me to point out some factors in regard to resource development which it has not been possible to treat adequately within the scope and authority of the present study. The interagency committee itself early in the study has recognized the need for bringing into the picture the study of human resources, and as a result added representation from the Department of Labor and other Federal agencies which have extremely significant and influential programs bearing on the planning of physical resources which should be considered for inclusion in any future regional organization. The Federal Bureau of Public Roads in the area of highway planning is in touch with set programs which are the key to almost all economic growth at the present time. It is unfortunate that greater attention could not have been paid to the highway networks, transportation patterns, and the future road needs in the region, for these will be great determinants as to what is possible in regard to our natural resources.

"Throughout southern New England the outstanding feature of the region is the concentration of people in a series of large metropolitan areas. The continued growth of these metropolitan areas with their sprawling suburbs, and the prospect even of continuous urbanization along the entire northeast coast, requires that urban planning be considered very seriously in its relationship to rural resource problems. It is not just a matter of findings water supply, restricting pollution, and developing power resources to serve the metropolitan population. A great deal of hard thinking needs to be done in relation to the competition among various land uses at the urban fringe. This is particularly true in a small State like Rhode Island where land resources are limited and decisions are even now before us as to whether land is to be used for industry, agriculture, suburban development, or reservation for the future water supply."¹

¹ New England-New York Interagency Committee. Land and Water Resources of the New England-New York region (85th Cong., 1st sess., S. Doc. No. 14). Washington, D.C. Government Printing Office, 1957, pp. XVI-XVII.

The current Apalachian regional program, as set forth in the Appalachian Regional Development Act of 1965, has certainly followed the advice of Governor Roberts concerning the importance of highways. Highways development claims \$840 million of the \$1,092.4 million authorized by the act. Only \$5 million is devoted to water—for a water resource survey.

The Appalachian program does not, however, follow the advice of Governor Roberts concerning cities. Although certain provisions, such as the supplements to Federal grant-in-aid programs, could be used in urban areas, the primary aim of the program is to develop areas outside the large urban centers. The latter are looked upon as centers of economic strength around which the rest of the area can grow. Although the Senate report on the 1964 Appalachia bill notes that “* * * among the Nation’s major labor market areas with the highest unemployment rates in 1963, 6 of the top 10 areas were in Appalachia,”² nothing very specific is proposed for these areas.

The Appalachia program differs from some of the earlier regional programs in that it dealt with a mountainous region rather than a river basin or watershed. There have also been various regional studies (rather than programs) which were not oriented around watersheds. One important study has, in fact, been made, in 1951, of New England by the Council of Economic Advisers. This report, “The New England Economy,” we shall refer to again later in this study. We note here, however, that it has been criticized for its definition of New England as a homogenous region.

In an article on “The Concept of a Planning Region,” John Friedmann says:

“While purporting to deal with the whole of the ‘region,’ the report is actually preoccupied with southern New England, to the relative neglect of rural Maine, Vermont, and northern New Hampshire. Although in their statistics the authors were compelled to admit the basic north-south distinction inherent in the human geography of the region, they described New England elsewhere as an ‘old industrial community.’ But surely this is no more than half of the story. The ‘region’ turns out, in fact, to be two, divided among an even greater number of metropolitan spheres of influence.”³

New England is not, of course, a completely homogenous region either geographically or economically (neither is Appalachia, since, for example, the generally impoverished region admittedly includes several prosperous counties). But New England can claim a certain cultural and geographical identity in its northeastern corner of the United States. Edwin Webber, director of interstate relations for the New England council, wrote recently:

“Of all the so-called regional complexes existent within the United States, it is conceivable that no more precise version exists than that referred to as ‘New England.’ Whether it be no more than a fiction of history and a myth at best, the sense of belonging to an identifiable group of interests is shared by nearly 11 million New Englanders.”⁴

Mr. Webber also feels that there is considerable sympathy for the regional approach for New England as a whole, as he says:

“At present there is probably more sentiment for the feeling that the six States might best solve some of their common dilemmas through regional cooperation than at any other time.”⁵

The regional approach can be applied (and has been applied as we have pointed out) to problems of natural resources, to the building of public works, and to human resource problems. We shall examine some of the economic and resource problems of New England in the following sections to help identify those which can be expected to respond to regional or subregional solutions.

3. POPULATION

In the last several decades, there has been a continuing movement of population away from New England (and also the upper-Midwestern areas) toward the Far West and the Southwest. Although the population in New England has increased absolutely, it has increased at a rate slower than that of the Nation

² U.S. Congress. Senate Committee on Public Works. Appalachian Regional Development Act of 1964 (88th Cong., 2d sess., S. Rept. 1383). Washington, U.S. Government Printing Office, 1964, p. 4.

³ Friedmann, John. “The Concept of a Planning Region—the Evolution of an Idea in the United States,” in *Regional Development and Planning*; a reader. Friedmann, John and William Alonso (editors), Cambridge, Mass. The MIT Press, 1964, p. 508.

⁴ Webber, Edwin. “Six of one * * *” *New Englander*, September 1964, p. 43.

⁵ *Ibid.*, p. 14.

as a whole and than that of certain other regions. In the decade 1950-60, New England's population increased at an average annual rate of 1.2 percent compared to an annual rate for the United States of 1.7.

There are also differing growth rates within the region. From 1950 to 1960 the population of the three Southern States increased by 14 percent while that of the three Northern States increased only 8 percent. Many young people have migrated from northern New England to the southern part in search of greater opportunity and higher wages.

Table I gives further detail, on a State-by-State basis, of population change in the last 4 years. Connecticut had the greatest absolute and percentage increase, while Maine had the smallest percentage increase and Vermont the smallest absolute increase.

Massachusetts and Connecticut are the most populous States. Dr. Saul B. Cohen has estimated that, on a geographic basis, 85 percent of New England's population is concentrated in the Connecticut Valley (which cuts across Connecticut and Massachusetts) and in the coastal area.⁶

TABLE I.—Total resident population of the United States and New England, 1960 and July 1, 1964 (provisional) ¹

Area	Population, Apr. 1, 1960 (census)	Population, July 1, 1965 (provisional)	Net change	
			Number	Percent
United States.....	179,323,175	191,334,000	12,011,000	+6.7
New England.....	10,509,367	11,070,000	561,000	+5.3
Maine.....	969,265	989,000	20,000	+2.1
New Hampshire.....	606,921	654,000	47,000	+7.7
Vermont.....	389,881	409,000	19,000	+4.9
Massachusetts.....	5,148,578	5,338,000	189,000	+3.7
Rhode Island.....	859,488	914,000	55,000	+6.4
Connecticut.....	2,535,234	2,766,000	231,000	+9.1

¹ Total resident population includes persons in the Armed Forces stationed in each area.

Source: U.S. Bureau of the Census, "Estimates of the Population of States: July 1, 1963, With Preliminary Estimates for July 1, 1964." Current Population Reports, Population Estimates; series P-25, No 289, Aug. 31, 1964.

A recent U.S. Census Bureau publication gives a breakdown by age of population as of July 1, 1963. It shows that New England had a greater percentage of its population 65 and over (10.6) than any other region except the West North-Central (11.4). The percentage for the United States is 9.3. Maine, New Hampshire, Vermont, and Massachusetts all had 11 or 11.1 percent of their population 65 and over. Rhode Island's percentage was 10.5 and Connecticut was only slightly over the national average with 9.4 percent.⁷

New England's population of 11 million is, then, growing at a slower rate than the national average. Correspondingly, with the exception of Connecticut, the New England States have a larger percentage of citizens over 65 than the Nation as a whole. Most of New England's population is concentrated in the three lower States of Connecticut, Rhode Island, and Massachusetts.

IV. INCOME

New England's per capita 1963 personal income figure of \$2,766 was above the national figure of \$2,449. As can be seen in table II, however, only Connecticut and Massachusetts are above the national average when each State is considered separately. Maine and Vermont per capita incomes are significantly lower.

⁶ Cohen, Dr. Saul B., "New England's Boundaries—How Realistic Are They?" New Englander, August 1964, p. 26.

⁷ U.S. Bureau of the Census. "Estimates of the Population of States, by Age: July 1, 1963." Series P-25, No. 294, Nov. 5, 1964.

Source: "Personal Income by States and Regions in 1963." Survey of Current Business, August 1964, p. 16.

TABLE II.—*Per capita personal income, 1963 (dollars), in the United States and New England*

United States.....	2, 449
New England.....	2, 766
Maine.....	2, 007
New Hampshire.....	2, 313
Vermont.....	2, 121
Massachusetts.....	2, 853
Rhode Island.....	2, 433
Connecticut.....	3, 185

Another measure of a region's prosperity is family income. The Federal Reserve Bank of Boston has prepared a study of regional statistics for families with incomes under \$3,000 to determine how much poverty exists in New England. The bank found that, compared with the Nation and with other regions, New England had comparatively few families in the poverty category. The proportion of families with incomes under \$3,000 in 1960 was 14 percent compared with the U.S. figure of 21 percent.

On the other hand, as is true of per capita income figures, the family income figures are very different among the New England States. The bank says:

"Within the region, however, the distribution of these poor families varied widely among the States. Connecticut had fewer families living in poverty—9.8 percent—than any other States in the Nation. Massachusetts placed third among the 50 States in its low poverty incidence but in 2 of its old textile centers—Fall River and New Bedford—about one-fifth of the families were poverty stricken, almost twice the State's average of 12.4 percent. Rhode Island ranked 18th in poverty incidence. Here, also, considerable poverty existed in the old industrial centers; such as, Providence and Woonsocket.

"In northern New England, New Hampshire had a lower incidence of poverty—15 percent—than the Nation. On the other hand, more than a fifth of all families in Maine and Vermont lived in poverty. Those States ranked 29th and 30th in their incidence of poverty. The largest concentration of their poor families were in northern rural areas."⁸

Thus, although New England is relatively well off when compared as a whole to regions like Appalachia where, according to the President's Appalachian Commission, over 30 percent of the families had an income under \$3,000 in 1960, low incomes are prevalent in New England's northern rural areas and in the older industrial centers such as Providence.

5. EMPLOYMENT AND UNEMPLOYMENT

According to figures published by the U.S. Department of Commerce, the most important single source of personal income in all six New England States in 1963 was wages and salaries from manufacturing activity.

Employment figures also show the importance of manufacturing in the New England economy. Factory jobs accounted for 37.4 percent of all nonfarm employment in 1963 compared to the U.S. average of 29.8 percent.⁹

Obviously, New England's economy is still heavily dependent upon its manufacturing industries. Nevertheless, factory jobs in the region have declined from 43.9 percent of all nonfarm employment in 1950 to 37.4 percent in 1963. In Rhode Island, manufacturing employment declined from 148,000 in 1950 to 115,700 in 1963, for a loss of over 32,000 jobs. The loss of these jobs was not ever sufficiently compensated for by the creation of other nonmanufacturing jobs. As a result, despite an increase in the labor force, total nonagricultural employment in Rhode Island declined from 298,600 in 1950 to 297,000 in 1963.¹⁰

As is well known, there has been a long-term decline of the textile industry in New England. There was an estimated loss of some 144,700 textile jobs in the decade ending in 1959 and an additional 13,300 were lost between 1960 and 1963. Since 1960, industry employment declined in virtually all of the major textile centers in New England with the exception of Hartford. Boston, Fall River, Lowell, Springfield-Chicopee-Holyoke, New Bedford, Manchester, and Providence-Pawtucket showed the largest overall losses.

⁸ "Poverty in New England." New England Business Review, April 1964, pp. 6 and 7.

⁹ "New England's Changing Economy," Employment Service Review, July 1964, p. 33. Many of the figures concerning New England's employment between 1950 and 1963 in the following analysis are from this U.S. Department of Labor publication.

¹⁰ Preliminary figure for 1964, 297,400.

Other manufacturing industries in New England which have suffered job losses over a 13-year period include the jewelry industry, the shoe industry, lumber, the primary metal industries, apparel, and food processing. Paper products and chemicals had an employment uptrend in the 1950 decade but declined between 1960 and 1963.

In 1964, New England is estimated to have lost another 10,700 manufacturing jobs.¹¹ The greatest job losses were in the areas of ordnance, electronics, and transportation equipment. These industries had been important sources of employment in the 1960-63 period.

Since New England is a manufacturing region and there has been a loss in manufacturing jobs, it has consequently had major unemployment problems. Unemployment varies, however, throughout the area. This can be seen in table III. New Hampshire and Connecticut have generally lower rates than the region and the United States, while Rhode Island has much higher rates.

TABLE III.—*Unemployment in the United States and New England, 1960-64*

	1964 ¹	1963	1962	1961	1960
United States	5.2	5.7	5.6	6.7	5.6
New England	5.2	5.6	5.4	6.4	5.6
Connecticut	4.7	4.9	5.0	6.7	5.6
Maine	5.6	5.7	5.7	7.2	6.5
Massachusetts	5.3	5.8	5.5	6.0	5.4
New Hampshire	3.7	4.1	3.5	4.6	4.1
Rhode Island	6.5	7.2	7.0	8.0	6.7
Vermont	5.7	6.2	5.8	7.0	5.4

¹ Preliminary.

Source: U.S. Department of Labor, Bureau of Unemployment Security.

Within the States, unemployment problems also vary. Although Massachusetts was only slightly above the national average in 1964 with 5.3 percent unemployment, Lowell, Mass., was classified at the end of 1964 by the U.S. Bureau of Employment Security in group D, which means that it had unemployment between 6 to 9 percent of the work force. In January 1965, Lowell was reclassified downward to group E, which signifies 9 to 12 percent unemployed. The shift of the Lowell area from group D to group E resulted mainly from an over-the-year decline in ordnance employment and the closing of another textile plant.

Lowell is one of the eight major labor market areas in New England which is still classified in January 1965 as an area of substantial unemployment with at least 6 percent of the labor force unemployed. The other major areas are Waterbury, Conn., Providence-Pawtucket, R.I., and in Massachusetts the areas of Brockton, Fall River, Lawrence-Haverhill, New Bedford, and Springfield-Chicopee-Holyoke. Massachusetts has the unfortunate distinction of having two out of the three major labor areas in the United States which are in the group E unemployment category in January. Lowell, as we have already mentioned, is one and the other is Fall River.

New England has a total of 17 major labor market areas. Therefore almost half of these large areas are areas of substantial unemployment. New England also has 11 small labor market areas and 14 very small labor market areas which are areas of substantial unemployment. Nine of the very small areas are located in Maine and Vermont.

Most of the New England areas which have had substantial, long-term unemployment have been dependent upon a single industry such as textiles or shoes, and they have not been able to make up for large losses of jobs in these industries despite extensive local development efforts. In the Providence-Pawtucket area, for example, unemployment rates have been above the national average since the recession of 1949. This area has been officially classified by the Department of Labor as an area of substantial unemployment continuously since July 1951 when the current area classification program was inaugurated. A major causal factor has been the exodus of the textile industry from the area. In 1950, area textile plants employed an average of 54,900 workers, well over a third of the area's 153,000 manufacturing workers. In 1962, the textile

¹¹ "Preview 1965, Review 1964," *New Englander*, February 1965, p. 15.

employment average of 24,400 was less than half the 1950 average, or a loss of over 30,000 jobs.¹²

The loss of this number of textile jobs, augmented by smaller losses in the jewelry, machinery and machine tool, electrical and nonelectrical machinery industries, has proven very difficult to offset. As of September 1964, for example, the Area Redevelopment Administration estimated that 1,515 direct jobs had been created in Rhode Island as a result of its programs. But the creation of many times that number of jobs would be needed to remove Providence from the redevelopment list.

The future outlook for employment in the textile industry in New England remains bleak. The recent cutback in defense spending also makes employment in ordnance and electronics uncertain. Continuing emphasis on raising efficiency through automation in the manufacturing industries tends to curtail employment in manufacturing generally.

The declining fishing industry, with a multitude of special problems, has affected employment in ports such as Gloucester. The present outlook for an employment upturn in this industry is not good as we shall discuss in some detail later in this report.

New England is, of course, becoming more and more dependent upon jobs in trade, service, and State and local government for increasing employment opportunities. Virtually all of New England's job growth of 124,400 between 1960 and 1963 took place in the nonmanufacturing sectors of the economy. The increasing importance of these types of jobs as opposed to manufacturing employment is evident throughout the country.

Many of the new jobs created in recent years, for example, were in the State-local government category, particularly in the field of education.

Unfortunately, New England areas which have been depressed by long-term cutbacks in manufacturing employment are not likely to have the tax base to provide the needed increase in governmental services, which would in turn lift local government employment, and in this way take up some of the slack left by manufacturing layoff. Unfortunately, also, the workers who lose their jobs in manufacturing industries often are not able to qualify for the professional and white collar jobs that are becoming available in government and the service industries.

Thus, in summary, almost half of New England's major labor market areas remain areas of substantial unemployment. Massachusetts, Rhode Island, and Connecticut all have areas in this category. Massachusetts has two large areas which are in particularly deep economic trouble judging from their unemployment rate. Thinly populated Maine and Vermont also have unemployment problems in smaller areas.

Of the New England States, Rhode Island has the highest overall unemployment rate and New Hampshire the lowest.

6. NATURAL RESOURCES

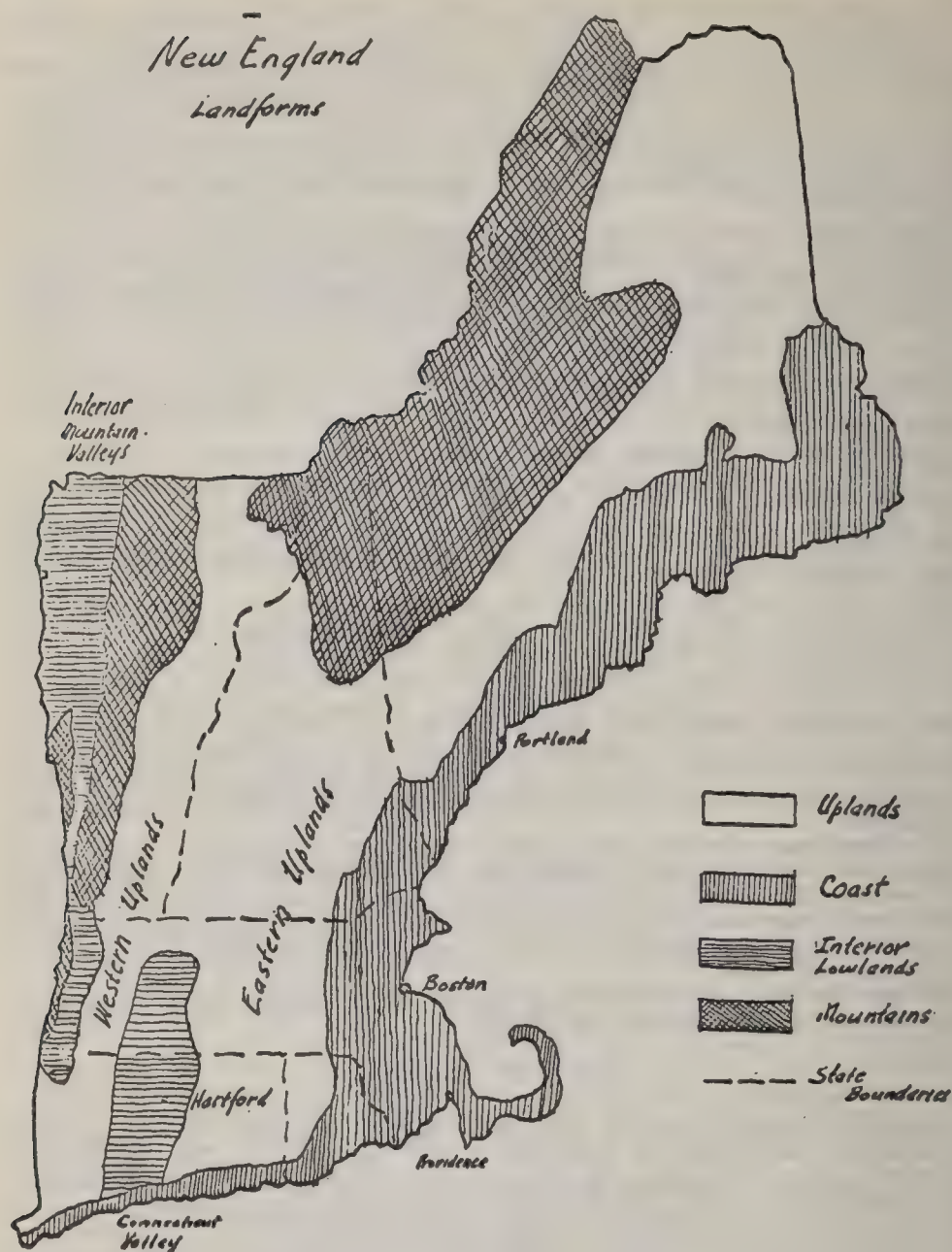
A. Land and forest

Exhibit I illustrates how the major New England landforms cut across State boundaries. Going generally from east to west we have: (1) The coast, which is narrow, sandy, and smooth in the south and broader, rocky, and more deeply submerged in the north; (2) the eastern uplands, which are irregular, glaciated hill areas cut by river valleys; (3) the fertile lowlands of the Connecticut Valley; (4) the western uplands, whose rolling hills grade into the mountains; (5) the old, glaciated western mountains which include the Taconics, Berkshires, Green, and White Mountains; and (6) the interior lowlands of the mountains.¹³

The hilly, rugged topography of New England and the glacial till soils have limited the development of large-scale agriculture. These relatively unfavorable land conditions, and the early growth of industry in the region, combined to make New England one of the first areas in the Nation to shift from agriculture to an industrially based economy. Already in the first half of the 19th century industrialization made heavy inroads in New England. This industrialization has dominated the economy ever since, although, as has been pointed out, the service industries are recently increasing in importance.

¹² U.S. Department of Labor in cooperation with the U.S. Department of Commerce, "Area Redevelopment Manpower Report, Providence-Pawtucket, Rhode Island-Massachusetts, June 1963."

¹³ Map and description are adapted from the article by Dr. Saul B. Cohen, *op. cit.*, pp. 8, 9, and 26.



The already cited New England-New York resource study summarizes the recent land use pattern as follows:

"The most notable trends of recent years has been a rapid increase in the use of land for industrial, residential, and related purposes; a steady decline in the acreage of land use for crop production and forage and a corresponding increase in forest land; a rapid expansion in recreational uses of rural land; and quality depletion of forest resources."¹⁴

The position of agriculture in the current New England economy can be judged by the fact that personal income from farming, which was already down to 2 percent of total personal income in 1953, declined still further to less than 1 percent in 1963.

¹⁴ New England-New York nteragency Committee, op. cit., p. 43.

As was true in many parts of the country, forests originally covered most of New England. Some of this virgin timber was cut as the land was cleared for agricultural operations. Much of it went up in smoke, although the timber was also used to house the growing population.

In the 1800's, the industrial expansion of New England created a demand for timber products. Large scale logging operations continued until the better and more accessible stands had been depleted by the inefficient and wasteful cutting practices of the time.

Today, much of New England is covered by second- and third-growth forests which produce large quantities of raw material for the wood-using industries of the region. New England has, perhaps, a larger part of its land area in forest than any other section of the United States. Maine, the largest of the six States, had over 80 percent of its area in commercial forest land in 1953. Even Rhode Island, although densely populated, had two-thirds of its land area covered with forest in the same year.

New England's forests are an important source of income in the region. The manufacture of paper and allied products provided payrolls of over \$396 million in 1962, and lumber and wood products payrolls of over \$108 million. In Maine, value added by manufacturers of paper products, lumber, and wood products in 1963 amounted to more than a third of all value added by Maine manufacturing.

Nevertheless, the use of New England's forest resources for manufacturing purposes is not without its problems. For one thing, industrial use of the forests sometimes conflicts with recreational use which is a growing source of income in New England. Hunters, fishers, campers, and tourists spend money for supplies, for lodging, for services; and their numbers are growing.

In a recent article about Maine, the Federal Reserve Bank of Boston says:

"It is becoming increasingly apparent that the demand for outdoor recreation facilities in northern Maine has only started its growth. Over the past decade the population of New England increased only 10 percent, while the use of Maine State parks and camps increased 122 percent. The Outdoor Recreation Resources Review Commission has estimated that the population of New England and the Middle Atlantic States will increase by 13 to 25 percent between 1960 and 1976. Furthermore, the future population will have more income and more leisure time, and one study estimates that by 1976 camping in northern and eastern Maine will increase by 70 percent."¹⁵

This growth of demand for outdoor recreations seems bound to collide with the production of pulpwood, logs, pulp, and paper at the lowest possible cost by a few corporations and family groups who own about 75 percent of the 11 million acres of Maine wildlands. As the article points out:

"Each year additional thousands of sportsmen and family groups are using the lands and roads of private owners for recreation purposes. Careless campers occasionally start forest fires. Passenger car traffic on logging roads causes accidents and forces logging operators to move equipment and pulpwood at lower rates of speed. Although the paper companies exclude the public from areas where substantial volumes of pulpwood are being cut and hauled, these exclusions create serious public relations problems."¹⁶

These "public relations" problems are augmented by the fact that paper mills use millions of gallons of water—about 50,000 gallons per ton of product, and pollution control has been inadequate in the past. Paper mills polluted the Kennebec and Penobscot Rivers in Maine and caused the Atlantic salmon to disappear from these rivers.

The problem is not only that the lumber companies need to create a better image, or to permit vacationers to use their land; there is a real conflict concerning the use of the forests for manufacturing as opposed to their use for recreation. This conflict is being sharpened by increasing demand for outdoor recreation by our growing population. Furthermore, the case for unlimited use of the forests by manufacturing companies is weakened by the fact that employment in the wood-using industries is decreasing despite capital expansion. Automation is increasing in the industry, and many multimillion dollar expansions involve the addition of only a few new employees.

¹⁵ "New England's Last Frontier. Part III * * * Planning for the Development of Wildlands," *New England Business Review*, January 1965, p. 5.

¹⁶ *Ibid.*, p. 3.

As opposed to the intensive use of the forests by large pulp and paper operations, very little use of their forests is made by the many small landowners in New England. Many little forests are not large enough for their owners to devote personal time and effort to their management. As a result, much of this forest land is in poor condition. Whether or not these forests are worth rehabilitating for commercial use probably depends upon their location and marketing possibilities. In populous southern New England, there would seem to be little need for forest development for wood products.

As a study of the timber resources of Rhode Island states:

"Water, recreation, agriculture, and residential and industrial development compete with timber for the use of land in Rhode Island. Already rural land values are higher than in most other States; undoubtedly they will continue to rise as population increases. Forward-looking owners of forest land may well question whether timber will bring as much income as some of these other competing land uses. Whether the land use is likely to change before timber benefits accrue will have to be considered in public rehabilitation programs."¹⁷

In the sparsely populated northern New England States, however, small forest owners might supplement their income through development of their land for forest products.

B. Water and the fishing industry

New England has a plentiful supply of water. As in so many parts of our country, however, much of the water is polluted. Sewage and industrial wastes have spoiled many a river for recreation, and shellfish beds off the coast have also been ruined by pollution. Senator Muskie of Maine recently stated in introducing S. 4, the Water Quality Act of 1965:

"In my own State, as in others, our previously abundant shellfish-producing waters have been immeasurably harmed through disposal of deleterious wastes. The economic losses to shell fishermen have been catastrophic."

In a report such as this, we cannot attempt to assess the seriousness of the pollution problem in any detail. The New England-New York interagency report published in 1957 considered stream pollution at some length, but conditions have undoubtedly changed since then. Early in 1965 Governor Rockefeller of New York told the House Public Works Committee that the Nation is actually losing ground in its fight against water pollution. The magnitude of the problem can be judged somewhat by the fact that the Governor estimated that New York alone would need \$1.7 billion to clean up its streams, and the present level of Federal antipollution grants is \$100 million a year.

Polluted water has affected New England fisheries, as Senator Muskie pointed out. Another factor adversely affecting fishing is the draining of the wetlands. A recent article points out:

"Only recently have fishermen begun to appreciate how important these low, marshy lands are in maintaining sport and commercial fishing along our New England coast. Only recently have marine scientists begun to understand the complex chemistry that makes up the relationships between marshes and the rich nutrients they produce to support finfish, shellfish, shorebirds, waterfowl, and other forms of animal life.

"* * * Draining for agriculture, mosquito control, and for industrial purposes has spoiled many important wintering marshes. The destruction of marshland along the Atlantic coast has produced not only a critical situation for waterfowl but has destroyed the natural conditions needed for the food chains which are so important for our fisheries, both sport fisheries and commercial fisheries."¹⁸

Aside from the destruction of the habitat for fish and shellfish, the New England commercial fishing industry has other problems. Port facilities are antiquated and inadequate. The fishing fleet is aging, and vessels that go down or are retired are often not replaced due to the high cost involved. Foreign vessels operate profitably over the Grand Banks, Georges Bank, and other fishing grounds that are being abandoned by American fishermen as the New England fleet shrinks. New foreign vessels appearing off the New England coast are recognized as being far in advance of their American competitors in modern equipment. Foreign fleets are heavily subsidized by their governments, while American fleets have received only limited aid.

¹⁷ U.S. Northeastern Forest Experiment Station, "The Timber Resources of Rhode Island," Upper Darby, Pa., 1957, p. 5.

¹⁸ Sherman, Edward A., "Wetlands Are Not Wastelands," *New Englander*, February 1963, p. 43.

The New England fishing industry is not attracting young men who wish to make it their life's work; nor is it attracting capital. The industry appears to be faced with further decline unless an important rejuvenation is accomplished.

C. Water and power

Various surveys of New England that have been undertaken in the past, including the 1951 report of the Council of Economic Advisers, found that the cost of electric power in New England is higher than in most of the rest of the country, partly because of the lack of local fuel resources such as coal. The 1964 National Power Survey of the Federal Power Commission reported that this is still true. The Commission said:

"New England at the present time is one of the highest cost electric power areas in the Nation. The average retail price of power in New England in 1962 was 29-percent higher than the national average."¹⁹

One way of improving New England's electric power supply, which has been discussed for years, is the development of low-cost hydroelectric power, particularly by the Federal Government. Seymour Harris, in his 1952 study of New England, found that New England contained no Federal hydroelectric developments while the rest of the country had 156 projects. Mr. Harris goes on to say:

"The omission of New England suggests first an aloofness toward Federal participation in the life of the region; second, strong opposition to Federal power and multipurpose projects partly instigated by propaganda from well-organized power interests; and, third, the absence of Federal competition which might depress rates and force private power companies to experiment more with low prices and quantity sales. Surely, Federal competition accounts in some part for the much greater reduction of rates in the Southeast than in New England in the last 20 years. I am not, however, suggesting that a New England TVA would help our region as much as it helped the South."²⁰

Mr. Harris further pointed out that multiple-purpose projects such as TVA which include power, flood control, recreation, forestation, etc., are often feasible where single-purpose projects are not.

The above-mentioned Council of Economic Advisers' report also said:

"It is probable that an impartial survey of the water resources of New England will indicate that there are undeveloped hydroelectric sites which would produce large quantities of power cheaply but which are not susceptible of single-purpose development. The exploitation of these sites would require a multipurpose approach to the development of an entire river valley including flood control, soil conservation, reforestation, water supply, steam pollution, and recreation, as well as power. Under such a multipurpose development, part of the total costs would be allocable to the nonpower phases of the project and the cost of generating power would be correspondingly reduced. By such an approach and under commonly accepted procedures for allocating the cost on a multipurpose project, certain power projects may well become economically feasible which would not be feasible if developed on a single-purpose basis. It should be one of the major purposes of the survey of the interagency committee to determine whether and to what extent multipurpose developments represent the most economical way for developing the water resources of New England."²¹

The report of the New England-New York Interagency Committee on land and water resources did not, however, emphasize multipurpose development or Federal development. The report states:

"It is to be noted that with few exceptions there are no multiple-purpose projects included in the (river) basin plans and therefore the entire cost would have to be borne by power. Power values or benefits were determined on the basis of the cost of generating equivalent power by a privately financed steam-electric plant, this being the most likely alternative source of power * * *. It has been assumed that in this region, projects are most likely to be constructed under private financing practices. Consequently, all estimates of annual costs are presented on the basis of private financing."²²

¹⁹ Federal Power Commission, National Power Survey, Washington, U.S. Government Printing Office, 1964, p. 230.

²⁰ Harris, Seymour E., "The Economics of New England: Case Study of an Older Area," Cambridge, Mass., Harvard University Press, 1952, p. 226.

²¹ Council of Economic Advisers, Committee on the New England Economy, "The New England Economy," Washington, U.S. Government Printing Office, 1951, p. 113.

²² New England-New York Interagency Committee, op. cit., pp. 33 and 34.

The interagency report did not, apparently, go far toward solving New England's hydroelectric problems. As we pointed out earlier, New England is still one of the highest cost electric power areas in the Nation.

Currently, a federally financed project is being reconsidered to extract energy from the tides of the Passamaquoddy Bay in eastern Maine in conjunction with a hydroelectric development on the St. John River in northern Maine. This would be a multipurpose development which would have recreational as well as economic benefits. It would provide Maine with a permanent major tourist attraction, and it would preserve the Allagash River which has long been recognized by outdoor enthusiasts as one of the best primitive river courses in the United States. Alternative hydroelectric power development proposals, such as the Cross Rock project, would completely inundate the Allagash.

Senator Muskie, in introducing the bill this year (S. 515, 89th Cong.) to authorize the Passamaquoddy tidal power project, claimed that the project would provide electrical power for the Northeast region at prices 25 percent below prevailing rates.

Technological improvements, such as new high voltage transmission techniques, have made the Passamaquoddy project more feasible than it once was. There have, however, been technological advances in other methods of power generation, particularly in steam plants and nuclear plants, which one day may make large-scale hydroelectric developments obsolete. The Federal Reserve Bank of Boston states:

"These technological gains may in time largely eliminate one of New England's historical competitive disadvantages—relatively high industrial power costs compared to the other regions of the country. By the year 1980, any new hydropower projects of the type envisioned for Passamaquoddy Bay and the St. John River Basin in northern Maine will probably be more difficult to justify than they are today."²³

The development of cheaper electric power, particularly federally developed hydroelectric power, is still apparently a matter of continuing controversy in New England.

7. SUMMARY AND CONCLUSIONS

In this study we have attempted to identify some of the problems of New England through an examination of some major economic indicators such as personal income and employment, and also a brief survey of its natural resources.

We have not tried, however, to cover every facet of the economy. Transportation was not covered because there did not seem to be any obvious regionwide problems in the transportation network. There are isolated areas, of course, in northern New England, but any "development highways" similar to those planned for Appalachia would have to be considered in conjunction with plans to develop water and forest resources. The preservation of unspoiled wilderness areas would require the exclusion of high-speed highways. Southern New England has some transportation problems, particularly in the area of mass transportation, but they require more detailed study than is possible in a survey of this type.

As was pointed out in the section on employment and unemployment, New England has some labor market areas which have persistently high unemployment rates. These areas include old industrial centers in the South and rural areas of the North. As would be expected, an examination of income statistics also shows that these same areas of high unemployment have many families with low incomes.

A major New England problem is that of providing for its older citizens. All of the New England States except Connecticut have a higher percentage of people over 65 than the country as a whole.

In the area of natural resources, coastal and stream waters have suffered considerable pollution. As a result, use of these waters for fishing, recreation, and even for industry has suffered.

New England must decide between competing uses of its land, water, and forests. Industrial uses are often incompatible with recreational development. On the other hand, balanced economic development is necessary for the growth of the region.

²³ "New England's Last Frontier: Part III * * * Competing Proposals for Power Development." *New England Business Review*, November 1964, p. 5.

Certain possible solutions to the problems outlined above are suggested by the nature of the problems and by approaches that have been tried in the past or are being tried in the Appalachian program.

VOCATIONAL EDUCATION

New England's severe unemployment problems, particularly in areas dependent upon one type of industry, suggest that vocational education and retraining may need to be accelerated, particularly since new job opportunities tend to be in the skilled categories.

The Federal Reserve Bank of Boston estimated in 1962 that 165,000 additional skilled workers would be required in New England by 1970. It said:

"Currently the region's vocational schools are graduating about 10,000 each year from their trades-and-industry day program. The need for craftsmen, to meet both replacement and growth needs, is expected to average 16,500 per year to 1970. Thus, needs per year will exceed graduates by about 6,500. * * * If an effort is not made to provide additional vocational training facilities, more youths will find themselves thrown on the unskilled job market. And experience indicates that this will contribute to our unemployment problem."²⁴

Vocational education as it is referred to here, however, will benefit only the young, and studies indicate that depressed areas such as Providence and Fall River have a high percentage of older people, many of whom are unemployed. A recent study by the Area Redevelopment Administration, titled "Population, Labor Force and Unemployment in Chronically Depressed Areas," included four New England major labor market areas in its study (the two mentioned above and Lowell and Lawrence-Haverhill).

This study found that the depressed areas have been experiencing a relative aging of their population, primarily as a result of out-migration of younger workers. From this fact the study concluded:

"* * * it may be more difficult to bring new firms into the areas if such firms count on hiring primarily young workers who would be trained 'on the job.' Given the relatively old population of the depressed areas and the relatively high proportion of middle aged among the unemployed, it would appear that creation of new job opportunities would have to be combined with some local training programs—programs that would make the older workers more attractive to potential employers."²⁵

Provisions of the Manpower Development and Training Act could be utilized, and possibly strengthened, to provide such local training.

PROGRAMS FOR THE ELDERLY

Not all of the older workers in New England's depressed areas will, in all probability, be able to be successfully retrained and find jobs. Other older people are in poor health or over retirement age. Community programs and centers for older persons would seem to be necessary for New England's aging population, particularly in the northern States.

Senator McNamara has introduced a bill (S. 811), the Older Americans Act of 1965, which may indicate a possible approach. It would establish an Administration on Aging in the Department of Health, Education, and Welfare. It would provide grants to the States for community planning and services for the elderly, and for training projects.

TIMBER DEVELOPMENT ORGANIZATIONS

The provision for technical assistance and loans to private timber development organizations as provided in the Appalachian Regional Development Act of 1965 seems equally applicable to New England since much of it is covered by forests and much of it is in the hands of small owners. Most of the studies of New England's forests suggest the need for similar cooperative efforts to develop small forests. The New England-New York Interagency Committee said:

"The principal measure included in the plan for improvement of forest lands is providing technical assistance to the forest landowners, particularly the nearly

²⁴ "Training for Needed Skills—Vocational Education," New England Business Review, November 1962, p. 4.

²⁵ U.S. Department of Commerce, "Area Redevelopment Administration: Population, Labor Force, and Unemployment in Chronically Depressed Areas," Washington, U.S. Government Printing Office, 1964, p. 39.

400,000 small owners, to enable them to properly manage their woodlands. * * * Additional educational work is needed among the landowners, the timber operators, the forest products industries, and the general public to make sure that an adequate, concerted and sustained cooperative effort is made to improve the forest lands and to so manage them that the owners and the region may receive full value from them."²⁶

Under the provisions of the Appalachia Act, the timber development organizations may receive up to \$5 million in Federal loans, not to exceed 50 percent of their initial capital requirements, in fiscal 1966 and 1967. The loans shall not be used for the construction or acquisition of facilities for manufacturing, processing, or marketing forest products, or for physical consolidation of small timber holdings except for the establishment of demonstration units. The Federal loans will be administered under the applicable provisions of the Consolidated Farmers Home Administration Act of 1961.

FISHING DEVELOPMENT ORGANIZATIONS OR INSTITUTE

The fishing industry of New England is plagued not only by foreign competition and disappearance or depletion of the fish; it is also plagued by inefficiency and poor marketing practices. A 1954 report of the National Planning Association said:

"In New England the typical handling of fish on vessels and at the pier has been seriously deficient and has been an especially important cause of deterioration in quality * * * Inefficient and destructive handling should be eliminated by industrywide consultation and cooperative action. Modern equipment to remedy conditions may be costly but far less so than inaction.

"Improved methods of processing are also important ways of increasing quality and reducing costs. Unfortunately the New England fishing industry as a whole has not done as much as it should about either. Only a few firms have research facilities of any kind, and most others have been slow to adopt new ideas * * *

"The New England fishing industry should invest more in its own future, as have the meatpackers and other groups whose products compete with fish, as well as the fishing industry of the west coast. The research carried on by U.S. Fish and Wildlife Service on fish technology, fish biology, methods of catching fish, and other problems is valuable to the industry, but it is not a substitute for the industry's own efforts. A New England fish-products research institute might well be established, supported by the entire industry for its collective benefits."²⁷

New England fishing facilities and practices apparently have not changed much in recent years. In a recent article, a University of Rhode Island professor says:

"Archaic methods of handling fish in some New England ports have changed little in 50 years; pitchforks and handcarts are the rule. Had agriculture remained as firmly committed to ancient methods, as has much of the fishing industry, there would be many more hungry Americans than we now have."²⁸

A study just released by the Area Redevelopment Administration of the New Bedford fishing industry comes to similar conclusions. It says:

"New Bedford fishing industry in all its phases consists of highly individualistic persons who employ primitive and antiquated facilities and techniques. There are technical plant and dockage problems that must be overcome; there are problems dealing with marketing and product distribution."²⁹

The study goes on to conclude:

"* * * there seems to be evidence in favor of a unique fishing institute in this geographic area. In view of the fact that biological and oceanographic work is conducted at Woods Hole and the proposed Radiation Center is to be located in Gloucester, it would seem that a fitting adjunct to these areas would be a marketing center and overall information clearinghouse which could be incor-

²⁶ New England-New York Interagency Committee, op. cit., p. 46.

²⁷ National Planning Association. Committee of New England. "The Economic State of New England." New Haven, Yale University Press, 1954, p. 69.

²⁸ Lampe, Harlan C. "An Antiquated and Fragmented U.S. Fishing Industry Faces Many Problems." Inserted in the Congressional Record, July 23, 1964, p. 16131.

²⁹ U.S. Department of Commerce. "Area Redevelopment Administration: A Marketing Study of the Scallop and Flounder Industry of New Bedford, Mass." Washington, U.S. Government Printing Office, 1965, p. 44.

porated in the activities of such a fishing institute. There is ample reason to feel that the proposed Southeastern Massachusetts Technological Institute could provide necessary facilities for such an undertaking."³⁰

In view of the deteriorating state of the New England fishing industry, it would seem appropriate to provide the stimulus for increased efficiency and marketing improvement through a coordinated approach. This could take the form of fishing development nonprofit organizations similar to the timber development organizations or, possibly, the establishment of a fishing institute.

OCEANOGRAPHIC RESEARCH

Increased oceanographic research is undoubtedly needed to develop further information concerning the fish and shellfish along New England's coast. It is also needed to fight water pollution and to help develop and safeguard marine recreation.

President Johnson has, however, recently asked for funds for increased ocean research, and the Woods Hole research facility is an established fact. Whether or not an additional regional facility or additional funds are needed is a matter of judgment beyond the scope of this study.

RECREATION

The development of recreation in the area depends upon the way the natural resources of the region, land, forest, and water, are developed. As we have pointed out earlier, development of an area for recreational uses may often conflict with industrial use. Unplanned urban sprawl will eat up land that could be used for parks, public forests, and bathing beaches.

Development of the recreation and tourist industry can be an important source of income and employment, not to mention esthetic enjoyment.

One way to develop recreational opportunity is to apply multipurpose development to major river basins. New England has never had such multipurpose development. Currently, however, plans are underway to develop both the Connecticut River and the Passamaquoddy Bay for multiple uses. The latter project would also provide cheap hydroelectric power. Because of the importance placed on multipurpose development by previous successful regional plans such as TVA, and also because several of the studies of the New England region have stressed this approach, serious consideration to the implementation of multipurpose river basin plans should be given in any program for regional economic development.

The prevention and control of water pollution should also be given emphasis in any plans to develop recreation. Many beaches and streams have already been ruined by pollution and the amount of Federal aid available in current programs is meager.

URBAN PUBLIC WORKS

Like the Appalachian report, and like many of the preceding studies of New England which we have mentioned, this survey has not attempted to go into any detail concerning the problems of urban areas. They could be the subject of many reports. We can only note here that many of New England's urban centers have continued high unemployment. They are burdened with antiquated, abandoned factories and antiquated public facilities. Much of the housing is old and deteriorating. Much needs to be done besides luring in new industry or retraining the work force. Continued emphasis should be placed on Federal grants for public facilities and urban renewal.

STATEMENT OF ROBERT S. NICKOLOFF, SPECIAL ASSISTANT ATTORNEY GENERAL FOR AREA REDEVELOPMENT, STATE OF MINNESOTA

My name is Robert S. Nickoloff, of Hibbing, Minn. I am a special assistant attorney general for area redevelopment for the State of Minnesota on an as-needed basis. I am also president and counsel of First Federal Savings & Loan Association of Hibbing, and therefore, am closely associated with economic and financial matters of northeastern Minnesota. Mr. Shipka, in his testimony before this committee, pointed out some of the problems which have arisen under the

³⁰ *Ibid.*, p. 78.

Area Redevelopment Act of 1961. I want to briefly mention proposals wherein we feel a new act dealing with economic development can be strengthened.

In the overall, I feel Senate bill 1648 is a most interesting and forward-looking proposal for the promotion of economic stimulus and development throughout the United States. I make my comments as an individual who has been closely associated for the past 4 years with the execution of the Area Redevelopment Act of 1961 in Minnesota.

1. The first problem noted is the long delay in application processing.

I feel that this problem can be substantially eliminated by—

(a) Giving more authority to regional offices to approve loan applications.

(b) Eliminating the necessity of having several different agencies review the loan applications.

(c) Establishing in the act the fact that the program is a risk-lending program and thereby give more leeway to the civil servants reviewing the loan applications.

(d) The 2-percent-interest differential proposed under section 202(a)(3) of the bill will very possibly attract the aggressive financial institutions to the program and can do a great deal to upgrade the quality of loan applications.

2. The second problem we have had in Minnesota is the requirement that local development corporations providing 10 percent of the funds for a proposed project have to be placed in an equity position and cannot be repaid until the Federal loan has been repaid. In S. 1648 the local participation requirement has been reduced to 5 percent. We think this reduction to 5 percent is good; however, we must be certain that the 5-percent local funds can be paid off concurrently with the Federal loan funds.

3. Lack of availability of sufficient funds for working capital has been a severe handicap to new industries locating in labor surplus areas. Section 202(a)(2) of S. 1648 provides for the guarantee of working capital loans and we think this is a very important provision of the bill.

It should be noted that under section 202(a)(1) of the bill, provision is made for loans "for the purchase or development of land and facilities (including, in cases of demonstrated need, machinery and equipment)." We feel that the words "in cases of demonstrated need" should be removed from the bill and the same criteria for a land and building loan should be applied to a machinery and equipment loan. Under the present wording in the bill, we feel the GAO will require extra documentation for a machinery and equipment loan and we will face further loan application processing delay.

4. The provisions for public facility grants and loans in S. 1648 are excellent and are vitally important for the economic development of labor surplus areas. Loans and grants under this section of the bill can go to provide such vitally needed economic development tools as industrial parks, industrial water lines and resources, etc.

5. The concept of regional development areas set forth in the bill is most encouraging. We feel that under the regional development concept we will be able to provide a stronger local unit with better local talent than is now available in the hundreds of small community development groups with whom we must now work.

6. We feel that every safeguard must be provided in S. 1648 to prevent areas, especially one-industry natural resource areas, from being too rapidly dedesignated as eligible for assistance under the bill. We must be certain that an eligible area is actually on the road to a strong economic recovery before it is dedesignated. In one-industry natural resource areas with a past history of chronic unemployment, we believe it should be specifically provided that such areas will not be dedesignated until their unemployment has been less than 30 percent of the national average for a period of 36 months.

7. The technical assistance, research, and information called for under section 301 of the bill is vitally important to economic development in our Nation.

Technical assistance provided under the Area Redevelopment Act of 1961 has proven most helpful and valuable; however, more technical assistance must be geared to management aids for new industries locating in labor surplus areas. We feel the Secretary of Commerce should have specific authority to provide private professional managerial assistance under the technical assistance program to firms or new companies locating in labor surplus areas.

In conclusion, we in Minnesota feel that tremendous inroads have been made in the economic development of our labor surplus areas as a result of the Area

Redevelopment Act of 1961. It is not an easy task to start such a national program as called for under the act. Economic development cannot be achieved overnight. We have learned a great deal in the past 4 years. In the field of public works and economic development for areas of substantial chronic unemployment and underemployment, we have learned that we must have streamlined programs which can be executed with a minimum of redtape. We believe S. 1648 provides the machinery to accomplish the long-range needs of the several labor surplus areas of our Nation. We urge the passage of S. 1648 and we also respectfully request that the foregoing suggestions be given your most serious consideration.

STATEMENT OF NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

Mr. Chairman and gentlemen of the committee, I am Edward W. Kiley, rural areas development specialist of the National Rural Electric Cooperative Association. NRECA is a national service organization for almost 1,000 rural electric cooperatives, in 46 States, which serve almost 20 million people with electricity in 2,700 of the 3,100 counties in the United States. Of the rural depressed counties designated by the ARA Act, most were served, at least in part, by rural electric cooperatives.

As early as 1956, the rural electric cooperatives joined in the efforts to organize the rural areas into a constructive force through the then pilot project called rural areas development. In January 1961, NRECA testified in support of the pending ARA legislation; and in 1963, we also testified in support of S. 1163, which contained amendments to the ARA Act. Rural electric cooperatives have been consistent in their total support of this type of legislation.

I am attaching to this testimony resolutions passed at the annual meetings of our association in 1961, 1962, 1963, 1964, and 1965. With the chairman's permission, I would like to insert these into the record at this point.

We, therefore, deeply appreciate the opportunity to testify before this committee on S. 1468, the Public Works and Economic Development Act of 1965. We believe that there is an urgent need to redevelop rural America, as is provided for in this bill.

The history of rural America during the last 20 years is one of a steady downward spiral. Fewer and fewer farms are providing the major share of the Nation's food and fiber, leaving an ever-increasing number of farms uneconomic. Unemployment today in the nonmetropolitan areas of our great land approaches 2 million. This is equivalent to two-thirds of city unemployment, and this 2 million figure is from roughly only one-third of our total population.

In a recent survey sent out to NRECA member systems, rural electric cooperatives have reported the lack of job opportunities in their service areas as one of their most pressing problems. Over one-half of the rural electric systems reported job opportunities in their service area as inadequate, and almost 7 percent reported no job opportunities at all.

We realize that the head of the household in rural America, with primarily an agricultural background, is not well equipped with factory skills, and must be retrained. But in our survey we find over 30 percent of the rural electric systems report no adult job training programs are available in their service areas; and over 37 percent of these systems consider such training programs inadequate in their service areas.

Other results from our survey demonstrate the lack of public facilities available to the almost 5 million families on rural electric lines. These figures indicate needs which can be alleviated by this new legislation. Over one-third of the systems reported water and sewage facilities inadequate; 6.8 percent reported such facilities not available. In almost 20 percent of the returns rural electric cooperatives considered hospital facilities inadequate and in over 5 percent they were not available to the service areas.

The problem of a lack of credit is another major handicap in rural American life. In our survey which was directed toward credit for rural housing, almost 25 percent of the rural electric cooperatives considered such credit inadequate, and more than 7 percent considered no credit available whatsoever. This is indicative that the low-income rural areas cannot produce the necessary capital for stimulating their economies. Lacking such resources, they must have these direct Government loans to establish rural industry.

If we are to stem the persistent outmigration to the urban centers and retain a healthful balanced economy in this country we must provide the necessary tools to overcome these inequities.

With the passage of the ARA Act in 1961, rural electric cooperatives went to work with this valuable tool. Since 1961, they have been directly involved in developing almost 1,500 projects of which 138 were ARA projects. These 1,500 projects resulted in 135,000 jobs and a total investment in excess of one-half billion dollars. Over 90 percent of this money has come from private sources. This certainly indicates that in the areas rural electric systems serve, ARA has fulfilled its mission of furnishing "seed" money to redevelop distressed areas.

These projects included every type of industrial development. For example, less than 2 years ago, the members of the Caddo Electric Co-op in Binger, Okla., started work with the Area Redevelopment Administration and local leaders to develop industry that would give work to unemployed Indians, some of whom had never had jobs lasting longer than 3 months.

The first result was a carpet mill in Anadarko, Okla., that today has a \$650,000 annual payroll, employs 153 people, and is the area's third largest employer, with more expansion to take place in the next 90 days.

The success of this venture led to the establishment, with the help of Harmon County Electric Association, a rural electric, of a gypsum plant in the nearby town of Duke, Okla. Soon the gypsum company will employ 200 people with an annual payroll of more than \$1,200,000.

When the Graham Manufacturing Co. plant burned to the ground in Auburn, Ky., the REA electric cooperative manager applied for an ARA loan to help reconstruct the plant. Local funds were raised by the business community. These loans, together with capital supplied by the Graham Co., made possible the construction of a new larger and more efficient operation. The new plant opened in April 1963, and now has a bigger payroll than the original plant.

Among the more than 70 new businesses and industries which rural electric cooperatives have helped to launch in North Carolina, the Lumbee River Electric Cooperative in Red Springs assisted in establishing a new chicken processing plant, financed in part by ARA funds, which created 150 new jobs.

In Pennsylvania, Perry Wilson serves as president of the Bedford Development Council, as well as manager of the Bedford Rural Electric Cooperative. At least five new industries have resulted from his work. ARA funds helped in extending a water main to the industrial park for a million dollar plant to build in that area. Two more new projects have come through within the last month.

Just last month Ed Purtzer, manager of the Southern Indiana Rural Electric Cooperative, announced, after 3 long years of hard work, that ARA had given final approval for a proposed fiberboard plant to be built near Tell City.

Examples such as these could be written from almost every State where rural electric cooperatives are serving.

In each of these areas, a serious economic recession was arrested and positive steps taken for redevelopment.

When the Area Redevelopment Act first began operation, most people expected the even division of appropriations to be a handicap. It was expected that the urban centers would far outstrip the surrounding rural countryside in applications, as has been the case with virtually every other national program. Actually the exact opposite has been true. The first two loans to be made by ARA were made in rural areas, and over 300 of the 548 ARA projects were in rural areas.

In the early summer of 1964, all moneys for 5b (largely rural) areas was exhausted. In the fall of that year, an \$85 million backlog in applications developed for these areas. Not until just recently did the agency run out of money for 5a areas. These facts are indicative of the need that exists in rural America for these direct loans, which have been unavailable since the summer of 1964.

I might add that one of the reasons why rural America is taking such an active part in this program is the partnership which was initiated between the Department of Commerce and the Department of Agriculture. This partnership was greatly enhanced by a delegation of authority and transfer of funds from the Department of Commerce to the Department of Agriculture. The Department of Agriculture was delegated the responsibility to provide organizational and educational leadership in rural areas, develop the data to designate "redevelopment" areas, to assist in development and certification of OEDP's, and certifying all projects in rural areas.

We recommend that the same procedure be followed in this new law so the excellent work of the past 4 years can be continued. We believe this might be spelled out in the act. If it is not feasible to write this into the statute, legislative background should be developed so that this delegation will be renewed.

We would also recommend that existing structures and organizations in rural America which have proved their quality be utilized by this new act, with a minimum of restructuring.

Our reactions to the economic district concept when it was first proposed were that the rural areas might be squeezed out of this program. While we cannot qualify as experts in this field, we think that the district structure as outlined in section 403 of this bill is acceptable. I cannot emphasize enough, however, the need of these districts to be developed to serve the furthest reaches, and that Congress should make sure we do not develop structures which would allow funds to only "trickle down" to the open country.

We feel the criteria which cover the designation of redevelopment areas under section 401 are adequate to produce maximum benefit to all parts of the country. Regional planning commissions for the purpose of formulating regional programs under sections 501 through 503 will be effective if the studies and resulting plan is objective and comprehensive. Grants for public works and development facilities under section 101 will go a long way toward providing the necessary public facilities to bring about a parity of opportunity that President Johnson has called for in rural America.

Under section 202 of the act, the provision for concurrent repayment of semi-public moneys will, we feel, enable small communities to accomplish much more than was possible under the old act. Also we support the working capital guarantee which, we feel, will bring about fewer failures and more successes than was possible under the old act.

We are particularly interested in title III, which provides technical assistance grants for staffing in an economic development center. This is a must for rural areas where adequate staffing has never been available. This will help to provide this valuable service for the rural areas.

We also strongly support the public facilities portion of the act, section 201, which allows grants for public facilities to be built either as a direct or indirect stimulation for new enterprises. This will allow communities to develop industrial centers for future growth and will also eliminate the need for communities to tie to an industry, perhaps not conducive to long-term economic improvement, simply to qualify for a public facilities grant.

To summarize this statement, rural electric cooperatives realize the need for public facilities and economic development that exists in their service areas. They have taken the fullest advantage of the expiring Area Redevelopment Act. They support wholeheartedly this new, more broadly based program as a vital set of tools to rejuvenate the lagging economics in the depressed areas of this great country.

Thank you.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION,
19TH ANNUAL MEETING, FEBRUARY 13-16, 1961

RURAL COMMUNITY IMPROVEMENT

Whereas the rural electric systems serve most of the rural areas of this Nation that are identified as areas of underemployment and low incomes, and are heavily engaged in rural development work to improve rural incomes and rural living conditions; and

Whereas many of these areas are burdened with economic and related problems which exceed local means for dealing effectively with them, despite their inherent capability for natural resources and rural industrial development; and

Whereas the decline of population in these areas has resulted in large and still growing numbers of idle services, threatening the ability of many rural electrics to deliver low-cost dependable area coverage service and to repay REA loans; and

Whereas we have great faith in the ability of rural people to create new opportunities for themselves which will revitalize their communities if the tools for doing the task are made available; and

Whereas we believe that this age of international perils makes it imperative that the United States have, among all her citizens, the dynamic strength and economic and social health which underlie her supremacy among nations; and

Whereas the Rural Electrification Administration has established a record

of more than 25 years, unmatched by any lending institution, public or private, in administering a loans program to help rural people help themselves; and

Whereas Senator Douglas of Illinois and others have introduced in the Senate, and Representative Flood of Pennsylvania and others have introduced in the House, bills which provide area redevelopment loans, grants, and technical and retraining assistance for rural as well as urban areas which we deem vital to the success of the rural development work we have underway; and these bills are currently under consideration by the Committees on Banking and Currency of the Senate and the House of Representatives: Now, therefore, be it

Resolved, That the President of the United States, the Secretary of Agriculture, the Administrator of the Rural Electrification Administration, and the members of the Committees on Banking and Currency for the Senate and for the House of Representatives be advised that we strongly endorse the position that assistance to rural areas, such as is provided by the bills introduced by Senator Douglas and Representative Flood and others, is vital to the welfare of low-income rural areas and of the Nation as a whole; and be it further

Resolved, That all of these persons be advised that we urge that primary responsibility for leadership of area redevelopment assistance to rural areas be placed upon the Rural Electrification Administration; and be it further

Resolved, That we urge each cooperative to take steps to make an appropriate survey in its area and make plans to set up the organizing machinery necessary to aid in implementing the rural community improvement program.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION,
20TH ANNUAL MEETING, MARCH 5-7, 1962

ADMINISTRATION RURAL AREAS DEVELOPMENT PROGRAM

Whereas rural electric systems, dependent as they are upon the economic health of the communities they serve, have a vital stake in an efficiently operated rural areas development program; and

Whereas, many rural communities are experiencing considerable difficulty in effectively advancing their areas development activities because of the cumbersome committee-coordination administrative structure within the Department of Agriculture and widespread splintering of the program responsibilities among the various agencies of the Government: Now, therefore, be it

Resolved, That we urge the Secretary of Agriculture to streamline the administration of the rural areas development work within the Department of Agriculture and to concentrate the organization responsibilities in the action agencies with an official of high level assigned the necessary authority to accomplish the needed job.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION,
20TH ANNUAL MEETING, MARCH 5-7, 1962

RURAL AREAS DEVELOPMENT

Whereas rural electric systems have always been in the forefront of the struggle to improve conditions in rural America; and

Whereas more than half the poverty in America is to be found among rural residents, although they make up less than one-third of the Nation's population; and

Whereas a massive assault is required before any permanent improvement in the economic and social conditions in many low-income rural areas can be expected; and

Whereas the interest of rural electric systems are inseparable from those of rural America; and

Whereas rural electric systems are already actively supporting present Government programs to help rural areas improve their economies: Now, therefore, be it

Resolved, That we urge Congress to support these provisions of the Food and Agriculture Act of 1962, which would implement the comprehensive, closely coordinated rural renewal approach to revitalizing rural America as recommended in President Kennedy's recent farm message and by Secretary of Agriculture Freeman, and in addition, would strengthen and expand existing USDA rural area development programs.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION,
21ST ANNUAL MEETING, JANUARY 14-17, 1963

RURAL AREAS DEVELOPMENT

Be it resolved, That we reaffirm our endorsement of rural areas development programs being carried on in cooperation with Government agencies; and be it further

Resolved, That we direct our national service organization, NRECA, to support legislation and administrative programs which will help further the objectives of rural development, and we urge our member systems to enlist the support of their Minutemen by having regular RAD-Minuteman meetings to set forth the purpose, potential, and plans for an effective RAD program when applicable.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION,
22D ANNUAL MEETING, MARCH 9 TO 12, 1964

RURAL AREAS DEVELOPMENT

Whereas rural electric systems are dedicated to the improvement of economic and social opportunities in their service areas; and

Whereas they are playing a major role in helping to revitalize rural areas having assisted in launching projects which are creating 60,000 new jobs and another 40,000 indirectly; and

Whereas rural electricians recognize that even more extensive efforts on their part and the part of others including both private and public agencies are needed to bolster the economies of rural areas and to solve serious and persistent socioeconomic problems which are causing widespread deterioration in rural America: Now, therefore, be it

Resolved, That we direct our national service organization, NRECA, to continue to support legislative and administrative programs, such as RAD, ARA, and accelerated public works, which help to further the objectives of rural development; and be it further

Resolved, That we urge the administration to take action to reduce to a minimum the redtape, delay, and confusion which too often impedes the progress of rural development, and to this end we urge the President to appoint a staff assistant whose function it would be to foster closer and more effective cooperation among the many agencies involved in rural areas development.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION,
23D ANNUAL MEETING, JANUARY 25 TO 28, 1965

RURAL AREAS DEVELOPMENT

Whereas every rural electric system, being the service organization of its member-owners who are farmers and rural people, has a special concern in the welfare of its community and in the development of its rural areas; and

Whereas millions of rural Americans and their families have moved to metropolitan areas seeking employment, thereby creating a serious economic problem in America: Now, therefore, be it

Resolved, That we reaffirm our support of area development and programs authorized by the new Economic Opportunity Act in revitalizing rural America; and be it further

Resolved, That we urge the administration to organize the rural community development program under one existing agency to eliminate waste and use these moneys and talents in giving our rural people and farmers equal parity of income and opportunities, the main cause of rural migration to our cities.

STATE OF CONNECTICUT,
DEVELOPMENT COMMISSION,
Hartford, Conn., May 3, 1965.

HON. A. WILLIS ROBERTSON,
Chairman, Banking and Currency Committee, Senator From Virginia,
Senate Office Building, Washington, D.C.

DEAR SENATOR ROBERTSON: The staff of this commission has perused the administration's bill H.R. 6991, Public Works and Economic Development Act of

1965, and, in general, finds that there are many worthwhile and innovating provisions therein. However, we are particularly disturbed about that portion of the act which allows the Secretary of Commerce to approve economic development districts, as defined by the Governor of each State or by the designated State official, which include two or more redevelopment areas and an economic development center.

In early conversations concerning this legislation, it was the understanding of the New England States that the combination of one redevelopment area and economic development center would be eligible for the benefits and programs set forth in the act.

I cannot secure an explanation from responsible officials in Washington, either in the Area Redevelopment Administration or the Housing and Home Finance Agency, as to why there is a requirement in the act for two redevelopment areas.

We are undertaking a comprehensive statewide, long-range planning program. Funds from HHFA are covering two-thirds of the cost of this program. We know that 30 other States have similar programs. It is our belief that the subject bill should make direct reference to and clarify the lines of responsibility in terms of the preparation of long-range plans for economic development. Certainly, statewide plans must incorporate substantive programs within the State which would seek to further the State's economic development and raise its standard of living. Thus, it is essential that the two programs clearly complement one another. It is not clear to us how this would be accomplished except through hoped for administrative procedures on the part of the two agencies. This has not in all cases proved feasible and it is suggested that statutory provisions be made therefor.

It is our belief that amending the proposed act as suggested above would greatly increase the chance of redevelopment areas within the State to participate in the program contemplated.

Sincerely,

LEROY JONES, *Managing Director.*

DOWLING TEXTILE MANUFACTURING CO.,
McDonough, Ga., May 6, 1965.

Senator A. WILLIS ROBERTSON,
Chairman, Banking and Currency Committee,
U.S. Senate Office Building, Washington, D.C.

DEAR SENATOR ROBERTSON: We have recently completed a very fine project in McDonough involving aid from the Area Redevelopment Administration. Our expansion in the manufacturing of hospital apparel would not have been possible without this assistance.

We, therefore, would like to urge you to give your favorable consideration to the Public Works and Economic Development Act.

With best regards,

W. A. HANGER, *President.*

NATIONAL ASSOCIATION OF COUNTIES,
Washington, D.C., May 6, 1965.

Hon. A. WILLIS ROBERTSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR ROBERTSON: On behalf of the National Association of Counties, I must lodge the strongest possible objection to the creation of economic development districts in the manner provided for in section 403(a)(1) of S. 1648, the Public Works and Economic Development Act of 1965. We feel the creation of these districts without the concurrence of the counties involved is undesirable, will jeopardize the success of the program, and is not in keeping with the basic principles of the proposal as set forth by President Johnson in his special message on public works and economic development. In that message, he stated: "No economic development district will be designated unless the State and local people want it to be designated. No plan will be approved unless it also has the approval of State and local authorities."

As you know, in section 403(a)(1), the designation of an economic development district requires the concurrence of the States in which such districts will be located. However, the language does not require the concurrence of the counties in which such districts will be located. To this point, we would refer to the previously mentioned statement of President Johnson, and especially the words, "approval of State and local authorities."

We suggest section 403(a)(1) be amended to read as follows: (1) to designate appropriate economic development districts within the United States with the concurrence of the States (and counties) in which such districts will be wholly or partially located, if * * *.

The National Association of Counties is firmly on record in support of the Area Redevelopment Administration and the accelerated public works program. Additionally, the National Association of Counties strongly supports the principle of voluntary cooperation among all levels of government concerned, particularly between counties and other local officials. We note the evolution of various voluntary regional cooperation groups consisting of local units of government, whose officials sit down together, study the problems and, in the spirit of the give and take of the conference table, evaluate the facts in an endeavor to arrive at sensible, politically acceptable solutions.

Our American county platform also notes that certain common problems facing our citizens, such as transportation, planning, water supply and sewage, civil defense, open space, industrial development, and others which transcend local geographical borders, must be approached from an areawide point of view because existing governmental units, acting alone, are not capable of finding equitable and effective solutions.

However, we believe the key to the solution of these problems rests, in the first instance, with the officials whom the citizens select and control through the election process.

As you can see, we are in accord with the concept of a regional approach to many of our problems; however, such an approach should be guided by three basic principles of regionalism:

(1) It must be voluntary; (2) it must be under control of the elected officials; and (3) it must preserve the integrity of existing units of government.

We feel S. 1648 has great merit and the concept of the economic development district is excellent if its creation and operation are guided by the above described principles. We do not envision the suggested amendment to be a hindrance to the program; rather, just the opposite. The State of Georgia already has in existence a program which creates an organization somewhat similar to the proposed economic development districts. The regions created are called area planning commissions and in that program, the county must vote to participate in the commission. As of today, there are 16 of these commissions which include 134 of the 159 Georgia counties. There are currently plans underway to create another new commission comprised of approximately five counties.

Aside from the basic governmental principles involved, there is the practical problem of implementing the economic development district plans and coordinating them with the existing programs and plans of the constituent counties. It will be the counties and other units of local government who will continue to have the responsibility of such functions as highways, land use, zoning, etc. They will also be required to provide the matching funds for the public works and development facilities proposed in title I of the bill.

By requiring the concurrence of counties, you obtain their commitment, involvement, and cooperation from the beginning, all of which are vitally important for the success of the program.

We urge your consideration of this proposal and your assistance in securing its inclusion in the bill.

Sincerely yours,

BERNARD F. HILLENBRAND,
Executive Director.

U.S. DEPARTMENT OF COMMERCE
AREA REDEVELOPMENT ADMINISTRATION,
Washington, D.C., April 19, 1965.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In response to the requests of you and Senator Bennett of April 1, 1965, for information on the section 6 industrial and commercial loan activity of the Area Redevelopment Administration, we are enclosing the following:

1. Report on loan foreclosures. This includes :
 - (a) Foreclosures completed.
 - (b) Foreclosures commenced by ARA.
 - (c) Foreclosures commenced by senior lien holders.
 - (d) Senior liens purchased by ARA.

2. Report on loans in default.

This includes all loans which are at least 90 days delinquent in loan amortization payments. We have not included the names and location of these borrowers. Some of these businesses are continuing to operate. We believe the publication of that information without their permission might tend to jeopardize their future operations.

3. Answer to questions on International Village, Inc., Detroit, Mich. [Omitted.]

The following additional information is submitted in accordance with your requests. As of March 23, 1965, commercial loan applicants failed to execute the loan authorizations proffered them by the ARA and thus have been canceled.

Of these applicants 23 were either unwilling or unable to comply with the terms of the authorization; 15 obtained financing for their projects from other sources after ARA assistance was offered; and 5 voluntarily rejected the financing offered by ARA. One section 6 loan has been repaid in full and three others are currently paying ahead of schedule.

We trust this information will be helpful to you and to the committee members.

Sincerely,

W. L. BATT, JR.,
Administrator.

Foreclosure completed

Names deleted	Approval dates deleted	Amount of loan disbursed (rounded to nearest thousand)	Employment applicant projected	Highest employment attained	Cause for failure
-----	-----	\$342,000	175	63	Insufficient working capital to promote and market product.
-----	-----	453,000	208	132	Management dissension; working capital dissipation.
-----	-----	13,000	25	11	Improper machinery selection by management.

Foreclosure authorized but not completed

Names deleted	Approval dates deleted	Amount of loan disbursed	Employment applicant projected	Highest employment attained	Cause of failure
-----	-----	\$426,000	35	2	Inexperienced management.
-----	-----	564,000	150	30	Flood caused loss of working capital.
-----	-----	192,000	35	20	Inadequate market.
-----	-----	52,000	12	24	Primary market lost due to change in policy of large customer.
-----	-----	64,000	20	4	Inexperienced management.

Foreclosed by senior lienholder

Names deleted	Approval dates deleted	Amount of loan disbursed	Employment applicant projected	Highest employment attained	Cause of failure
-----	-----	\$29,000	14	7	Working capital insufficient to promote and market product.
-----	-----	222,000	250	40	Management instability.

Senior lien purchased by Area Redevelopment Administration

Names deleted	Approval dates deleted	Amount of loan disbursed	Amount of lien purchased	Employment applicant projected	Highest employment attained	Cause of failure
-----	-----	\$343,000	\$105,986	50	39	Management instability.
-----	-----	81,000	18,000	33	4	Working capital dissipated.
-----	-----	465,000	144,837	140	74	Management instability.
-----	-----	390,000	184,637	150	125	Limited raw materials.
-----	-----	455,000	216,332	75	42	Poor markets.
-----	-----					Inadequate working capital.

Loans in default at least 90 days, as of end of March 1965

Total funds disbursed by ARA	Employment potential ¹	Employment at peak	Employment end of March 1965	Total funds disbursed by ARA	Employment potential ¹	Employment at peak	Employment end of March 1965
\$55,801-----	46	29	29	\$140,000-----	80	⁶ 7	13
\$432,900-----	170	100	30	\$96,901-----	43	28	12
\$27,500-----	60	17	7	\$61,412-----	38	25	20
\$97,500-----	110	10	10	\$1,306,500-----	250	259	⁸ 2
\$1,055,000-----	200	95	95	\$195,000-----	45	⁷ 22	0
\$1,018,082-----	123	(²)	8	\$229,133-----	44	9	0
\$120,000-----	54	58	0	\$455,000-----	76	52	40
\$153,881-----	40	52	43	\$1,170,000-----	409	220	⁹ 220
\$82,065-----	20	21	20	\$230,000-----	26	16	0
\$100,100-----	20	36	17	\$43,789-----	13	(⁹)	(⁹)
\$13,000-----	8	10	8	\$313,000-----	122	33	31
\$29,250-----	28	³ 13	⁴ 0	\$91,733-----	38	16	12
\$418,000-----	76	52	28	\$26,000-----	15	55	0
\$143,275-----	130	16	⁵ 1	\$679,960-----	200	115	0

¹ As stated on the application for assistance.² Not in operation before March 1965.³ In season.⁴ Off season.⁵ Plant not operating.⁶ Plus 4 part time.⁷ Full-time equivalents.⁸ 20 maintenance plus 200 seasonal.⁹ Plant destroyed by fire.

U.S. DEPARTMENT OF COMMERCE,
AREA REDEVELOPMENT ADMINISTRATION,
Washington, D.C., May 3, 1965.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I have been informed that our April 19, 1965, letter to you omitted two additional loans which are at least 90 days delinquent in loan amortization payments. Data on these two loans is as follows:

Total funds disbursed by ARA	Employment potential	Employment at peak	Employment end of March
\$302,000-----	110	161	10
\$281,000-----	80	33	0

In addition, as of March 31, 1965, 45 rather than 43 commercial loan applicants failed to execute the loan authorization proffered them by the Area Redevelopment Administration. In both these cases the applicants were unwilling or unable to comply with the terms of the authorization.

Sincerely,

W. L. BATT, Jr., *Administrator.*

PARKER, MCGUIRE & BAILEY
Asheville, N.C., May 6, 1965.

Hon. A. WILLIS ROBERTSON,
U.S. Senator, Chairman Committee on Banking and Currency, Washington, D.C.

DEAR SENATOR ROBERTSON: I understand that the Senate Banking and Currency Committee is currently conducting hearings on the Public Works and Economic Development Act of 1965. I am most particularly interested in those titles of the pending bill which would authorize continuation of the program which has heretofore been conducted under the Area Redevelopment Administration for the industrial development of depressed and underdeveloped areas.

In my experience as a practicing attorney I have had close contact with two industries of medium size, one of which was located in the mountains of western North Carolina, and the other in the coastal area of Georgia. In each case the industry in question was enabled to locate in an area where industrial jobs had previously been practically nonexistent. The benefits which a steady industrial payroll can bring to such an area have been dramatically illustrated in these cases. I am confident the same results have occurred in many other parts of the country.

While the sections of the pending bill which deal with the public works phase of the program are certainly important, I sincerely trust that your committee will give careful and favorable consideration to those portions of the bill which deal with industrial development. Certainly it is desirable that adequate public utilities are developed, and in many cases local communities are simply not able economically to provide these, nevertheless there is in the long run simply no substitute for a continuing and steady industrial payroll. For with such a payroll coming into a community, it will in time be able to provide some of its own resources for the further expansion of its own public works and for the further expansion of its own local communities and best of all, it is no longer necessary for the ablest and most ambitious of our young people to leave their homes in search of employment.

I hope your committee will give favorable report to this legislation which, in my opinion, holds such promise for the development of exactly those areas of our country where growth and development would be most desirable.

Sincerely yours,

FRANK M. PARKER.

SEQUOYAH CARPET MILLS,
Anadarko, Okla., May 6, 1965.

Hon. A. WILLIS ROBERTSON,
*Senate Office Building,
Washington, D.C.*

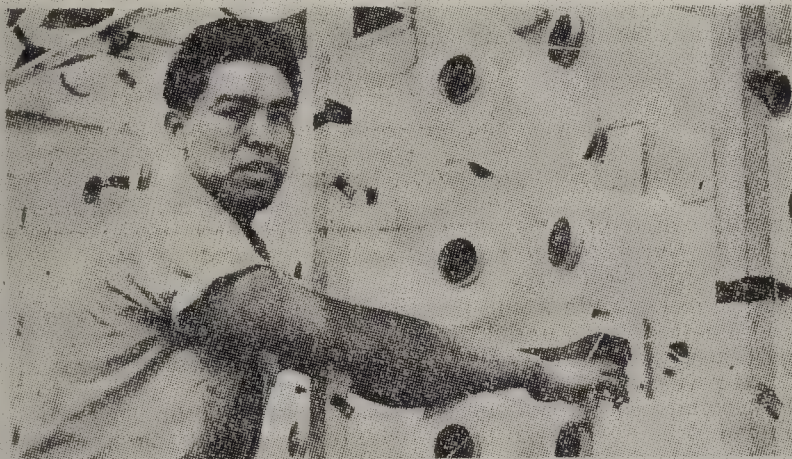
DEAR SENATOR ROBERTSON: I sent you a telegram today urging approval of the new Public Works and Economic Development Act of 1965. It is very difficult to express in letter or telegram form my strong feelings for the ARA program. Our plant received a \$390,000 ARA loan, and as a result of this over 150 people are presently working, 80 percent of whom did not have jobs nor an opportunity within this county for employment prior to becoming employed by Sequoyah. Figures and statistics can be impressive. The main story cannot be expressed by statistics but in human lives and personalities rehabilitated as they are changing from dependent citizens to self-supporting, taxpaying citizens.

I will be in Washington, Wednesday morning, May 12, testifying before Congressman Fallon's committee concerning this program. If you would desire further information I will be happy to share our experiences with you.

I am enclosing a copy of a recent Parade article concerning our plant. Your consideration is appreciated.

Sincerely,

DON GREVE.



Bobby Jay, an Apache, working at his first steady job, tends knitting creels at the Sequoyah Carpet Mills in Anadarko, Okla., first in the South-West.

ONE MAN'S WAR ON POVERTY

by SID ROSS and R.H. HUBBARD

ANADARKO, OKLA.

The new carpet mill here was built to provide jobs in this "depressed area" town, but in less than two years it has turned into a rapidly successful business enterprise. Its payroll is nearing million dollars annually, and the whole town is benefiting from the spending power of the workers, most of whom had been on relief. Thanks to the persistence and faith of one man, the majority of those workers came from a group no one else would have thought of hiring: the large, chronically poverty-stricken, "unemployable" Indian population.

Most people "knew" that the local Indians were "disturbed, uneducable, content to live on government handouts." The Rev. Don Greve admits that he once shared their outlook. A spectacularly successful young Oklahoma City businessman who also serves as an unpaid, licensed Methodist minister, Greve had worked his way up from extreme poverty and believed that "those who were poor and unemployed" needed a "new way."

a sense of purpose

Through his work with the church he began to take a close look at the Indian situation and saw "poverty I never knew existed. [Indians] were looked on as second-class citizens and treated that way; their will and spirit had been broken." Greve realized that they needed more than welfare handouts and surplus food; instead they needed a sense of pride and purpose, the feeling of being useful citizens.

In nearby Cashion County, fully a third of the people were on relief or deriving government food rations. There was virtually no industry, no major source of year-round jobs. A group of businessmen in Anadarko, the county seat, decided to seek a new industry, and

Don Greve offered to build a carpet mill—the first in the South-West. His offer was greeted with enthusiasm, but many balked when Greve proposed hiring Indian labor to operate the mill.

"I made it plain that I wasn't setting up a charitable institution," Greve declares. "I promised that if using Indians didn't work out I'd drop that idea, I wouldn't jeopardize anyone's investment."

Greve put \$75,000 of his own into the \$650,000 project, and 422 people and industries from Anadarko also put up money. A \$350,000 Federal Area Redevelopment Administration loan made up most of the balance, and in October 1963 the plant began operation.

Today, a year and a half later, Sequoyah Carpet Mills is a going concern. As board chairman, Greve can point with pride to the fact that 1965 sales will

probably exceed \$1 million a month, other community businesses, such as insurance, housing, retail stores, freight lines, construction, have boomed. The plant itself is paying \$300,000 in Federal taxes for 1964, and its 153 employees another \$50,000. What's more, employment at the plant has taken approximately 100 families off welfare rolls—a saving to the government of about \$120,000 a year. In addition, the company is making payment on its Federal loan far ahead of schedule.

change for the better

But Don Greve is accustomed to business success. His real satisfaction comes from the change in the Indian employees who make up more than half the plant's work force. In the beginning, less than 5 per cent were registered voters, now 100 per cent are. Some have joined civic clubs, some are active in church, and PTA work, some even in local politics. "They have built up a pride as full citizens of the community," says the dynamic businessman-leader. "They have won the respect of everybody here, and you won't find anyone now who will admit that he ever scoffed at the idea of Indians being useful citizens."

Elmer Jay, an Apache chief who is a warehouse supervisor at Sequoyah Mills, summed up the feeling of the Indian community when he said, "Before, I was a healthy man, physically fit, but there was no regular work, no way I could feed my family except by drawing surplus food from the government. I felt ashamed. Now I can face anybody. What this mill has done is help us help ourselves. The unemployment situation is still serious here, but we're shown that we can do a job if we're given the chance. The company's doing good and we're doing good, and we're paying back the government. Nobody could want more."



Rev. Don Greve (left) confers with Charles Purcell (center), president of carpet mills, Sequoyah, Okla., vice-president.

AS APPEARING IN **Parade** THE SUNDAY NEWSPAPER MAGAZINE

Parade # April 11, 1965

HYDEN, KY., May 6, 1965.

HON. A. WILLIS ROBERTSON,
Chairman, Senate Banking and Currency Committee,
U.S. Senate, Washington, D.C.

DEAR MR. SENATOR: I speak for Leslie County, all 10,941 of them, in endorsing the Public Works and Economic Development Act of 1965.

We are the eighth poorest county in the United States according to per capita income with \$487. Our voice can be heard and this act will help us in our situation.

Thank you for any consideration you might give us.

Sincerely,

GEORGE WOOTON, *Leslie County Judge.*

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS,
Washington, D.C., May 7, 1955.

HON. A. WILLIS ROBERTSON,
Chairman, Senate Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: We would like to comment on certain aspects of S. 1648, the proposed Public Works and Economic Development Act of 1965, which we believe would have an adverse effect on intergovernmental relations and on responsible local government generally.

First, the Commission supports the basic structure for implementing the programs that would be authorized by S. 1648, to the extent that it is designed to coordinate economic development projects on a broad geographic basis, and to insure that individual projects meet the development plans of the total area. The Commission in its report, "Impact of Federal Urban Development Programs on Local Government Organization and Planning," recommended that Congress, as a matter of general practice, authorize and encourage the planning, administration, and performance of work jointly by local governments to meet areawide needs that extend beyond traditional boundaries. However, in that report and in its report, "The Problem of Special Districts in American Government," the Commission called attention to difficulty of securing coordinated development of governmental programs where special districts are utilized as the vehicle through which an individual program is implemented in a local area.

In both reports, one relating specifically to urban communities and the other to local government generally, the Commission deplored the practice under which many Federal programs encourage the use of special districts, authorities, or other institutional arrangements to the detriment of general-purpose units of government—cities, counties, and towns.

We recognize fully that in some instances, because of constitutional or statutory prohibitions at the State level, neither the State nor its political subdivisions are in a legal position to undertake the responsibilities specified in the proposed bill. However, the structure of the bill itself seems designed to encourage utilization of special districts for undertaking the program despite the provision of section 202(b)(10) and the applicability of this section to section 403.

On the other hand, counties, acting singly or jointly, are likely to be in an excellent position to administer the economic development district activities proposed in S. 1648. County governments tend to cover a large geographic area, are already existing forms of local government, and responsible to the electorate and have a broad tax base.

We would therefore urge that S. 1648 be amended to avoid further complicating the complex pattern of local government in the United States by creating new independent economic development districts throughout the country. Specifically, we would like to recommend that section 403 be amended to provide that economic development districts be established with the concurrence of the States and of the governing bodies of a majority of the counties falling within the designated economic development district. Wherever authorized by State law, these counties, acting singly or jointly as may be appropriate, should be eligible to receive the funds and perform the functions provided in this act for economic development districts.

The need for coordination and control of governmental functions requires that units of general local government be in the best position to assume responsibility for any Federal grant or loan program. We therefore recommend that titles I,

II, and IV be amended to require that counties, acting singly or jointly, be given priority as recipients of grants or loans in the absence of substantial reasons to the contrary.

Recognizing that there will be instances where a "private or public nonprofit organization or association" may be necessary, we recommend that applications for grants or loans made pursuant to titles I, II, and IV be submitted to the governing bodies of cities and counties in which the proposed activity would be undertaken, for comment prior to Federal agency approval of any such plan, loan, or grant.

We believe that the foregoing changes would strengthen local government in the United States, simplify intergovernmental relations, make the objectives of the proposed legislation more understandable to the general public, and would reduce the time and effort that would be needed by public officials in coordinating the programs of additional independent units of government. Such modification would also appear to conform more closely to the President's expressed desire in his special message on public works and economic development that economic development districts be designated only after the approval of State and local authorities.

Copies of the two referenced reports of the Commission containing a list of the members of the Commission as of the date of the adoption of the report are enclosed.

Sincerely yours,

FRANK BANE, *Chairman.*

AMERICAN HOTEL & MOTEL ASSOCIATION,
New York, N.Y., May 7, 1965.

Hon PAUL DOUGLAS,
*Chairman, Subcommittee on Production and Stabilization,
Committee on Banking and Currency,
Washington, D.C.*

DEAR MR. CHAIRMAN: This letter is in reference to S. 1648, the proposed Public Works and Economic Development Act.

The hotel-motel industry is undergoing a period of great transition and the availability of Federal loans or guarantees for the construction of hotels or motels could endanger substantially private investments unless certain safeguards are provided. Both the Senate Committee on Banking and Currency in its Report 250 (to accompany S. 1163) dated June 13, 1963, and the House Committee on Banking and Currency in its Report 633 (to accompany S. 1163) dated August 3, 1963, recognized a possible danger on the innkeeping industry in the use of ARA funds. We believe that there is a parallel to be drawn in your consideration of the pending legislation.

The association recommends that title II of S. 1648 include language along the following lines:

No such assistance shall be extended for the new construction of hotels, motels, or other housing for transients' use under this title unless the community in which the project is located, under regulations prescribed by the Secretary has caused to be made a competent, independent analysis of the local supply of transient housing and as a result thereof has determined that there exists in the area a need for additional units of such housing.

The foregoing is similar to language contained in section 106 of the Housing Act of 1959, as amended (Public Law 86-372).

It would be appreciated if this letter were made a part of the record.

Kind personal regards,

Sincerely yours,

ALBERT L. McDERMOTT, *Washington Representative.*

CHAMBER OF COMMERCE OF PUTNAM COUNTY,
Cookeville, Tenn., May 7, 1965.

Hon. A. WILLIS ROBERTSON,
*Chairman, Senate Banking and Currency Committee,
U.S. Senate, Washington, D.C.*

DEAR SENATOR: As president of the Chamber of Commerce of Putnam County, I am extremely interested in the public works and economic development bill that is being considered by your committee.

The chamber of commerce thinks the passage of this bill would be a great help in developing the natural resources in this area. We would like to request that every possible consideration be given this matter in order that the bill might be passed.

Yours very truly,

E. H. HOOPER, *President.*

CITY OF DILLINGHAM,
Dillingham, Alaska, May 7, 1965.

HON. A. WILLIS ROBERTSON,
Chairman, Senate Banking and Currency Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR ROBERTSON: With the entire area of Bristol Bay almost entirely dependent upon the fishing industry, and with such a great decrease in the salmon stocks in the past few years, we have to rely on other sources of income.

Since the population of this area is approximately 65 to 75 percent native extraction, and they are almost completely dependent upon fishing for a living, and with no other natural resources developed in this area, it is rather hard for them to make a living.

The city of Dillingham wishes to urge your support and prompt action on Senate bill 1648. Thank you so very much.

Sincerely yours,

(Mrs.) MARIETTA J. JACOBSON,
City Clerk.

EAST KENTUCKY RURAL ELECTRIC COOPERATIVE CORP.,
Winchester, Ky., May 7, 1965.

HON. A. WILLIS ROBERTSON,
Chairman, Senate Banking and Currency Committee,
U.S. Senate, Washington, D.C.

SIR: Enclosed for your information and consideration is a copy of a resolution as passed by our board of directors pertaining to the Public Works and Economic Development Act of 1965.

Very truly yours,

H. L. SPURLOCK, *Manager.*

FROM THE MINUTE BOOK OF PROCEEDINGS OF THE BOARD OF DIRECTORS OF THE EAST KENTUCKY RURAL ELECTRIC COOPERATIVE CORP.

At a regular meeting of the East Kentucky Rural Electric Cooperative board of directors on April 28, 1965, the following resolution concerning the Public Works and Economic Development Act of 1965 was unanimously passed:

"Whereas the East Kentucky Rural Electric Cooperative Corp., a generation-transmission cooperative owned by 18 distribution rural electric cooperatives which serve more than 150,000 member-owners and approximately 75 percent of Kentucky's counties; and

"Whereas this cooperative is now, and has been for years, interested in and active in the broad field of community and area development as a means to improve the social and economic climate in their service area; and

"Whereas such activity and improvement is consistent with the purposes of the Rural Electrification Act and essential to the integrity of the loans from the Rural Electrification Administration to these cooperatives; and

"Whereas numerous Federal programs of assistance in a wide variety of areas of endeavor have been of varying value to the areas and communities served by these cooperatives; and

"Whereas those programs administered by and generally associated directly with the Area Redevelopment Administration have resulted in the greatest single stimulus through maximum participation of local citizens; and

"Whereas many of the functions of the Area Redevelopment Administration are proposed to be strengthened and extended under various provisions of the Public Works and Economic Development Act of 1965: Now, therefore, be it

Resolved, That the Congress of these United States be urged to give immediate favorable consideration to the Public Works and Economic Development Act of 1965; be it further

Resolved, That a copy of this resolution be presented to each member of the Kentucky congressional delegation and others in the U.S. Congress, urgently seeking their full support in this important legislation."

The foregoing is a true and exact copy of said resolution passed at a meeting called pursuant to proper notice at which a quorum was present and which now appears in the minute book of proceedings of the board of directors of the East Kentucky Rural Electric Cooperative Corp.

JAMES S. PATTERSON, *Secretary*.

INDUSTRIAL DEVELOPMENT COMMISSION,
Beaufort, N.C., May 7 1965.

Hon. WILLIS ROBERTSON,
Chairman, Senate Banking and Currency Committee,
Washington, D.C.

DEAR SENATOR ROBERTSON: It is my understanding that your committee will be working very soon on the Public Works and Economic Development Act.

As director of industrial development for this particular county, I have a very sincere interest in this bill.

This county has been classified under the ARA program and definitely is one of the distressed areas with chronic unemployment and low income. Favorable action on this particular bill will help us a great deal.

The economics of this county have been seasonal based on tourism, fishing, and agriculture and, therefore, we need industrial and economic improvements on year-round basis.

We feel that this county can improve substantially, given some measure of economic assistance and, therefore, would particularly ask you and your committee to take favorable action as quickly as possible.

Respectfully yours,

G. D. ZEALAND.

YAQUINA RADIO, INC.,
Newport, Oreg., May 7, 1965.

Hon. A. WILLIS ROBERTSON,
Chairman, Senate Banking and Currency Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR ROBERTSON: I should like to urge your consideration of the extension of the area redevelopment program as an important tool in Federal efforts to upgrade the economic situation in primitive and backward economic areas of the Nation.

Here in Lincoln County, Oreg., a county extending 60 miles along the central Oregon coast and depending primarily on timber, tourism, and commercial fishing, we saw excellent results from the program.

I speak as manager of radio KNPT at Newport, the county seat. I served on the local ARA committee, am currently a director of the local chamber of commerce, and have served in a number of capacities relative to our economic well-being.

This county, at one point, experienced a 29-percent unemployment figure. We experienced all of the economic and social side effects that go with this.

The ARA moved here a full-time representative in the form of a longtime Oregon State University county extension agent. He, and several very capable ARA staff people, established an excellent working relationship with progressive elements of the area's leadership structure.

First came considerable planning in various areas: water resources, recreational needs, lumber and timber potential, municipal facilities, etc. Then came the task of development.

The ARA, working with other agencies, was instrumental in getting off dead center a \$25 million Corps of Engineers harbor improvement project at Newport. The first announcement was a psychological boost; the construction payrolls an economic boost; and the bettering harbor facility quickly started helping both commercial and recreational boating.

Local, State, and Federal agencies began tackling the highway system that has tended to isolate the area, boosting the flow of tourists and commerce.

ARA provided a \$1 million grant to Oregon State University to accelerate their plans for a major marine research center at Newport. The construction payrolls helped immediately. The permanent personnel are a major addition to the community. Other agencies are preparing to move into the center with more facilities. The ocean research programs are already helping to unravel some knotty questions in the commercial fishing industry, helping that group expand.

The city off Newport (population, 5,000) was dumping untreated sewage on the beaches, spoiling them for recreation and creating a potential health menace. Fifty percent Federal grants brought about construction of a half million dollar sewage-disposal plant.

The port of Newport, with some grants and some long-range loans, constructed a 150-boat commercial fishing moorage and working facility. It relieved a serious moorage problem, immediately increased the size of the commercial fleet, which, in turn, increased payrolls in local canneries.

A number of accelerated public works grants bettered public facilities and provided construction payrolls at a critical time.

The drive for economic betterment caused local people to raise \$150,000 for a local development corporation which brought in a small drug manufacturing firm and continues working in that field.

Planning is underway for a 500-boat recreational marina facility, a major lack at the moment. A number of other facilities are being studied.

Currently, unemployment is within, for us, an excellent range, although we still qualify as a depressed area. A positive spirit permeates the community and hopes for the future are high. Our crisis is gone and most of the work ahead can be done under existing programs with our own initiative. In the recreation marina area, a last hurdle, we still need help.

There were no boondoggles in this program. It served as a meeting area for local, State and Federal groups to work in common purpose. It succeeded in achieving most of that purpose.

The strength of the program lies in loans and grants to stimulate development stalled for one or more reasons, in help in planning and in creating a totally organized effort for development.

I would suggest these improvements:

1. The process could be hastened if ARA people would bring in technical teams and crash-program a proposed overall economic development program to be submitted to the local leaders as a starting point.

2. ARA should immediately undertake the planning needs isolated in the OEDP at Federal expense to save time and to clarify the problems quickly.

3. Better formulas to determine man-job hours created in a project are needed.

4. When loans and grants are needed, acceleration procedures should be created, since longtime delays dampen the enthusiasm in the program and slow the needed developments.

5. The loans to private industries are almost useless in the present form. If local or private capital considers it an acceptable project, no Federal help is needed. Federal help is needed in the marginal areas. Loan and repayment requirements must be extremely liberal and a higher loss rate acceptable if the needed progress is to be achieved. Also, working capital must be available.

Having had an excellent experience with the program, we urge your support for it. It can be an excellent tool to help local efforts in economic development.

Very truly yours,

RON PHILLIPS.

KEYSER, W. VA., May 7, 1965.

HON. A. WILLIS ROBERTSON,

Chairman, Senate Banking and Currency Committee, Senate Office Building, Washington, D.C.

MY DEAR SENATOR ROBERTSON: We would like to urge you, in the interest of economic help to Mineral County, to vote favorably for the Public Works and Economic Development Act.

Sincerely yours,

T. WARNER LOWRY,

President, Mineral County RAD, Inc.

COOKEVILLE, TENN., May 7, 1965.

HON. A. WILLIS ROBERTSON,

Chairman, Senate Banking and Currency Committee, U.S. Senate, Washington, D.C.

DEAR SENATOR: I would like to take this opportunity to urge the passage of the Public Works and Economic Development Act that is presently being considered in your committee hearings.

The passage of this bill is of utmost importance to our people in this area, and would afford us the opportunity to develop both our natural and human

resources. With its passage we believe we would be in position to aid the upgrade of our county and our people. Therefore, we urge and request that all due consideration be given toward the passage of this bill.

Very truly yours,

JAMES M. MOSIER, *County Judge.*

NEW INDUSTRIES OF MOTLEY, INC.,
Motley, Minn., May 7, 1965.

HON. A. WILLIS ROBERTSON,
Senate Banking and Currency Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR ROBERTSON: Last July an application for an Area Redevelopment Administration loan was submitted by Leonard J. Kucera, of International Falls, Minn. Mr. Kucera proposes in this application to build a plant at Motley, Minn., which will manufacture ridged insulation roofing material using aspen wood as the main raw material. By the completion of the third year of operation, Mr. Kucera expects the plant to offer employment to more than 175 people in the cutting and delivering of the raw material and the manufacturing process. Within 5 years, he estimates that the total local payroll will reach \$350,000 per year.

As you may know, the communities in our general area are desperately in need of employment opportunities. Many of our people lack the formal training necessary to obtain a secure position in the highly skilled and competitive working force of today. The Kucera project, however, would offer to even the most unskilled the opportunity to earn a living for his family by cutting the aspen trees which grow so plentifully.

We sincerely believe that a project such as the one proposed by Mr. Kucera is desperately needed in our community. However, even though much work and expense has been experienced by both our community and Mr. Kucera in supplying the necessary information required by the Area Redevelopment Administration, our hopes have dimmed for we have learned that ARA will terminate on June 30.

Our hope now rests with the Public Works and Economic Development Act of 1965 which your committee is currently examining. Not only will final passage of this act continue the low-cost long-term loans now offered by ARA, but it will increase the probability of small communities in poverty-stricken areas such as ours to qualify for such loans.

The proposed reduction of local participation to 5 percent of the project cost, and the recommendation that the Government guarantee working capital loans up to 90 percent are, we feel, among the many features of this new act which recognize the desperate limitations faced by areas of low economic income where these projects are intended to be located.

May we urge you and the entire Senate Banking and Currency Committee with an awareness of our community's hope and need to make every effort to give the Public Works and Economic Development Act of 1965 favorable consideration.

Very respectfully yours,

PAUL A. STEVENSON,
President.

ROBERT E. THORN,
Vice-President.

ELDON L. MOREY,
Secretary-Treasurer.

ELMER GOLD,
Director.

CHARLES BROWN,
Director.

GEORGE P. THORN,
Director.

C. L. WALTHERS,
Director.

VIRGIL C. BRAUTIGAM,
Director.

RAILROAD COMMISSION OF KENTUCKY,
Frankfort, Ky., May 7, 1965.

HON. A. WILLIS ROBERTSON,
U.S. Senator,
Chairman, Senate Banking and Currency Committee,
U.S. Senate Office Building,
Washington, D.C.

DEAR SENATOR ROBERTSON: As chairman of the Ken-Lake Development Council of the ARA, which consists of Graves, Marshall, and Calloway Counties, of the State of Kentucky, I urge you to support the Public Works and Economic Development Act of 1965, which is now pending before your committee in the U.S. Senate.

We are making a great deal of progress under the ARA development program and it is imperative that there be a continuation of sufficient appropriations from the U.S. Congress, if this splendid program continues.

I have been serving as chairman of the Ken-Lake Development ARA since this program was first enacted into law. The efforts that I have made in this position has been on my own time and at my own expense. I make this statement to let you know that I am not a salaried employee of the ARA. I do believe that this program is right helpful to our State.

Thanking you for any support you may give this act of legislation, I remain,
Sincerely yours,

WAYNE W. FREEMAN,
Chairman, Ken-Lake Development Council of the ARA.

DUQUESNE UNIVERSITY,
Pittsburgh, Pa., May 8, 1965.

HON. A. WILLIS ROBERTSON,
Chairman, Senate Banking Currency Committee,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: Your support of the Public Works and Economic Development Act of 1965 is urged because it is believed that the people of this community will benefit greatly from its passage.

Sincerely,

REV. J. A. LAURITIS, C.S.Sp.,
Secretary.

(Telegrams in support of S. 1648 were received from the following:)

Jim R. Berry, mayor, Munfordville, Ky.

John W. Sivier, vice president, State Bank of Standish, Standish, Mich.

Glenn W. Denham, Middlesboro Industrial Foundation, Inc., Middlesboro, Ky.

Michael Krajnak, industrial commissioner, Middlesboro, Ky.

Joe McCauley, mayor, Middlesboro, Ky.

Roy Shoffner, Jr., president, Middlesboro Chamber of Commerce, Middlesboro, Ky.

Eugene S. Farley, president, Wilkes College, Wilkes-Barre, Pa.

George M. McGee, Sr., chairman, Board of Selectman, Lincoln, N.H.

John W. King, Governor of New Hampshire, Concord, N.H.

John W. Hoffman, Detroit, Mich.

Myrton M. Riggs, president, Northern Michigan Development Council, Cheboygan, Mich.

Charles H. Vossler, president, Keyser Mineral County Chamber of Commerce, Keyser, W. Va.

George E. Lang, president, Munfordville Industrial Foundation, Munfordville, Ky.

J. Russell Beavers, chairman, Wyoming County Planning Commission, Beckley, W. Va.

John Marshall, chairman, Seminole County Redevelopment Committee, Seminole, Okla.

Channing Evans, Chairman, Industrial Development Committee, Berlin, N.H.

Melvin G. Coombs, chairman, Plymouth Industrial & Development Commission, Plymouth Industrial Development Corp., Plymouth, Mass.

Richard K. Donaghue, treasurer, United Lowell Development Corp., Lowell, Mass.

- E. A. Jyring, Hibbing, Minn.
 Leslie C. Browning, president, Logan County Chamber of Commerce, Logan, W. Va.
 Louis G. Feldman, president, Greater Hazleton Chamber of Commerce, Economic Development Council of Northeastern Pennsylvania, Hazleton, Pa.
 P. Harold Ready, city manager, Lowell, Mass.
 Edward Heiselberg, director, Luzerne County Planning Commission, Wilkes-Barre, Pa.
 Thomas McDonough, chairman, Bourne Wareham ARA Committee, Buzzards Bay, Mass.
 Wallace Bear, secretary-treasurer, Fort Belknap Community Council, Harlem, Mont.
 Joseph M. Barr, mayor, Pittsburgh, Pa.
 Raymond J. Morissette, Sr., mayor, Central Falls, R.I.
 W. A. Broadbent, president, Princeton Chamber of Commerce, Princeton, W. Va.
 Patrick Jimellody, chairman, Lackawanna County Commissioners, Scranton, Pa.
 Olen Kendrix, president, Bank of Prescott, Prescott, Ark.
 Newberry Industrial Development Corp. of Luce County, Newberry, Mich.
 George F. Hellmuth, Hellmuth, Obata & Kasbaum, St. Louis, Mo.
 Fred E. Cunningham, president, Greater Johnstown Chamber of Commerce, Johnstown, Pa.
 Rensel G. Ramsburg, president, Jane Lew Development Corp., Weston, W. Va.
 Ruth M. Curtis, secretary, Port Huron, St. Clair County Economic Development Corp., Port Huron, Mich.
 James B. Robey, city administrator, Henderson, Ky.
 Ronald E. Roberts, State representative, 42d District of Texas, Austin, Tex.
 John F. Murphy, chairman, Lackawanna County Planning Commission, Scranton, Pa.
 Chas. H. Rosetta, president, Port Huron Business Service, Port Huron, Mich.
 Harold Voight, chairman, Carbon County Area Redevelopment Committee, Bridger, Mont.
 F. W. Bechtold, cashier, Bellaire State Bank, Bellaire, Mich.
 B. M. Conboy, director, Michigan Economic Development Department, Lansing, Mich.
 Evan Floyd, chairman, ARA-RAD Teton County, Idaho.
 Norbert Neuheisel, Iron River, Mich.
 Logan A. Cordon, manager, Idaho Bank of Commerce, Driggs, Idaho.
 George Jacobs, president, Keyser Finishing Co., Keyser, W. Va.
 Martin F. Monahan, mayor, Dunmore, Pa.
 Howard L. Coyler, chairman, Kentucky River Foothills Development Council, Richmond, Ky.
 Richard McCrea, chairman, Lake County Area Development Committee, Pablo, Mont.
 Perry C. Wilson, president, Bedford Development Council, Bedford, Pa.
 James E. McKinnon, chairman, Kootenai County Area Development Committee, Coeur d'Alene, Idaho.
 H. H. Fisher, president, Malvern National Bank, Malvern Chamber of Commerce, Malvern, Ark.
 Bill Webster, member, Idaho State Senate, Coeur d'Alene, Idaho.
 Pete Sutherland, chairman, Chippewa Creek Tribe, Havre, Mont.
 Dr. Edwin A. Elliott, Fort Worth, Tex.
 Horace E. Hobbs, mayor, Warwick, R.I.
 William Youpee, chairman, Fort Peck Tribes, Poplar, Mont.
 Stephen E. Quayle, Bozeman, Mont.
 Horman J. Hamill, Bozeman, Mont.
 George Byer, councilman, Anchorage, Alaska.
 Marlin S. Stewart, director, Chugach Electric Association, Anchorage, Alaska.
 L. J. Schultz, general manager, Chugach Electric Association, Anchorage, Alaska.
 C. A. Hostetler, presiding officer, Greater Anchorage Area Borough Assembly, Anchorage, Alaska.
 Harry G. Bergstrom, chairman, Elmore County Democratic Committee, Glenns Ferry, Idaho.
 D. N. Beasley, president, Deep East Texas Development Association, San Augustine, Tex.
 Jack Schoop, planning coordinator, Anchorage, Alaska.
 William A. Egan, Governor of Alaska, Juneau, Alaska.

- J. J. Smith, general manager, Association of Rural Electric Cooperative in Kentucky, Louisville, Ky.
- Donald M. McSween, commissioner, Tennessee Department of Conservation, Nashville, Tenn.
- Harris G. Breth, secretary, chamber of commerce, Clearfield, Pa.
- Patrick J. Bourassa, first selectman town of Plymouth, Plymouth, Conn.
- Somerset Chamber of Commerce-East Lake Cumberland Area Development Council, Somerset, Ky.
- Phil Palmer, chairman, Southern Kentucky Area Development Council, Inc., Bowling Green, Ky.
- Big Sandy Area Development Council, O. T. Dorton, treasurer, Paintsville, Ky.
- J. R. Hartsock, president, Louisville Bedding Co., Louisville, Ky.
- J. F. Howell, chairman, Breathitt County Development Committee, Jackson, Ky.
- W. P. Hampton, president, Warren Rural Electric Co-op Corp., Bowling Green, Ky.
- G. P. Conglet, chairman, Middle Kentucky River Area Development Council, Beattyville, Ky.
- A. T. McCarley, president, Cadiz-Trigg County Chamber of Commerce, Cadiz, Ky.
- William E. Singleton, president, Greater Fairmont Development Association, Fairmont, W. Va.
- Frank P. Whipple, vice president and general manager, Mount Whittier Recreational Area, Inc., Ossipee, N.H.
- Gerard S. Cusick, executive director, New Bedford Industrial Development Commission, New Bedford, Mass.
- F. H. Vahlsing, Jr., chairman of the board, Vahlsing, Inc., Robbinsville, N.J.
- Glenville Rhodes, vice president, Bank of Malvern, Malvern, Ark.
- Earl T. Bester, director, District 33, United Steelworkers of America, Duluth, Minn.
- Maurice Driscoll, chairman, Montana State Democratic Advisory Committee, Butte, Mont.
- Tom Powers, mayor, Butte, Mont.
- Avery County Chamber of Commerce, Newland, N.C.
- Avery County Bank, Newland, N.C.
- Avery Development Corp., Newland, N.C.
- M. H. Carter, mayor, city of Newport councilmen, Newport, Vt.
- Tarlton Hamblett, chairman, industrial committee, Newport, Vt.
- R. G. Sherman, division manager, Indianhead Plywood Corp., Newport, Vt.
- Newport Plastics Corp., Newport, Vt.
- David Phelps, president, Chamber of Commerce, Newport, Vt.
- Robert O. Brouse, president, Susquehanna Valley Economic Development Association, Lewisburg, Pa.
- Joseph R. Cameron, president, Berwick Industrial Development Association, Inc., Berwick, Pa.
- James M. Veeder, vice president, Business and Job Development Corp., Pittsburgh, Pa.
- Samuel D. Braemer, chairman of the board, Fayette Bank and Trust Co., Uniontown, Pa.
- James A. Jordan, member of Pittsburgh City Council, Pittsburgh, Pa.
- Charles Greb, Jr., chairman, Washington County Economic Development Commission, Hagerstown, Md.
- George W. Hubley, Jr., director, Maryland Department of Economic Development, Annapolis, Md.
- Jerome Y. Halperin, Detroit, Mich.
- George Vilican, Jr., president, Vilican, Leman & Associates, Inc., Southfield, Mich.
- Gordon E. Curnow, chairman, St. Clair County Regional Planning Commission, Port Huron, Mich.
- John A. Alef, president, Grayling State Bank, Grayling, Mich.
- Charles B. Macre, president, Newton Advisory Corp., Detroit, Mich.
- Kenneth M. Curtis, secretary of state for Maine, Augusta, Maine.
- Delta County Board of Supervisors, Delta County, Mich., Escanaba, Mich.
- John Aleksick, Zeigler Improvement Inc., Zeigler, Ill.
- Rendlake Conservancy District, Benton, Ill.
- Ed Vantrese, Zeigler Rotary Club, Zeigler, Ill.
- William Ramsey, superintendent, Zeigler Royalton Schools, Zeigler, Ill.
- Ranson Frazier, Bank of Zeigler, Zeigler, Ill.

- Paul Gayer, Inc., Zeigler, Ill.
O. Cloutier, general manager, Babco Products, Conway, N.H.
Howard Mendenhall, Benton, Ill.
Howard W. Nickerson, director, Harbor Development Commission, New Bedford, Mass.
Robert L. Evans, mayor, Roland J. Dubay, city manager, Lebanon, N.H.
Fred H. Hahne, Schoolcraft County Planning Commission, Manistique, Mich.
Edward F. Harrington, mayor and chairman ex officio, Harbor Development Commission, New Bedford, Mass.
Gabriel Chopp, secretary, Keweenaw Planning Commission, Keweenaw County, Ahmeek, Mich.
William Zucker, president, Southeastern Pennsylvania Economic Development Corp., Philadelphia, Pa.
Lee Markwell, president, Greenup National Bank, Greenup, Ill.
John F. Lahaie, chairman, planning commission, city of St. Ignace, Mackinac County, St. Ignace, Mich.
Al Wright, mayor, city of Ironwood, Gogebic County, Ironwood, Mich.
Alvin L. Saling, president, Butler County Industrial Foundation, Morgantown, Ky.
Russell Glynn, chairman, Gogebic County Planning Commission, Ironwood, Mich.
H. V. Babian, president, Babco Products, Inc., Danvers, Mass.
L. Swane Tidwell, mayor, Nephi, Utah.
Dan F. Mobley, mayor, Guin, Ala.
B. P. Borgardus, president, Pike County Chamber of Commerce, Pikeville, Ky.
Clyde Nelson, supervisor, Moran Township, Mackinac County, St. Ignace, Mich.
George Wooton, county judge, Leslie County, Hyden, Ky.
Harold L. Dettman, chairman, UPCAP, Mackinac County, St. Ignace, Mich.
Claude C. Davis, state attorney, Jerseyville, Ill.
Paul E. Horn, president, Horn Insurance Agency, Jerseyville, Ill.
Stuart Sweeney, Republican chairman, Jersey County, Jerseyville, Ill.
William A. Watts, Democratic chairman, Jersey County, Jerseyville, Ill.
Didney L. Cullen, publisher, the Courier-Gazette, Rockland, Maine
Lowell T. Hughes, Ashland, Ky.
Earl M. Vickers, president, Fayette County Development Corp., Montgomery, W. Va.
Rufus P. Thomas, chairman, Boyd County Area Program Council, Ashland, Ky.
Harold Bateson, Charles A. Maguire & Associates, Providence, R.I.
Otmer Schuster, chairman, Manistique City Planning Commission, Manistique, Mich.
Eugene Prudent, mayor, Zeigler, Ill.
Joe Phelps, president, Phelps Spitz & Associates, Seminole, Okla.
Kenneth Keenan, Tomahawk Area Corp., Tomahawk, Wis.
Gavin Watson, Jr., county judge, Red River County Commissioners Court, Clarksville, Tex.
William De Sherlia, alderman and mayor pro tempore, City Council, Grafton, Ill.
Harold B. Farwell, executive director, Development & Industrial Commission, Lowell, Mass.
E. C. Ladd, Knox Development Corp., Rockland, Maine.
John A. Giles, Jr., president, Boone County Development Association, Whitesville, W. Va.
Alex Nelson, superintendent of public schools, Menominee, Mich.
Merwin A. White, mayor; S. C. Gesko, Jr., city manager, Manistique, Mich.
W. E. Seilkop, Southwestern Ohio Regional Development Committee, Greenfield, Ohio.
Tholburn Keller, president, Lyons Chamber of Commerce, Lyons, Kans.
George Prudy, chairman, Industrial Development Division of Rice County Development Association Lyons, Kans.
George Farah, State chairman, Wisconsin Small Business Advisory Council for the Federal Small Business Administration, Green Bay, Wis.
John L. Seaburg, president, Menominee Junior Chamber of Commerce, Menominee, Mich.
Eugene R. Zinn, chairman, Board of Supervisors Gogebic County, Bessemer, Mich.

- Lawrence Bausano, clerk for the Keweenaw County Board of Supervisors, Eagle River, Mich.
- Ralph W. Phillips, secretary-treasurer, Greenfield Industrial Development Fund, Inc., Greenfield, Ohio.
- Thomas L. Lapointe, city manager, Rockland, Maine.
- Chippewa County Planning Committee, Sault Ste. Marie, Mich.
- Orrin D. Gruetzmacher, chairman, Upper Peninsula Tourism Committee, Menominee, Mich.
- Walter F. Weis, mayor, Bowling Green, Ky.
- James A. Spies, chairman, Menominee County Road Commission, Menominee, Mich.
- John Burge, Rice County Commissioner, Lyons, Kans.
- Jack W. Jannssen, Senator, 33d Kansas District, Lyons, Kans.
- Orson E. Livermore, chairman, Schoolcraft County Board of Supervisors, Manistique, Mich.
- Theo H. Fullerton, Fullerton's Plumbing & Heating, Hamilton, Mont.
- F. Guzek, mayor, Ontonagon, Mich.
- Miles Plutchak, chairman, Ontonagon County, Mich. Planning Commission, Ontonagon, Mich.
- Robert J. Macurek, chairman, Ontonagon County, Mich. Board of Supervisors, Ontonagon, Mich.
- John L. Farley, executive manager, Menominee Area Chamber of Commerce, Menominee, Mich.
- Richard McKee, principal, Lyons High School, Lyons, Kans.
- Jack Gingrass, mayor, Iron Mountain, Mich.
- Clifford Johnson, chairman, Dickinson County Board of Supervisors, Iron Mountain, Mich.
- Stanley Robertson, mayor, Conneaut, Ohio.
- Earnest L. Neumann, chief engineer, Northern Michigan University, Marquette, Mich.
- Frank Molinaire, chairman, Dickinson County Planning Commission, Iron Mountain, Mich.
- R. C. Johnson, president, Benton County Development Association, Camden, Tenn.
- Alvin G. Fields, mayor, East St. Louis, Ill.
- Kenneth J. Shouldice, president, chamber of commerce, Sault Ste. Marie, Mich.
- A. S. Howe, Jr., Darien, Conn.
- John B. Harris, president, board of directors, Lisbon Falls Development Corp., Lisbon Falls, Maine
- C. M. Kever, mayor, Tuskegee, Ala.
- Joseph Berendt, chairman, board county commissioner, Pendoreille County, Newport, Wash.
- E. P. Davis, judge, county juvenile probate court of Rice County, Lyons, Kans.
- Martin J. Lydon, president, Lowell Technological Institute, Lowell, Mass.
- Wayne Wood, president, Central Michigan Bank, Barryton, Mich.
- W. Lunn McKeel, county judge; Allen M. Powers, chairman of Humphreys County Industrial Board, Waverly, Tenn.
- L. W. Pilstl, executive secretary, Ashland Area Chamber of Commerce, Ashland, Ky
- Ben F. Caldwell, vice president, First State Bank & Trust Co., Conway, Ark.
- Walter Harvey, chamber of commerce, Wagoner, Okla.
- Edward M. Leppard, State senator, Chesterfield, S.C.
- Richard A. Perry, Republic, Wash.
- Francis R. Ruggieri, chairman, Stanislaus County Board of Supervisors, Modesto, Calif.
- Joseph E. McGill, mayor, Dillingham, Alaska
- Charlotte Barth, chairman, Dillingham Area Redevelopment Commission, King Salmon, Alaska
- Norman Nybroten, associate director, Bureau of Business & Economic Research, University of Idaho, Moscow, Idaho
- John Dragovan, State Bank of Tower, Tower, Minn.
- Donald Chick, city manager, Dover, N.H.
- William L. Kell, city manager, Ashland, Ky.
- B. M. Stuart, chairman of industrial development, Russellville-Logan County Chamber of Commerce, Russellville, Ky.

H. L. Townsend, Jr., chairman, Decatur County Tennessee Development Committee, Parsons, Tenn.
 Walworth Johnson, mayor, Dover, N.H.
 Bruce Watson, West Redding, Conn.
 Lawrence E. Philbrook, Shelburne, N.H.
 Dr. Arthur N. Carson, Carson Laboratories, Bristol, Conn.
 Soren Freese, New York City.
 David J. Pree, Anchorage, Alaska.
 Fred Shelton, county commissioner, Muskogee, Okla.
 Burt Silverman, president, Lucas County Improvement Corp.
 G. T. Somero, president, First National Bank of Ely, Ely, Minn.
 Walter W. McDonald, chairman, Tribal Council Confederated Salish and Kootenai Tribes, Montana, Dixon, Mont.
 Bartlett Gram, industrial consultant, Bangor, Maine.
 Jim Jordan, manager, Muskogee, Okla., Chamber of Commerce.
 William B. Kittrell, president, Industrial Development Corp. of the County of Hickman, Centerville, Tenn.
 H. B. Scroggins, chairman, City-County Port Commission, Muskogee, Okla.
 Harvey Eacrett, chairman, Clallam County Commissioners, Port Angeles, Wash.
 Emery County Commissioners, Price, Utah.
 Edward J. Nauha, Two Harbors, Minn.
 William Flygare, legislative representative, Teachers Local 737, Two Harbors, Minn.
 Henrietta Rockmore, president, Far Rockaway (N.Y.) Chapter of the American Jewish Congress.
 William D. Drohan, chairman, Oakland (Calif.) Industrial Development Commission.
 Erving S. Farrington, chairman, Carroll County Rural Area's Development Committee, Conway, N.H.
 Walter W. Harper, director, South Carolina Development Board, Columbia, S.C.

THE STATE OF WISCONSIN,
 EXECUTIVE OFFICE,
 Madison May 3, 1965.

Hon. PAUL DOUGLAS,
Chairman, Senate Banking and Currency Subcommittee for Production and Stabilization, Senate Office Building, Washington, D.C.

DEAR SENATOR DOUGLAS: The State of Wisconsin is committed both by its history and by the policies of this administration to the idea that a healthy economy rests ultimately on the initiative and enterprise of its citizens.

We also recognize that a flourishing economy requires the intelligent support of government. This is particularly true in areas such as northern Wisconsin where changes in the economic base have resulted in a slowing down of the economy. Under the Area Redevelopment Act, northern Wisconsin has been aided by loans to companies which were endangered by the economic decline of the area. For example, when the Northern Hardwood Veneer plant in Butternut, Wis., was destroyed by fire, the principal source of employment in that community was lost. Speedy action by the Area Redevelopment Administration, working closely with our own department of resource development, resulted in the prompt reconstruction of that plant and preserved the employment opportunities which the plant had provided.

Likewise, the northern Wisconsin development project based in Wausau, Wis., has provided industry in the northern part of the State with much needed technical assistance in solving financial, production, and marketing problems. This project was the result of joint efforts by the Area Redevelopment Administration, the State Department of Resources Development, and the University of Wisconsin.

Because of our experiences under the Area Redevelopment Act, we are directly concerned and interested in the successor act scheduled for hearings before your subcommittee of the Banking and Currency Committee. We wish to endorse the principles underlying this Public Works and Economic Development Act; namely—

- (1) That it seeks to foster conditions under which private enterprise can provide more jobs and greater income;
- (2) That projects receiving support will always be originated by the State or local community; and
- (3) That the test of acceptance will be substantial promise of increased economic activity at minimum cost to the taxpayer.

The new program should also be an advance over the Area Redevelopment Act in taking advantage of the knowledge gained through the past 4 years to correct mistakes and capitalize on the successes which have been experienced.

I hope we may look forward to favorable action on the Public Works and Economic Development Act by your subcommittee, preserving the principles of self-help and local self-determination which are so vital to any long-term economic growth.

With kindest regards, I am,
Sincerely,

WARREN P. KNOWLES, *Governor.*

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., May 4, 1965.

Hon. PAUL H. DOUGLAS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR: I regret that the necessity of attending an Education and Labor Subcommittee session on Wednesday, May 5, prevents me from testifying before the Committee on Banking and Currency in support of the Public Works and Economic Development Act of 1965.

I testified before the Senate Committee on Public Works in support of this legislation on April 30. I have enclosed the statement I made then and would appreciate having it added to the record of testimony before the Committee on Banking and Currency.

Thank you.
Sincerely,

JOHN BRADEMAS, *Member of Congress.*

STATEMENT OF JOHN BRADEMAS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. Chairman, I would like to thank you and the committee for giving me this opportunity to testify in support of a short, but significant, section of the Public Works and Economic Development Act of 1965—section 401(a)(4). This section is designed to assist those areas affected, or about to be affected, by a major unemployment increase, such as a shutdown or permanent reduction in the work force of an industrial establishment—for whatever reason.

I am speaking in favor of this section today, and I do so largely as a result of my own experience in such a situation. When an economic catastrophe befalls a community it is no less severe than when a natural disaster such as a tornado, hurricane or flood strikes it. It leaves the community in a state of shock—of personal, social, and financial crisis.

My personal observations stem from the events following the closing of the Studebaker auto plant in South Bend, Ind. in December 1963, an event with which Senator Bayh is very familiar. Senator McNamara, I am sure, is also particularly aware of what this can do to a town and its people: his hometown of Detroit witnessed—in the decade of the fifties—the permanent shutdown of Hudson Motors, Murray Body, and Packard.

The shutdown of the Studebaker auto operations in South Bend—my hometown—was, in relative terms, an even greater economic disaster. The loss of approximately 7,000 jobs in an area the size of St. Joseph County raised the unemployment rate from approximately 2 percent to nearly 10 percent.

This is not the time or place to elaborate in detail on what happened when President Johnson learned of the Studebaker closing. However, if the committee wishes, I can submit for the record information on the activities of the President's ad hoc interdepartmental Task Force on South Bend; or on the role played by the Federal coordinator appointed by that task force and representing the President as well as the task force; or on the role played by the two Senators from Indiana and me in working with the local leaders of South Bend to alleviate and solve the problems created by the shutdown.

Section 401(a)(4) in the bill before you would accomplish at least two major purposes. First, it would provide on a permanent basis for assistance to com-

munities affected by economic disasters—if they so request it—instead of having to depend on ad hoc and temporary governmental mechanisms; that is, it would constitute an official recognition on the part of Congress and the President that the resources of the national community stand ready to be placed at the disposal of a local community in the event of the sudden loss of a major source of employment in that local area. This is no different from what all Americans already do—through their Government—in rushing assistance to areas affected by natural disasters.

The second major purpose that would be accomplished through the enactment of this bill and the particular section on which I am testifying is that it would explicitly make immediately available—to such areas affected, or about to be affected, by abrupt unemployment increases—the material provisions available under the act itself. In particular, it would allow a community to request assistance and be designated a redevelopment area even before the plant shutdown actually occurred. Under the provisions of the proposed act, the community, once designated as a redevelopment area, is eligible for loans for industrial and commercial development, and grants and loans for public facilities. The availability of such immediate assistance was not clear during the first several months after the Studebaker shutdown, and I am sure that the recovery that South Bend has made would have been even more rapid if the leaders of the community had been able to turn to such a program for financial assistance. I personally know of several cases in which new employment opportunities would have been created by businessmen—through expansions and through new enterprises—if South Bend had been designated as eligible for ARA financial assistance.

I am not here to plead for this bill and section 401(a)(4) solely in order to help South Bend. Rather, I believe, for a variety of reasons, there will be other Studebaker-type plant shutdowns in our economy and that, based on the experience we have had in South Bend, the Federal Government should be ready to help them quickly and effectively. They should not have to hobble along—after a major and abrupt loss in employment and business activities—for as much as 3 years, before becoming eligible for the type of assistance which this new bill makes available.

Mr. Chairman, I think that if we examined the history of the urban industrial areas that were and are eligible today under the existing Area Redevelopment Act, we would find that many, if not most, of them experienced some sudden and substantial employment cutback many years ago. The lack of a soundly based and coordinated program of immediately available technical and financial assistance—such as is made possible by this bill—meant that such areas moved from being economically ill with an acute crisis to becoming economically sick with a chronic depression.

In other words, section 401(a)(4), I believe, is based on the philosophy of preventing an acute illness from becoming a chronic disease. And if enough notification is received and prompt action taken by the community, it might be possible to ameliorate even the initial blow.

The way to prevent an area experiencing a shutdown from becoming chronically depressed is to provide it, immediately, with those programs that can rally a community into action for recovery, and we should not have to rely entirely on temporary, ad hoc arrangements. If this is not done, the persistence of unemployment, the vicious circle of poor business conditions breeding even worse conditions, and the lowering of personal and community morale all contribute to making such an area truly a depressed one.

The time to attack a crisis is when it occurs, or if possible before it occurs, and not when the effects of the crisis become the causes of continued hopelessness. As I understand the purpose of the section under consideration, if an area loses, or is about to lose, a major source of employment and if it “can reasonably be expected to become eligible for designation under the other provisions of this act within 3 years unless assistance is provided,” there is no need to wait for those 3 years to take their toll before providing such assistance. In too many cases, after 3 years it will be too late because the energy, the leadership, the manpower, the hope will have withered away.

If Congress enacts this Public Works and Economic Development Act of 1965—and I am confident it will—I hope that the Secretary of Commerce and his Administrator for Economic Development will give special attention to the type of problem which section 401(a)(4) is designed to meet. I would also hope that it will be possible, as a result of seeking to implement this section, to make more

secure the intentions of President Johnson when he created at the end of 1964, an Interdepartmental Committee for Community Assistance. As of now, this Committee lacks a regular staff and is not even assured of travel funds for its various community aids, delegated from the several Federal agencies, to enable them to respond to a community that requests their presence when faced with an economic disaster.

If I have any criticism at all pertaining to this section of the bill, Mr. Chairman, it is that it does not clearly spell out the desirability of assuring such administrative funds. I hope the committee will look into this problem.

While I am not in a position to make any judgment on it, I would like to call the committee's attention to a question raised earlier this week by Senator Muskie in regard to section 401(a)(4). Senator Muskie asked if the bill should not contain separate authorization for the economic disaster areas which are covered by section 401(a)(4) in order to provide funds in cases where the annual authorization has been exhausted.

I cannot emphasize too strongly that since one of the main purposes of section 401(a)(4) is to provide immediate assistance, to delay this assistance because of the lack of funds or authorization would be most unfortunate and probably defeat the intention of this section.

Consequently I hope the committee will consider this matter fully after the Secretary of Commerce provides an answer to Senator Muskie's inquiry.

NATIONAL CONGRESS OF AMERICAN INDIANS,
Washington, D.C., May 4, 1965.

HON. PAUL H. DOUGLAS,
Senate Office Building, Washington, D.C.

DEAR SENATOR DOUGLAS: On behalf of the National Congress of American Indians and its member tribes, let me express the thanks of the Indian people for your leadership in sponsoring S. 1648. It is our hope that this bill will soon be a law and that the vision of what can be will become the facts of constructive programs and progress for all people of depressed and undeveloped regions.

Too often legislation has asked the American Indian to jump from the stone-age to the computer age in a matter of generations. We feel that this bill is different and will allow us to venture the first few steps toward a better understanding of what makes your culture work without destroying the values we have held sacred for so long. As we develop programs under the provisions of this bill, we will be able to teach our people the simple facts of modern living without having them thrown unprepared into another world. We feel that this is probably true of people of many ethnic backgrounds in other regions of our country.

This legislation can correctly be interpreted as the real beginning in the search for the American soul and as Indian people, we look forward to sharing in this search. Our love of the land will be seen in constructive programs of recreational development of our reservations, and we feel that we can be the leaders in the re-creation of America the beautiful. A recent study, "Beyond the Melting Point," shows that America is richer for the distinctive contributions of ethnic groups and that these groups adapt to ongoing social development rather than disappear in it. Your vision in developing this legislation to fit regional needs is also a recognition of the richness that will belong to us all as each group is allowed to contribute the positive values it holds dear to the fabric of our culture as a whole. We believe that through programs provided by S. 1648 the American culture will be varied and colorful as was Joseph's robe and that all of our citizens will feel comfortable in it. It is through compassionate leadership that we will be able to develop our country in this manner, and again may we thank you for your most constructive leadership in the sponsorship of this bill.

Sincerely,

VINE DELORIA, Jr., Executive Director.

SPRINGFIELD, ILL., May 4, 1965.

Senator PAUL H. DOUGLAS,
Old Senate Office Building,
Washington, D.C.:

Re S. 1648. As director of the State's economic development activity, I have seen firsthand the results of and worked with the area redevelopment program. The importance of this to the continuing growth of parts of our State cannot be overemphasized. I urge your favorable consideration.

GENE GRAVES,
Director, Illinois Board of Economic Development.

AMERICAN FEDERATION OF LABOR AND
CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, D.C., May 6, 1965.

Hon. PAUL DOUGLAS,
Chairman, Production and Stabilization Subcommittee of the Senate Banking
and Currency Committee, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I am enclosing with this letter a copy of the testimony on your excellent bill, S. 1648, which I submitted to the Senate Committee on Public Works on May 3.

Inasmuch as you are conducting hearings on this same bill before the Production and Stabilization Subcommittee of the Senate Banking and Currency Committee, it occurred to me that all or part of this testimony should be made part of the record of your subcommittee. The AFL-CIO will appreciate it if you will include our views in the record of your subcommittee.

Sincerely yours,

ANDREW J. BIEMILLER,
Director, Department of Legislation.

STATEMENT OF ANDREW J. BIEMILLER, DIRECTOR, DEPARTMENT OF LEGISLATION
AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. Chairman, my name is Andrew J. Biemiller. I am director of the Department of Legislation of the American Federation of Labor and Congress of Industrial Organizations. I am accompanied by Frank L. Fernbach, assistant director of our Department of Research and a member of the National Public Advisory Committee on Area Redevelopment.

I am pleased to appear here today in behalf of the AFL-CIO to support enactment of S. 1648, introduced by Senator Douglas, for himself, for Senator McNamara, and for 37 other cosponsors. This proposed act—with its substantially increased provision for public works grants and its new concepts of multicounty district and multistate regional development—is a significant improvement over the old Area Redevelopment Act. We enthusiastically urge its passage, although we also favor a few changes which we will enumerate.

The long campaign of organized labor for Federal aid for the chronically distressed areas of the Nation hardly needs elaboration here. The human misery that grew out of the decline of the New England textile industry a generation ago, the misfortune that followed the end of coal mining in many areas of the country, the catastrophies that so frequently befall other communities because of technological change and the exhaustion of raw materials, the tragedy that overtakes a one-industry town when the enterprise on which it depends for a livelihood closes down—all of these are well known to the American labor movement.

In our view, helping to restore employment opportunities for displaced workers in chronically distressed areas is as fully a Federal responsibility under the terms of the Employment Act of 1946 as the commitment to help eradicate unemployment which is nationwide in scope.

You have already received testimony about the considerable progress achieved under the Area Redevelopment Act during the course of the three and a half years that it has been operational. This record need not be repeated here. It is evident that in many distressed communities new hope has been generated and new jobs have been created.

In turning now to a brief consideration of the titles of the proposed new act, there are several problems which we believe should be noted.

TITLE I

The AFL-CIO is completely in accord with the proposal for a substantially larger provision for public works and development facility grants for the distressed areas and districts. We note the tremendous help to these areas that flowed from passage of the Accelerated Public Works Act. We long sought the extension of that act. Now, with passage of this proposed act, a measure of public works aid will again flow to the distressed areas. However, in our judgment, the proposed \$250 million annual authorization is too small. We urge a considerably larger authorization.

We must respectfully dissent, however, from the recent statement to you by the Secretary of Commerce that a massive public works program is not needed at the present time. Despite the record level of economic activity, millions of Americans remain jobless and substantial industrial capacity remains unused. In our judgment, we badly need a massive public works program both to help employ the jobless—particularly in metropolitan areas, most of which are not eligible for aid under the proposed act—and to provide public facilities of long-term worth which the Nation so badly needs.

The AFL-CIO does not view the more liberal provisions for public facility grants now proposed for depressed areas to be in lieu of a far-reaching federally supported general public works program. American clearly needs both.

Because the demand for grants under title I inevitably will exceed the funds available, criteria to guide the Administrator are necessary. For example, some limitation—perhaps 10 percent of the total—should be established as the maximum that the localities in any one State should be entitled to receive.

We, of course, assume that no public works grant or loan nor any other assistance under this title or any other title of this act will be extended if it would violate the clear intent of the Congress that new employment opportunities will be created rather than “merely transferring jobs from one area of the United States to another.” This intent was spelled out in the “Declaration of Purpose” of the Area Redevelopment Act and appears in similar words in the “Statement of Purpose” of the proposed act.

Unfortunately, the protection of existing jobs and job standards elsewhere requires more than a prohibition against aid to a relocating industrial run-away. For example, unless specifically prohibited, financial aid to an employer establishing or expanding in a depressed area could be used to pirate contracts and undertake work that has been performed by contractors or subcontractors in another area. Such a prohibition was specifically written into the Economic Opportunity Act of 1964 and also by this very committee into the Appalachian Regional Development Act of 1965. It also should be written into this act.

What is more, aid to new producers in industries in which existing production capacity is already excessive tends to drive other producers out of business and destroy jobs elsewhere—a danger clearly noted by the Senate Committee on Banking and Currency in its report on the proposed Area Redevelopment Act Amendments of 1963. The AFL-CIO also warned in its most recent convention resolution on Area Redevelopment Act that “if loans or grants or retraining subsidies are approved in behalf of concerns that will expand presently underutilized industries—like apparel and some others—employment opportunities and labor standards elsewhere will be jeopardized.” The Secretary of Commerce also has noted the gravity of this problem. When he testified before you on April 26, he pointed out that “we are not only concerned about guarding against relocations in the same business. We are also concerned where there is excess capacity in an industry and where the effect of a new capacity would be to replace effective existing capacity.”

To insure confidence in the Federal effort to help distressed areas and regions—that aid will not be extended that robs Peter to pay Paul—the proposed act should contain all of the specific and necessary safeguards referred to above. They should also cover all of the titles of the act.

In discussing safeguards against relocation under federally subsidized programs, the dangers growing out of the increasing use of tax-free State and local bonds to finance plants for private use must be noted. This practice allows localities to use a Federal tax subsidy—on their own initiative and whether the

locality is depressed or not—to encourage employers to relocate. There are many other evils associated with industrial bond financing. Most important in terms of the issue before this committee, this spreading practice clearly undermines the Federal effort to aid distressed areas and regions by legitimate means.

Thirty-eight States have now sanctioned the luring of industry via industrial bond financing and three others are considering the plan, according to a recent study by U.S. News & World Report. Many State officials find the practice distasteful but feel it is necessary to tolerate it in the effort to compete with other States for industry. A recent report to the Governor of Virginia by its industrial development and planning division states that should the Congress consider outlawing the practice and “hence put all States on an equal footing, financially, the division would recommend that the Virginia congressional delegation be urged to support such legislation.”

In 1954, the House of Representatives voted to amend the Revenue Code in a manner that would effectively end this spreading misuse of tax-free State and local bonds, but the Senate failed to act. While jurisdiction over this tax issue is not conferred upon this committee, its proper disposition is highly relevant to the success of the proposed act now before you. Therefore, we urge you, as Members of the Congress, to use your great influence to finally end this practice.

With respect to public works grants and loans as well as other forms of aid, surely none should be allowed without a clear commitment by the political entity or the private enterprise involved that it will not be used to aid the relocation of jobs.

It is also our view that the act should declare that any local political entity—or development organization sponsored by it—that can afford to build private plants through the issuance of tax-free bonds should be deemed not to need a further Federal subsidy in the form of a grant or loan under the terms of this act.

TITLE II

We fully support the proposed loans for public works and development facilities to be provided by this title (with the appropriate safeguards against relocation suggested in our discussion of title I).

We also support the proposed loans for commercial and industrial facilities, including loans to advance recreational development and tourism. (Many distressed areas have a high recreational potential and are accessible to the people of our large and expanding population centers. In the face of dwindling job opportunities in manufacturing, mining, and agriculture, future employment in distressed areas must depend substantially on a growing demand for services. The proposed act should not disallow aid to enterprises that advance tourism and recreation. Such assistance is an appropriate aspect of the redevelopment effort.)

In addition, we also support the proposed working capital guarantees and the proposal that only 5 percent of the total cost of projects would need to come from a State or local government or area organizations.

We do not support, however, the proposed Federal subsidy of 2 percent of the interest cost of loans obtained by concerns able to borrow privately and willing to locate in eligible areas.

It is assumed that this inducement will encourage larger corporations to expand in the eligible areas. We approve of this objective, but we oppose the method proposed. It would introduce a new and highly questionable form of Federal subsidy. Moreover, it would go to corporations that—on the basis of their solvency—are precisely those least in need of a subsidy.

One of the byproducts of the location of this act within the Department of Commerce, will be, we are sure, a deep concern about the plight of the distressed areas on the part of its new Secretary. Just as major corporations are now being urged to help resolve the balance-of-payments problem as a matter of enlightened public policy, they should be urged to assist the distressed areas. If this effort is tried, and if it fails, the AFL-CIO will be receptive to other proposals.

We do not feel that the safeguard against relocation presently written into title II (sec. 202(b)(1)) is adequate, for the same reason that we view the language in the “Statement of Purpose” to be inadequate. Our reasons have already been stated in the discussion of title I.

Therefore, we believe it should be replaced and the following language should be inserted:

“(1) Such financial assistance shall not be extended to assist establishments relocating from one area to another or to assist subcontractors to undertake work

theretofore performed in another area by other subcontractors or contractors."

In addition a further prohibition should be written into the act spelling out clearly the intent of the Congress that financial assistance shall not be extended where the effect of a new capacity would be to replace existing effective capacity and existing jobs.

TITLE III

We approve the proposed authorization for technical assistance and research and for grants to State, local, and district organizations to help them plan and administer area and district development programs.

While professionally trained experts at all levels could effectively advance the development effort, they should not, however, come to dominate it. Their role should be technical and advisory.

In our view, too little has been done in the past to help eligible areas organize their own citizens effectively to plan for and sustain the momentum of the economic development effort. True, the old act and the new properly require each community to develop its own overall economic development plan and, in some cases, technical aid in the form of studies relevant to a locality's special problems should be and will be continued. However, the proposed act also should require the establishment of permanent local and multicounty district development committees, representative of all concerned economic groups within these areas, including, of course, organized labor and minority groups. Redevelopment, in the best sense of the term, requires broad community participation, beyond the confines of Main Street.

Continuous evaluation of the quality of technical studies and of the performance of personnel for whom Federal grants are now proposed under title III should be required of the Administrator.

TITLE IV

In our view, the overburdening of ARA with too many areas eligible and competing for aid has been a major factor leading to criticism of its performance. Expectations aroused were simply greater than this program could possibly fulfill. Surely the more than 1,000 communities initially declared eligible for aid—urban and rural areas and Indian reservations alike—suffered from economic depression, and the majority still do. Yet, in the face of the limited resources made available to ARA, its aid had to be spread too thinly across the country to have a decisive effect in many communities. Moreover, in our view the inclusion of some areas reflected rather arbitrary requirements written into the act and some questionable administrative judgments rather than a realistic determination of priority needs and of the ability of ARA to meet them.

We are gratified by the proposed new conditions for the designation of eligible areas written into title IV of this act. They will reduce the number—if the national economy continues its rising trend—and, to a degree, they allow a slightly greater exercise of administrative judgment.

It is further proposed that the present system of monthly review of area eligibility be replaced by an annual review. We recommend a review twice yearly in order to more frequently note changes in the unemployment situation and, thus, to more quickly arrive at appropriate decisions with respect to qualifications for eligibility.

We enthusiastically support the new concept of designation of broader economic development districts, made up of two or more eligible and adjacent counties and one or more economic development centers when the advantage of an effort on this wider basis is clearly evident.

It is possible that the special financial incentives available under the act to encourage the formation of development districts—which we approve—may, nonetheless, create pressures to establish districts with little justification.

Without effective Federal control over the formation of the new redevelopment districts, great dangers to the purpose for which this act is intended may result.

TITLE V

The encouragement of even a broader economic redevelopment effort on a multistate regional basis—where found desirable and feasible—is significantly advanced by the provisions of this title. The AFL-CIO welcomes this historic forward step.

The United States has received worldwide acclaim and enormous advantage to itself as a consequence of its first comprehensive multistate regional develop-

ment effort—the TVA. In this instance, the need for a vast Federal-State cooperative undertaking to harness an entire river basin motivated this pioneer plan. The proposal now before us would belatedly bring the benefit of similar regional redevelopment efforts to other areas of the country.

While the need for an effective system of flood control sparked the creation of TVA and the need for adequate highway communication underlies the new effort to develop the Appalachian region, in other regions various other deterrents exist and should be eradicated.

Title V, as we understand, would set in motion a mechanism whereby, through Federal cooperation with the States, appropriate multistate regions with common and remediable problems would be identified, practical plans for redevelopment would be drawn up, and then appropriate legislation to implement them would be supported.

We applaud this long overdue undertaking. But in seeking what is best for the various regions with a valid claim for Federal aid, we hope that the language of the act will not cement us into inflexible patterns based upon the TVA, the Appalachian, or and other, experience. Rather, the new commissions must draw from lessons learned, while also remaining free to try innovations where practical considerations support them.

In a country that is expected to have a population of over 300 million by 1995—only 30 years hence—the national concern for the effective economic development of all regions should be evident. In pursuing this objective, State and local cooperation is essential. The overriding Federal responsibility in terms of leadership and financial participation, on the other hand, is primary.

TITLE VI

The proposed National Advisory Committee on Regional Economic Development—like the comparable statutory committee that has served the ARA—can effectively assist in an advisory capacity in the implementation of the purposes of the proposed act. Perhaps this Committee should be called the National Advisory Committee on Area and Regional Economic Development, however, to insure its consideration of aspects of the proposed program in addition to those encompassed by title V. Moreover, it would seem appropriate that the name of the administrative agency to be charged with implementation of the act might appropriately be called the Area and Regional Economic Development Administration, or be otherwise identified, so that it will be clear to the public that its function is different—although complementary—from the newly established Office of Economic Opportunity.

There is no title in the proposed bill dealing with manpower training in chronically distressed areas—comparable to sections 16 and 17 of the original act—because a supplemental fund for training in these areas is authorized by section 241 of the Manpower Act of 1965. It should be noted by this committee, however, that the retraining of workers in distressed areas—quite as much as public facility aids, industrial and commercial loans, and technical assistance—is a basic and indispensable redevelopment tool.

In conclusion, we wish to repeat a point made by the AFL-CIO when it testified in support of the proposed Area Redevelopment Act amendments in 1963. We said: "We are aware that area redevelopment will be a slow and painstaking undertaking; no overnight miracles are expected. Most distressed areas were a long time going down, and it will require time—as well as aid and much effort—to restore them to good health."

In our judgment, the excellent bill now before you—with the changes we propose—will do much to hasten the success of that difficult, but necessary, effort.

NEWPORT PLASTICS CORP.,
Newport, Vt., May 6, 1965.

Senator A. WILLIS ROBERTSON,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D.C.

DEAR SIR: Please support the Public Works and Economic Development Act of 1965.

Sincerely,

NEWPORT PLASTICS CORP.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., May 12, 1965.

HON. PAUL H. DOUGLAS,
Chairman, Subcommittee on Production and Stabilization, Committee on Banking and Currency, U.S. Senate.

DEAR MR. CHAIRMAN: During our testimony before your subcommittee on May 7, 1965, on S. 1648, we were requested by Senator Muskie to furnish certain comments and information for insertion in the record. The requested information is contained in the following paragraphs.

In connection with sections 201(a)(2) and 202(b)(4) of the bill, which provide that loan or loan guarantee assistance shall not be extended unless it is established that such assistance is not available on reasonable terms from private lenders or from other Federal agencies on terms more favorable to the Government which would permit the accomplishment of the project, we suggested that the subcommittee might wish to consider stating further the criteria that should be used in administering this requirement. Our suggestion was prompted by the question which would arise in administering the requirement, as to the extent to which the terms offered by a private lender in determining their reasonableness, and the terms offered by another Government agency in determining whether they would permit the accomplishment of the project, should be compared with the terms specified under the proposed bill which are generally more attractive. We were requested to submit for the record information relating to the manner in which similar statutory requirements relating to other Federal loan programs are administered.

Although the limited time available has not permitted a complete survey of Federal loan activities, there follows pertinent information relating to certain Federal loan programs.

SMALL BUSINESS ADMINISTRATION

Under section 7(a) of the Small Business Act (15 U.S.C. 636(a)) the Administration is authorized to make loans to enable small business concerns to finance plant construction, conversion, or expansion or to finance the acquisition of equipment, facilities, machinery, supplies, or materials. The section requires that:

"(1) No financial assistance shall be extended pursuant to this subsection unless the financial assistance applied for is not otherwise available on reasonable terms."

Agency policies provide that financial assistance applied for shall be deemed to be otherwise available on reasonable terms unless it is satisfactorily demonstrated that:

(a) Proof of refusal of the required credit has been obtained from a bank or banks, including the date, amount, and terms requested and the reason for not granting the desired credit. Bank refusal to advance credit is not considered the full test of unavailability of credit and, where there is knowledge or reason to believe that credit is otherwise available on reasonable terms from sources other than such banks, the credit applied for may not be granted notwithstanding the receipt of written refusal from such banks.

(b) The funds required do not appear to be obtainable on reasonable terms through the public offering or private placing of securities of the applicant.

(c) The funds required do not appear to be obtainable through the disposal at a fair price of assets not required by the applicant in the conduct of its existing business or not reasonably necessary to its potential healthy growth.

DEPARTMENT OF THE INTERIOR

Bureau of Commercial Fisheries

The act of August 8, 1956 (16 U.S.C. 742c(b)(3)), which authorizes the making of loans for financing and refinancing operations, maintenance, replacement, repair, and equipment of fishing gear and vessels, and for research into the basic problems of fisheries, provides that "no financial assistance shall be extended pursuant to this section unless reasonable financial assistance applied for is not otherwise available on reasonable terms."

Agency regulations provide that financial assistance applied for shall be deemed to be otherwise available on reasonable terms unless it is satisfactorily demonstrated that proof of refusal of the desired credit has been obtained from

the applicant's bank of account. Bank refusals to advance credit are not considered the full test of unavailability of credit and, where there is knowledge or reason to believe that credit is otherwise available on reasonable terms from sources other than such banks, the credit applied for cannot be granted notwithstanding the receipt of written refusals from such banks.

Although there is no written criteria delineating the word "reasonable," we were advised by a responsible agency official that loans from lending institutions were considered reasonable if the proposed rate of interest was the prevailing rate in the area and the repayment period was within the capability of the party seeking the loan. Certificates of refusals for loans submitted to the Bureau are verified with the lending institutions.

VETERANS' ADMINISTRATION

Section 1811 of title 38, United States Code authorizes the Veterans' Administration to make direct loans to eligible veterans in designated areas, to purchase, construct, or improve a home, or to purchase a farm on which there is a farm residence to be occupied by the veteran as his home.

Section 1811(c) provides:

"No loan may be made under this section to a veteran unless he shows to the satisfaction of the Administrator that—(1) he is unable to obtain from a private lender in such housing credit shortage area, at an interest rate not in excess of the rate authorized for guaranteed home loans, a loan for such purpose * * *."

In the administration of this provision, all requests for direct loans received from veterans are screened against a roster of private lending institutions interested in making guaranteed loans, and if private lenders are available in the area, the veteran is required to submit evidence that each such lender has refused to provide financing. The evidence furnished may be limited to only a statement from the veteran that he contacted each lender.

DEPARTMENT OF AGRICULTURE

Farmers Home Administration

Section 333 of the Consolidated Farmers Home Administration Act of 1961, as amended (7 U.S.C. 1983), contains the following requirement with respect to farm ownership, farm operating, emergency, and soil and water conservation loans:

"In connection with loans made or insured under this title, the Secretary shall require—

"(a) the applicant to certify in writing that he is unable to obtain sufficient credit elsewhere to finance his actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time;"

Section 501(c) of title V of the Housing Act of 1949, as amended (42 U.S.C. 1471), which pertains to rural housing loans, authorizes the agency to extend financial assistance to an eligible applicant who must show:

"* * * (2) that he is without sufficient resources to provide the necessary housing and buildings on his own account; and (3) that he is unable to secure the credit necessary for such housing and buildings from other sources upon terms and conditions which he could reasonably be expected to fulfill."

In this connection, it is the agency's stated policy to consider the rates and terms offered by other lenders as reasonable if they are generally available to farmers and rural residents in the area, even though such rates and terms may be considerably less favorable than those offered by the agency.

The county supervisor is required to verify the financial information furnished by applicants, investigate their efforts to obtain private financing, and furnish members of the county committee with sufficient information concerning the applicants to enable them to determine whether they are eligible for assistance.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Office of Education

Title II of the National Defense Education Act of 1958 (Public Law 85-864) provides for Federal capital contributions to participating institutions for the purpose of establishing a student loan fund.

Section 207(a) contains the following limiting criteria :

"* * * Any such loan may be made only if such institution shows it is unable to secure such funds from non-Federal sources upon terms and conditions which the Commissioner determines to be reasonable and consistent with the purposes of this title. * * *"

To implement this provision of the law, the Office of Education has required that the applicant show the amount needed to match the Federal contribution and the steps taken to obtain loan funds from non-Federal sources. In addition the applicant indicates on the form the best terms available. The information provided by the applicant is accepted by the Office of Education without verification. If the available interest rate is higher than that established by the Office of Education or if the duration of the proposed loan from non-Federal sources is shorter than that proposed by the Office of Education or if the institution cannot meet proposed collateral requirements, it is considered that favorable non-Federal sources are not available and that a Federal loan is justified.

Public Health Service

The Health Professions Educational Assistance Act of 1963, as amended (42 U.S.C. 293) authorizes loans to schools of medicine, osteopathy, dentistry, and optometry for the purpose of helping to finance deposits required for the establishment and operation of a student loan fund by the school. Section 294(d) provides that such loan may be made only if the school shows it is unable to secure such funds upon reasonable terms and conditions from non-Federal sources.

The Public Health Service has not issued regulations establishing criteria to define "reasonable terms and conditions from non-Federal sources." The application submitted by the school for Federal loan funds requires that the applicant explain the steps taken to obtain the funds from non-Federal sources, list the lending institutions contacted, and state the best terms available from the sources contacted for the needed funds. This information is not verified by the agency.

Agency officials informed us that loans are granted if the requesting school has been unable to obtain a loan from a non-Federal source at interest rates equivalent to or lower than the interest rate charged by the Government.

The above information shows that certain agencies compare the terms available from non-Federal sources with the terms available from the Government in determining the reasonableness of the former. It also shows that in most instances the reasonableness of available terms is judged without specific reference to the repayment ability of the applicant. As we suggested during our testimony, we believe that in the program contemplated by the proposed legislation, a meaningful determination of whether funds are available from private lenders on reasonable terms or from other Federal agencies on terms which would permit the accomplishment of the project can be made only after the economic feasibility and prospects of a project have been fully investigated. At this time the terms which would be within the applicant's repayment ability could be reasonably established.

During our testimony on section 201 of the bill, we were requested to review the testimony of the Secretary of Commerce before the Senate Committee on Public Works relating to the type of projects which would or would not be eligible for loan assistance under that section, and to furnish for the record our comments as to whether we would agree with the Secretary of Commerce in this respect.

According to the Secretary's testimony and information subsequently submitted by him for the record, the following are examples of projects which would be eligible :

- All types of publicly owned public utilities related to economic development, like water works, water and sewer lines, waste treatment plants.
- Streets and roads needed for industrial or commercial development.
- Harbor facilities, railroad sidings, water reservoirs, dams, bridges.
- Airports not adequately financed by FAA.
- Industrial parks (land improvement and site utilities).
- Tourism facilities.
- Area vocational schools.

The following are examples of projects which would not be eligible :

- Courthouses and town halls.
- Swimming pools.
- Playgrounds.

[Hospitals, except that] if a total lack of adequate hospital facilities seriously hampers the economic development of an area, and if the hospital needs of the area cannot be financed under the Hill-Burton program, a hospital project might be eligible.

Generally the projects listed as eligible under this bill would be eligible for assistance under the Area Redevelopment Act if the Secretary found that it would trigger the location or expansion of a factory or business which would create new employment.

Under this bill assistance may be given if the Secretary finds that the project will *directly or indirectly* tend to improve opportunities for the successful establishment of a business in the area; otherwise assist in creation of additional long-term employment opportunities in the area; or primarily benefit long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964.

We believe that the coverage of the act will be broadened by permitting projects which will *directly or indirectly* tend to accomplish its objectives including those of the Economic Opportunity Act. Possibly the Secretary will no longer feel it necessary to find that the project would trigger the location or expansion in the area of a business offering new employment, but only that it would enhance the prospects. Moreover, the objectives of the Economic Opportunity Act lie generally in the fields of education and vocational training. Such assistance is more likely to alleviate unemployment if it lies in a field of foreseeable need in terms of the approved overall economic development program.

The criteria which we proposed in our testimony would be for the purpose of requiring the Secretary to make certain that there is a reasonable and logical basis for expecting that the project approved would contribute to the main purpose of the bill, as stated in section 2, that is new permanent employment opportunities, and how it was expected to do so consistent with the approved overall economic development program for the area.

We trust that the above comments and information are responsive to the subcommittee's request.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

ARA and delegate agencies' obligations and man-years, fiscal year 1962 through fiscal year 1965

[Funds in thousands]

Delegate agencies	1962 actual		1963 actual		1964 actual		1965 estimate	
	Man-years	Funds	Man-years	Funds	Man-years	Funds	Man-years	Funds
Operations:								
Labor.....	84.1	\$770	162.9	\$1,268	161.5	\$1,378	113.7	\$1,165
Agriculture.....	46.9	742	112.4	1,432	121.8	1,490	94.9	1,333
Interior.....	16.0	207	27.5	373	34.6	385	26.0	311
HHFA (grant operations).....	15.8	145	29.1	282	9.8	108	5.1	61
BDSA reports.....			.8	8	5.0	51	1.6	16
Procurement assistance:								
BDSA.....					.8	15	3.0	44
SBA.....						7		72
IRS, Census.....					12.0	112	13.0	125
Total, operations.....	162.8	1,865	332.7	3,363	345.5	3,546	257.3	3,127
Loan operations:								
SBA.....	26.0	340	96.0	981	150.0	1,650	150.0	1,850
HHFA.....	12.4	114	22.9	222	39.2	383	16.8	244
Reserve.....								196
Total, loan operations.....	38.4	454	118.9	1,203	189.2	2,033	166.8	2,290
Summary ARA and delegates:								
Total delegate agencies.....	201.2	2,319	451.6	4,566	534.7	5,579	424.1	5,417
ARA excluding technical assistance.....	214.2	4,727	337.1	8,461	404.1	8,966	366.4	9,200
Total, excluding technical assistance.....	415.4	7,046	828.7	13,027	938.8	14,545	790.5	14,617

Permanent positions authorized for ARA under the Area Redevelopment Act and the accelerated public works program

	At peak of programs			Estimate for fiscal year 1965 ³		
	ARA, fiscal year 1964 ¹	APW, fiscal year 1963 ²	Total	ARA	APW	Total
Statutory	1		1	1		1
GS-18	1	1	2	1		1
GS-17	6	1	7	4	1	5
GS-16	2	1	3	2	1	3
GS-15	25	2	27	21	2	23
GS-14	41	9	50	44	4	48
GS-13	102	13	115	106		106
GS-12	33	4	37	31	2	33
GS-11	9	1	10	10		10
GS-10	2		2	1		1
GS-9	13		13	11		11
GS-8	4		4	5		5
GS-7	17	3	20	16	2	18
GS-6	23	2	25	26	1	27
GS-5	33	9	42	27	3	30
GS-4	56	7	63	61	2	63
GS-3	18	7	25	19	3	22
GS-2	1	1	2	1		1
Wage board	1		1	1		1
Totals	388	61	449	388	21	409

¹ Appendix to the Budget of the U.S. Government, fiscal year 1966, p. 1106.

² Appendix to the Budget of the U.S. Government, fiscal year 1965, p. 980.

³ Appendix to the Budget of the U.S. Government, fiscal year 1966, pp. 1093 and 1106.

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PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

(89-11)

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HEARINGS

BEFORE THE

COMMITTEE ON PUBLIC WORKS HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

H.R. 6991

MAY 10, 11, 12, 13, 14, 18, 19, AND 26, 1965

Printed for the use of the Committee on Public Works



PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

(89-11)

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PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

MONDAY, MAY 10, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON PUBLIC WORKS,
Washington, D.C.

The committee met, pursuant to notice, at 10:18 a.m., in room 2167, Rayburn House Office Building, Hon. George H. Fallon (chairman) presiding.

The CHAIRMAN. If it please the gentlemen, the Public Works Committee is sitting this morning for the consideration and hearings on H.R. 6991, the bill I introduced, and the related bill H.R. 6992, which is identical, was introduced by Mr. Blatnik, also H.R. 6993 by Mr. Gray, H.R. 6994 by Mr. Clark, H.R. 6995 by Mr. Edmondson, H.R. 6996 by Mr. Kee, and H.R. 6997 by Mr. St Germain, all similar with S. 1648.

(The bill H.R. 6991 and statement of the chairman follow:)

[H.R. 6991, 89th Cong., 1st sess.]

A BILL To provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That this Act may be cited as the "Public Works and Economic Development Act of 1965."

STATEMENT OF PURPOSE

SEC. 2. The Congress declares that the maintenance of the national economy at a high level is vital to the best interests of the United States, but that some of our regions, counties, and communities are suffering substantial and persistent unemployment and underemployment; that such unemployment and underemployment cause hardship to many individuals and their families, and waste invaluable human resources; that to overcome this problem the Federal Government, in cooperation with the States, should help areas and regions of substantial and persistent unemployment and underemployment to take effective steps in planning and financing their public works and economic development; that Federal financial assistance, including grants for public works and development facilities to communities, industries, enterprises, and individuals in areas needing development should enable such areas to help themselves achieve lasting improvement and enhance the domestic prosperity by the establishment of stable and diversified local economies and improved local conditions: *Provided*, That such assistance is preceded by and consistent with sound, long-range economic planning; and that under the provisions of this Act new employment opportunities should be created by developing and expanding new and existing public works and other facilities and resources rather than by merely transferring jobs from one area of the United States to another.

TITLE I—GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES

SEC. 101. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary of Commerce (hereinafter referred to as the Secretary) is authorized—

(1) to make direct grants for the acquisition or development of land and improvements for public works, public service, or development facility usage, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, within a redevelopment area, if he finds that—

(A) the project for which financial assistance is sought will directly or indirectly (i) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities, (ii) otherwise assist in the creation of additional long-term employment opportunities for such area, or (iii) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964;

(B) the project for which a grant is requested will fulfill a pressing need of the area, or part thereof, in which it is, or will be, located; and

(C) the area for which a project is to be undertaken has an approved overall economic development program as provided in section 202(b) (10) and such project is consistent with such program;

(2) to make supplementary grants in order to enable the States and other entities within redevelopment areas to take maximum advantage of designated Federal grant-in-aid programs (as hereinafter defined) for which they are eligible but for which, because of their economic situation, they cannot supply the required matching share.

(b) Subject to subsection (c) hereof, the amount of any direct grant under this section for any project shall not exceed 50 per centum of the cost of such project.

(c) The amount of any supplementary grant under this section for any project shall not exceed the applicable percentage established by regulations promulgated by the Secretary, but in no event shall the non-Federal share (including assumptions of debt) of the aggregate cost of any such project be less than 20 per centum of such cost. Supplementary grants shall be made by the Secretary, in accordance with such regulations as he shall prescribe, by increasing the amounts of direct grants authorized under this section or by the payment of funds appropriated under this Act to the heads of the departments, agencies, and instrumentalities of the Federal Government responsible for the administration of such grant-in-aid programs. Notwithstanding any limitation on the use of supplementary grants that may otherwise be applicable to the grant-in-aid program involved, funds so allocated shall be used for the sole purpose of increasing the Federal contribution to specific projects in redevelopment areas under such programs above the fixed maximum portion of the cost of such project otherwise authorized by the applicable law. The term "designated Federal grant-in-aid programs," as used in this subsection, means such existing or future Federal grant-in-aid programs assisting in the construction or equipping of facilities as the Secretary may, in furtherance of the purposes of this Act, designate as eligible for allocation of funds under this section. In determining the amount of any supplementary grant available to any project under this section, the Secretary shall take into consideration the relative needs of the area, the nature of the project to be assisted, and the amount of such fair user charges or other revenues as the project may reasonably be expected to generate in excess of those which would amortize the local share of initial costs and provide for its successful operation and maintenance (including depreciation).

(d) The Secretary shall prescribe rules, regulations, and procedures to carry out this section which will assure that adequate consideration is given to the relative needs of eligible areas. In prescribing such rules, regulations, and procedures the Secretary shall consider among other relevant factors (1) the severity of the rates of unemployment in the eligible areas and the duration of such unemployment and (2) the income levels of families and the extent of underemployment in eligible areas.

(e) No financial assistance shall be extended under this section with respect to any public service or development facility which would compete with an existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State regulatory body, unless the State regulatory body determines that in the area to be served by the facility for which the financial assistance is to be extended there is a need for an increase in such service (taking into consideration reasonably foreseeable future needs) which the existing public utility is not able to meet through its existing facilities or through an expansion which it agrees to undertake.

SEC. 102. There is hereby authorized to be appropriated not to exceed \$250,000,-000 annually for the purposes of this title.

TITLE II—OTHER FINANCIAL ASSISTANCE

PUBLIC WORKS AND DEVELOPMENT FACILITY LOANS

SEC. 201. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary is authorized to purchase evidences of indebtedness and to make loans to assist in financing the purchase or development of land and improvements for public works, public service, or development facility usage, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, within a redevelopment area, if he finds that—

(1) the project for which financial assistance is sought will directly or indirectly—

(A) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities,

(B) otherwise assist in the creation of additional long-term employment opportunities for such area, or

(C) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964;

(2) the funds requested for such project are not otherwise available from private lenders on reasonable terms, or from other Federal agencies on terms more favorable to the Government which would permit the accomplishment of the project;

(3) the amount of the loan plus the amount of other available funds for such project are adequate to insure the completion thereof;

(4) there is a reasonable expectation of repayment; and

(5) such area has an approved overall economic development program as provided in section 202(b) (10) and the project for which financial assistance is sought is consistent with such program.

(b) Subject to section 701(5), the maturity date of any such loan shall be not later than forty years after the date such loan is made. Such loans shall bear interest at a rate not less than (i) a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less (ii) not to exceed one-half of 1 per centum per annum.

(c) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this section and section 202: *Provided, however,* That annual appropriations for the purpose of making and guaranteeing loans shall not exceed \$170,000,000.

(d) No financial assistance shall be extended under this section with respect to any public service or development facility which would compete with an existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State regulatory body, unless the State regulatory body determines that in the area to be served by the facility for which the financial assistance is to be extended there is a need for an increase in such service (taking into consideration reasonably foreseeable future needs) which the existing public utility is not able to meet through its existing facilities or through an expansion which it agrees to undertake.

LOANS AND GUARANTEES

SEC. 202. (a) The Secretary is authorized (1) to purchase evidences of indebtedness and to make loans (which for purposes of this section shall include participations in loans) to aid in financing any project within a redevelopment area for the purchase or development of land and facilities (including, in cases of demonstrated need, machinery and equipment) for industrial or commercial usage, including the construction of new buildings, the rehabilitation of abandoned or unoccupied buildings, and the alteration, conversion, or enlargement of existing buildings; (2) to guarantee loans for working capital made to private borrowers by private lending institutions in connection with projects in redevelopment areas assisted under subsection (a) (1) hereof, upon application of such institution and upon such terms and conditions as the Secretary may prescribe: *Provided, however*, That no such guarantee shall at any time exceed 90 per centum of the amount of the outstanding unpaid balance of such loan; and (3) to contract to pay, and to pay annually, for not more than ten years, to or on behalf of private business entities amounts sufficient to reduce by 2 percentage points the interest paid by such entities on loans which are obtained from non-Government sources, which are not guaranteed by any Government agency, which provide for annual amortization of principal, and the proceeds of which are used for purposes for which the Secretary is authorized to purchase evidences of indebtedness or make loans under this section: *Provided, however*, That subject to limitations in annual appropriation acts, the annual cost of new contracts approved in any one year shall not exceed \$5,000,000.

(b) Financial assistance under this section shall be on such terms and conditions as the Secretary determines, subject, however, to the following restrictions and limitations:

(1) Such financial assistance shall not be extended to assist establishments relocating from one area to another: *Provided, however*, That such limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity if the Secretary finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where such entity conducts business operations, unless the Secretary has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

(2) Such assistance shall be extended only to applicants, both private and public (including Indian tribes), which have been approved for such assistance by an agency or instrumentality of the State or political subdivision thereof in which the project to be financed is located, and which agency or instrumentality is directly concerned with problems of economic development in such State or subdivision.

(3) The project for which financial assistance is sought must be reasonably calculated to provide more than a temporary alleviation of unemployment or underemployment within the redevelopment area wherein it is, or will be, located.

(4) No loan or guarantee shall be extended hereunder unless the financial assistance applied for is not otherwise available from private lenders on reasonable terms, or from other Federal agencies on terms more favorable to the Government which would permit the accomplishment of the project.

(5) The Secretary shall not make any loan without a participation unless he determines that the loan cannot be made on a participation basis.

(6) No evidences of indebtedness shall be purchased and no loans shall be made or guaranteed unless it is determined that there is a reasonable assurance of repayment.

(7) Subject to section 701(5) of this Act, no loan, including renewals or extension thereof, may be made hereunder for a period exceeding twenty-five years and no evidences of indebtedness maturing more than twenty-five years from date of purchase may be purchased hereunder: *Provided*, That the foregoing restrictions on maturities shall not apply to securities or obligations received by the Secretary as a claimant in bankruptcy or equitable reorganization or as a creditor in other proceedings attendant upon insolvency of the obligor.

(8) Loans made and evidence of indebtedness purchased under this section shall bear interest at a rate not less than (i) a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on

outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, plus (ii) such additional charge, if any, toward covering other costs of the program as the Secretary may determine to be consistent with its purposes.

(9) Loan assistance shall not exceed 65 per centum of the aggregate cost of the applicant (excluding all other Federal aid in connection with the undertaking) of acquiring or developing land and facilities (including, in cases of demonstrated need, machinery and equipment), and of constructing, altering, converting, rehabilitating, or enlarging the building or buildings of the particular project, and shall, among others, be on the condition that—

(A) other funds are available in an amount which, together with the assistance provided hereunder, shall be sufficient to pay such aggregate cost;

(B) not less than 15 per centum of such aggregate cost be supplied as equity capital or as a loan repayable in no shorter period of time and at no faster an amortization rate than the Federal financial assistance extended under this section is being repaid, and if such a loan is secured, its security shall be subordinate and inferior to the lien or liens securing such Federal financial assistance: *Provided, however,* That except in projects involving financial participation by Indian tribes, not less than 5 per centum of such aggregate cost shall be supplied by the State or any agency, instrumentality, or political subdivision thereof, or by a community or area organization which is nongovernmental in character, unless the Secretary shall determine in accordance with objective standards promulgated by regulation that all or part of such funds are not reasonably available to the project because of the economic distress of the area or for other good cause, in which case he may waive the requirement of this provision to the extent of such unavailability, and allow the funds required by this subsection to be supplied by the applicant or by such other non-Federal source as may reasonably be available to the project;

(C) to the extent the Secretary finds such action necessary to encourage financial participation in particular project by other lenders and investors, and except as otherwise provided in subparagraph (B), any Federal financial assistance extended under this section may be repayable only after other loans made in connection with such project have been repaid in full, and the security, if any, for such Federal financial assistance may be subordinate and inferior to the lien or liens securing other loans made in connection with the same project.

(10) No such assistance shall be extended unless there shall be submitted to and approved by the Secretary an overall program for the economic development of the area and a finding by the State, or any agency, instrumentality, or local political subdivision thereof, that the project for which financial assistance is sought is consistent with such program: *Provided,* That nothing in this Act shall authorize financial assistance for any project prohibited by laws of the State or local political subdivision in which the project would be located, nor prevent the Secretary from requiring such periodic revisions of previously approved overall economic development programs as he may deem appropriate.

ECONOMIC DEVELOPMENT REVOLVING FUND

SEC. 203. Funds obtained by the Secretary under section 201, loan funds obtained under section 403, and collections and repayments received under this Act, shall be deposited in an economic development revolving fund (hereinafter referred to as the "fund"), which is hereby established in the Treasury of the United States, and which shall be available to the Secretary for the purpose of extending financial assistance under sections 201, 202, and 403, and for the payment of all obligations and expenditures arising in connection therewith. There shall also be credited to the fund such funds as have been paid into the area redevelopment fund or may be received from obligations outstanding under the Area Redevelopment Act. The fund shall pay into miscellaneous receipts of the Treasury, following the close of each fiscal year, interest on the amount of loans outstanding computed in such manner and at such rate as may be determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, during the month of June preceding the fiscal year in which the loans were made.

TITLE III—TECHNICAL ASSISTANCE, RESEARCH, AND INFORMATION

TECHNICAL AND ADMINISTRATIVE ASSISTANCE

SEC. 301. (a) In carrying out his duties under this Act the Secretary is authorized to provide technical assistance which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment (1) to areas which he has designated as redevelopment areas under this Act, and (2) to other areas which he finds have substantial need for such assistance. Such assistance shall include studies evaluating the needs of, and developing potentialities for, economic growth of such areas. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government, through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants-in-aid to appropriate public or private nonprofit State, area, district, or local organizations. The Secretary, in his discretion, may require the repayment of assistance provided under this subsection and prescribe the terms and conditions of such repayment.

(b) The Secretary is authorized to make grants for economic planning staff and administrative expenses to organizations which he determines to be qualified to receive grants-in-aid under subsection (a) hereof: *Provided, however,* That no such grant shall exceed 75 per centum of the aggregate cost of the undertaking for which the assistance is rendered, or of the administrative expenses of any qualified organization in any one year. In determining the amount of the non-Federal share of such costs or expenses, the Secretary shall give due consideration to all contributions both in cash and in kind, fairly evaluated, including but not limited to space, equipment, and services. Where practicable, grants-in-aid authorized under this subsection shall be used in conjunction with other available planning grants, such as urban planning grants authorized under the Housing Act of 1954, as amended, and highway planning and research grants authorized under the Federal-Aid Highway Act of 1962, to assure adequate and effective planning and economical use of funds.

(c) There is hereby authorized to be appropriated \$20,000,000 annually for the purposes of this section.

RESEARCH

SEC. 302. To assist in the long-range accomplishment of the purposes of this Act, the Secretary, in cooperation with other agencies having similar functions, shall establish and conduct a continuing program of study and research designed to assist in determining the causes of unemployment, underemployment, underdevelopment, and chronic depression in the various areas and regions of the Nation and in the formulation and implementation of national, State, and local programs which will raise income levels and otherwise produce solutions of the problems resulting from these conditions. The Secretary shall include in his annual report under section 706 a detailed statement concerning the study and research conducted under this section together with his findings resulting therefrom and his recommendations for legislative and other action.

INFORMATION

SEC. 303. The Secretary shall aid redevelopment areas and other areas by furnishing to interested individuals, communities, industries, and enterprises within such areas any assistance, technical information, market research, or other forms of assistance, information, or advice which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment within such areas. The Secretary may furnish the procurement divisions of the various departments, agencies, and other instrumentalities of the Federal Government with a list containing the names and addresses of business firms which are located in redevelopment areas and which are desirous of obtaining Government contracts for the furnishing of supplies or services, and designating the supplies and services such firms are engaged in providing.

TITLE IV—AREA AND DISTRICT ELIGIBILITY

PART A—REDEVELOPMENT AREAS

AREA ELIGIBILITY

SEC. 401. (a) The Secretary shall designate as "redevelopment areas"—

(1) those areas in which he determines, upon the basis of standards generally comparable with those set forth in paragraphs (A) and (B), that there has existed substantial and persistent unemployment for an extended period of time. There shall be included among the areas so designated any area—

(A) where the Secretary of Labor finds that the current rate of unemployment, as determined by appropriate annual statistics for the most recent available calendar year, is 6 per centum or more and has averaged at least 6 per centum for the qualifying time periods specified in paragraph (B); and

(B) where the Secretary of Labor finds that the annual average rate of unemployment has been at least—

(i) 50 per centum above the national average for three of the preceding four calendar years, or

(ii) 75 per centum above the national average for two of the preceding three calendar years, or

(iii) 100 per centum above the national average for one of the preceding two calendar years.

The Secretary of Labor shall find the facts and provide the data to be used by the Secretary in making the determinations required by this subsection.

(2) those additional areas which have a median family income not in excess of 40 per centum of the national median, as determined by the most recent available statistics for such area;

(3) those additional Federal or State Indian reservations which the Secretary, after consultation with the Secretary of the Interior, determines manifest the greatest degree of economic distress on the basis of unemployment and income statistics and other appropriate evidence of economic underdevelopment;

(4) upon request of such areas, those additional areas in which the Secretary determines that the loss, removal, or closing of a major source of employment, has caused or is about to cause an unusual and abrupt rise in unemployment or underemployment of such magnitude that the area can reasonably be expected to become eligible for designation under the other provisions of this Act within three years unless assistance is provided. Notwithstanding any provision of this section to the contrary, an area may be designated at any time under the authority of this subsection and may be given a reasonable time after designation in which to submit the overall economic development program required by subsection 202(b)(10) of this Act;

(5) notwithstanding any provision of this section to the contrary, those additional areas which were designated redevelopment areas under the Area Redevelopment Act on the date of the enactment of this Act: *Provided, however,* That the continued eligibility of such areas after the first annual review of eligibility conducted in accordance with section 402 of this Act shall be dependent on their qualification for designation under the standards of economic need set forth in subsections (a)(1) through (a)(4) of this section.

(b) The size and boundaries of redevelopment areas shall be determined by the Secretary: *Provided, however,* That—

(1) no area shall be designated until it has an approved overall economic development program in accordance with subsection 202(b)(10) of this Act;

(2) any area which does not submit an acceptable overall economic development program in accordance with subsection 202(b)(10) of this Act within a reasonable time after notification of eligibility for designation, shall not thereafter be designated prior to the next annual review of eligibility in accordance with section 402 of this Act;

(3) no area shall be designated which does not have a population of at least one thousand five hundred persons; and

(4) except for areas designated under subsections (a) (3) and (a) (4) hereof, no area shall be designated which is smaller than a "labor area" (as defined by the Secretary of Labor), a county, or a municipality with a population of over two hundred and fifty thousand, whichever in the opinion of the Secretary is appropriate.

(c) Upon the request of the Secretary, the Secretary of Labor, the Secretary of Agriculture, the Secretary of the Interior, and such other heads of agencies as may be appropriate are authorized to conduct such special studies, obtain such information, and compile and furnish to the Secretary such data as the Secretary may deem necessary or proper to enable him to make the determinations provided for in this section. The Secretary shall reimburse when appropriate, out of any funds appropriated to carry out the purposes of this Act, the foregoing officers for any expenditures incurred by them under this section.

(d) As used in this Act, the term "redevelopment area" refers to any area within the United States which has been designated by the Secretary as a redevelopment area.

ANNUAL REVIEW OF AREA ELIGIBILITY

SEC. 402. The Secretary shall conduct an annual review of the eligibility of all areas designated or under consideration for designation in accordance with section 401 of this Act, and on the basis thereof may terminate or modify the designations of such areas in accordance with objective standards which he shall prescribe by regulation. No area previously designated shall retain its designated status unless it maintains a currently approved overall economic development program in accordance with subsection 202(b) (10). No termination of eligibility shall (1) be made without thirty days' prior notification to the area concerned, (2) affect the validity of any application filed, or contract or undertaking entered into, with respect to such area pursuant to this Act prior to such termination, or (3) prevent any such area from again being designated a redevelopment area under section 401 of this Act if the Secretary determines it to be eligible under such section. The Secretary shall keep the departments and agencies of the Federal Government, and interested State or local agencies, advised at all times of any changes made hereunder with respect to the classification of any area.

PART B—ECONOMIC DEVELOPMENT DISTRICTS

SEC. 403. (a) In order that economic development projects of broader geographical significance may be planned and carried out, the Secretary is authorized—

(1) to designate appropriate "economic development districts" within the United States with the concurrence of the States in which such districts will be wholly or partially located, if—

(A) the proposed district is of sufficient size or population, and contains sufficient resources, to foster economic development on a scale involving more than a single redevelopment area;

(B) the proposed district contains two or more redevelopment areas;

(C) the proposed district contains one or more redevelopment areas or economic development centers identified in an approved district overall economic development program as having sufficient size and potential to foster the economic growth activities necessary to alleviate the distress of the redevelopment areas within the district; and

(D) the proposed district has a district overall economic development program which includes adequate land use and transportation planning and contains a specific program for district cooperation, self-help, and public investment and is approved by the State or States affected and by the Secretary;

(2) to designate as "economic development centers" in accordance with such regulations as he shall prescribe, such areas as he may deem appropriate, if—

(A) the proposed center has been identified and included in an approved district overall economic development program and recommended by the State or States affected for such special designation;

(B) the proposed center is geographically and economically so related to the district that its economic growth may reasonably be expected to contribute significantly to the alleviation of distress in the redevelopment areas of the district; and

(C) the proposed center does not have a population in excess of two hundred and fifty thousand according to the last preceding Federal census.

(3) to provide financial assistance in accordance with the criteria of sections 101, 201, and 202 of this Act, except as may be herein otherwise provided, for projects in economic development centers designated under subsection (a) (2) above, if—

(A) the project will further the objectives of the overall economic development program of the district in which it is to be located;

(B) the project will enhance the economic growth potential of the district or result in additional long-term employment opportunities commensurate with the amount of Federal financial assistance requested; and

(C) the amount of Federal financial assistance requested is reasonably related to the size, population, and economic needs of the district;

(4) subject to the 20 per centum non-Federal share required for any project by subsection 101(c) of this Act, to increase the amount of grant assistance authorized by section 101 for projects within redevelopment areas (designated under section 401), by an amount not to exceed 10 per centum of the aggregate cost of any such project, in accordance with such regulations as he shall prescribe, if—

(A) the redevelopment area is situated within a designated economic development district and is actively participating in the economic development activities of the district; and

(B) the project is consistent with an approved district overall economic development program.

(b) In designating economic development districts and approving district overall economic development programs under subsection (a) of this section, the Secretary is authorized, under regulations prescribed by him—

(1) to invite the several States to draw up proposed district boundaries and to identify potential economic development centers;

(2) to cooperate with the several States—

(A) in sponsoring and assisting district economic planning and development groups, and

(B) in assisting such district groups to formulate district overall economic development programs.

(c) The Secretary shall by regulation prescribe standards for the termination or modification of economic development districts and economic development centers designated under the authority of this section.

(d) As used in this Act, the term "economic development district" refers to any area within the United States composed of cooperating redevelopment areas and, where appropriate, designated economic development centers and neighboring counties or communities, which has been designated by the Secretary as an economic development district.

(e) As used in this Act, the term "economic development center" refers to any area within the United States which has been identified as an economic development center in an approved district overall economic development program and which has been designated by the Secretary as eligible for financial assistance under sections 101, 201, and 202 of this Act in accordance with the provisions of this section.

(f) There is hereby authorized to be appropriated not to exceed \$50,000,000 annually for financial assistance extended under the provisions of subsections (a) (3) and (a) (4) hereof.

(g) In order to allow time for adequate and careful district planning, subsections (a) and (f) of this section shall not be effective until one year from the date of enactment.

TITLE V—REGIONAL ACTION PLANNING COMMISSIONS

ESTABLISHMENT AND COORDINATION

SEC. 501. (a) The Secretary is authorized to invite and encourage the several States to establish appropriate multistate regional action planning commissions for the purpose of—

(1) advising and assisting him in the identification of optimum boundaries for multistate economic development regions,

(2) initiating and coordinating the preparation of long-range overall economic development programs for such regions,

(3) fostering surveys and studies to provide data required for the preparation of specific plans and programs for the development of such regions,

(4) advising and assisting him and the States concerned in the initiation and coordination of economic development districts, in order to promote maximum benefits from the expenditure of Federal, State, and local funds,

(5) promoting increased private investment in such regions,

(6) preparing legislative and other recommendations with respect to both short-range and long-range programs and projects for Federal, State, and local agencies, and

(7) receiving reviewing, and commenting on all tentative plans or proposals concerning multistate regional economic development, and transmitting such plans and proposals with appropriate comments and recommendations to the Secretary and the heads of other interested Federal and State agencies.

(b) As used in this Act, the term "region" refers to any area within the United States which includes two or more designated or potential economic development districts in two or more contiguous States.

(c) The State members of such Commission shall be as determined and appointed by the Governors of the States concerned. The President shall appoint the Federal member or members of such Commissions, if any, who shall report through the Secretary and be compensated at a rate not in excess of that authorized by section 701(10) of this Act.

(d) The Secretary shall present such plans and proposals of the Commissions as may be transmitted and recommended to him (but are not authorized by any other section of this Act) first for review by the Federal agencies primarily interested in such plans and proposals and then, together with the recommendations of such agencies, to the President for such action as he may deem desirable.

(e) The Secretary shall provide effective and continuing liaison between the Federal Government and each regional Commission.

(f) Each Federal agency shall, consonant with law and within the limits of available funds, cooperate with such Commissions as may be established in order to assist them in carrying out their functions under this section.

PROGRAM DEVELOPMENT CRITERIA

SEC. 502. In developing recommendations for programs and projects for future regional economic development, and in establishing within those recommendations priority ranking for such programs and projects, the Secretary shall encourage each regional Commission to follow procedures that will insure consideration of the following factors:

(1) the relationship of the project or class of projects to overall regional development including its location in an area determined by the State to have a significant potential for growth;

(2) the population and area to be served by the project or class of projects including the relative per capita income and the unemployment rates in the area;

(3) the relative financial resources available to the State or political subdivisions or instrumentalities thereof which seek to undertake the project;

(4) the importance of the project or class of projects in relation to other projects or classes of projects which may be in competition for the same funds; and

(5) the prospects that the project, on a continuing rather than a temporary basis, will improve the opportunities for employment, the average level of income, or the economic and social development of the area served by the project.

REGIONAL TECHNICAL AND PLANNING ASSISTANCE

SEC. 503. (a) The Secretary is authorized to provide to the Commissions technical assistance which would be useful in aiding the Commissions to carry out their functions under this Act and to develop recommendations and programs. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government, or through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under con-

tracts entered into for such purposes, or through grants-in-aid to the Commissions. The Secretary, in his discretion, may require the repayment of assistance provided under this subsection and prescribe the terms and conditions of such repayment.

(b) For the period ending on June 30 of the second full Federal fiscal year following the date of enactment of this Act, the administrative expenses of each Commission may be paid by the Federal Government on such terms and conditions as the Secretary may approve. Thereafter, not to exceed 50 per centum of such expenses may be paid by the Federal Government. In determining the amount of the non-Federal share of such costs or expenses, the Secretary shall give due consideration to all contributions both in cash and in kind, fairly evaluated, including but not limited to space, equipment, and services.

(c) There is hereby authorized to be appropriated \$15,000,000 annually for the purposes of this section.

TITLE VI—ECONOMIC DEVELOPMENT ADMINISTRATOR

ADMINISTRATOR FOR ECONOMIC DEVELOPMENT

SEC. 601. There shall be appointed by the President, by and with the advice and consent of the Senate, an Administrator for Economic Development in the Department of Commerce, who shall receive compensation at the annual rate applicable to level V of the Federal Executive Salary Act of 1964. The Administrator shall perform such duties in the execution of this Act as the Secretary may assign.

ADVISORY COMMITTEE ON REGIONAL ECONOMIC DEVELOPMENT

SEC. 602. The Secretary shall appoint a National Public Advisory Committee on Regional Economic Development which shall consist of twenty-five members and shall be composed of representatives of labor, management, agriculture, State and local governments, and the public in general. From the members appointed to such Committee the Secretary shall designate a Chairman. Such Committee, or any duly established subcommittee thereof, shall from time to time make recommendations to the Secretary relative to the carrying out of his duties under this Act. Such Committee shall hold not less than two meetings during each calendar year.

CONSULTATION WITH OTHER PERSONS AND AGENCIES

SEC. 603. (a) The Secretary is authorized from time to time to call together and confer with any persons, including representatives of labor, management, agriculture, and government, who can assist in meeting the problems of area and regional unemployment or underemployment.

(b) The Secretary may make provision for such consultation with interested departments and agencies as he may deem appropriate in the performance of the functions vested in him by this Act.

TITLE VII—MISCELLANEOUS

POWERS OF SECRETARY

SEC. 701. In performing his duties under this Act, the Secretary is authorized to—

- (1) adopt, alter, and use a seal, which shall be judicially noticed;
- (2) hold such hearings, sit and act at such times and places, and take such testimony, as he may deem advisable;
- (3) request directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics needed to carry out the purposes of this Act; and each department, bureau, agency, board, commission, office, establishment or instrumentality is authorized to furnish such information, suggestions, estimates, and statistics directly to the Secretary;
- (4) under regulations prescribed by him, assign or sell at public or private sale, or otherwise dispose of for cash or credit, in his discretion and upon such terms and conditions and for such consideration as he shall determine to be reasonable, any evidence of debt, contract, claim, personal property, or security assigned to or held by him in connection with loans made or evi-

dences of indebtedness purchased under this Act, and collect or compromise all obligations assigned to or held by him in connection with such loans or evidences of indebtedness until such time as such obligations may be referred to the Attorney General for suit or collection;

(5) further extend the maturity of or renew any loan made or evidence of indebtedness purchased under this Act, beyond the periods stated in such loan or evidence of indebtedness or in this Act, for additional periods not to exceed ten years, if such extension or renewal will aid in the orderly liquidation of such loan or evidence of indebtedness;

(6) deal with, complete, renovate, improve, modernize, insure, rent, or sell for cash or credit, upon such terms and conditions and for such consideration as he shall determine to be reasonable, any real or personal property conveyed to, or otherwise acquired by, him in connection with loans made or evidences of indebtedness purchased under this Act;

(7) pursue to final collection, by way of compromise or other administrative action, prior to reference to the Attorney General, all claims against third parties assigned to him in connection with loans made or evidences of indebtedness purchased under this Act. This shall include authority to obtain deficiency judgments or otherwise in the case of mortgages assigned to the Secretary. Section 3709 of the Revised Statutes, as amended (41 U.S.C. 5), shall not apply to any contract of hazard insurance or to any purchase or contract for services or supplies on account of property obtained by the Secretary as a result of loans made or evidences of indebtedness purchased under this Act if the premium therefor or the amount thereof does not exceed \$1,000. The power to convey and to execute, in the name of the Secretary, deeds of conveyance, deeds of release, assignments and satisfactions of mortgages, and any other written instrument relating to real or personal property or any interest therein acquired by the Secretary pursuant to the provisions of this Act may be exercised by the Secretary or by any officer or agent appointed by him for that purpose without the execution of any express delegation of power or power of attorney;

(8) acquire, in any lawful manner, any property (real, personal, or mixed, tangible or intangible), whenever deemed necessary or appropriate to the conduct of the activities authorized in sections 201, 202, 301, 403 and 503 of this Act;

(9) in addition to any powers, functions, privileges, and immunities otherwise vested in him, take any and all actions, including the procurement of the services of attorneys by contract, determined by him to be necessary or desirable in making, purchasing, servicing, compromising, modifying, liquidating, or otherwise administratively dealing with or realizing on loans made or evidences of indebtedness purchased under this Act;

(10) employ experts and consultants or organizations therefor as authorized by section 15 of the Administrative Expenses Act of 1946 (5 U.S.C. 55a), compensate individuals so employed at rates not in excess of \$100 per diem, including travel time, and allow them, while away from their homes or regular places of business, travel expenses (including per diem in lieu of subsistence) as authorized by section 5 of such Act (5 U.S.C. 73b-2) for persons in the Government service employed intermittently, while so employed: *Provided, however,* That contracts for such employment may be renewed annually;

(11) sue and be sued in any court of record of a State having general jurisdiction or in any United States district court, and jurisdiction is conferred upon such district court to determine such controversies without regard to the amount in controversy; but no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against the Secretary or his property. Nothing herein shall be construed to except the activities under this Act from the application of sections 507(b) and 2679 of title 28, United States Code, and of section 367 of the Revised Statutes (5 U.S.C. 316); and

(12) establish such rules, regulations, and procedures as he may deem appropriate in carrying out the provisions of this Act.

SAVINGS PROVISIONS

SEC. 702. (a) No suit, action, or other proceeding lawfully commenced by or against the Administrator or any other officer of the Area Redevelopment Administration in his official capacity or in relation to the discharge of his official duties under the Area Redevelopment Act, shall abate by reason of the taking effect of the provisions of this Act, but the court may, on motion or supplemental petition filed at any time within twelve months after such taking effect, showing a necessity for the survival of such suit, action, or other proceeding to obtain a settlement of the questions involved, allow the same to be maintained by or against the Secretary or the Administrator or such other officer of the Department of Commerce as may be appropriate.

(b) Except as may be otherwise expressly provided in this Act, all powers and authorities conferred by this Act shall be cumulative and additional to and not in derogation of any powers and authorities otherwise existing. All rules, regulations, orders, authorizations, delegations, or other actions duly issued, made, or taken by our pursuant to applicable law, prior to the effective date of this Act, by any agency, officer, or office pertaining to any functions, powers, and duties under the Area Development Act shall continue in full force and effect after the effective date of this Act until modified or rescinded by the Secretary or such other officer of the Department of Commerce as, in accordance with applicable law, may be appropriate.

TRANSFER OF FUNCTIONS AND EFFECTIVE DATE

SEC. 703. (a) The functions, powers, duties, and authorities and the assets, funds, contracts, loans, liabilities, commitments, authorizations, allocations, and records which are vested in or authorized to be transferred to the Secretary of the Treasury under section 29(b) of the Area Redevelopment Act, and all functions, powers, duties, and authorities under section 29(c) of the Area Redevelopment Act are hereby vested in the Secretary.

(b) Any appropriations available to the Secretary for the purposes of the Area Redevelopment Act on or after the date of enactment of this Act shall be available for the purposes of this Act.

(c) In the event that the Administrator required by this Act to be appointed by and with the advice and consent of the Senate shall not have entered upon office on the effective date of this Act, the President may designate a person to act in such office until the office is filled as provided in this Act or until the expiration of the first period of sixty days following said effective date, whichever shall first occur. While so acting such persons shall receive compensation at the rate provided by this Act for such office.

(d) The provisions of this Act shall take effect upon enactment unless herein explicitly otherwise provided.

SEPARABILITY

SEC. 704. Notwithstanding any other evidence of the intent of Congress, it is hereby declared to be the intent of Congress that if any provision of this Act, or the application thereof to any persons or circumstances, shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this Act or its application to other persons and circumstances, but shall be confined in its operation to the provision of this Act, or the application thereof to the persons and circumstances, directly involved in the controversy in which such judgment shall have been rendered.

APPLICATION OF ACT

SEC. 705. As used in this Act, the terms "State", "States", and "United States" include the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.

ANNUAL REPORT

SEC. 706. The Secretary shall make a comprehensive and detailed annual report to the Congress of his operations under this Act for each fiscal year beginning with the fiscal year ending June 30, 1966. Such report shall be printed and shall be transmitted to the Congress not later than January 3 of the year following the fiscal year with respect to which such report is made.

USE OF OTHER FACILITIES

SEC. 707. (a) To the fullest extent practicable in carrying out the provisions of this Act the Secretary shall use the available services and facilities of other agencies and instrumentalities of the Federal Government, but only with their consent and on a reimbursable basis. The foregoing requirement shall be implemented by the Secretary in such a manner as to avoid the duplication of existing staffs and facilities in any agency or instrumentality of the Federal Government. The Secretary is authorized to delegate to the heads of other departments and agencies of the Federal Government any of the Secretary's functions, powers, and duties under this Act as he may deem appropriate, and to authorize the redelegation of such functions, powers, and duties by the heads of such departments and agencies.

(b) Departments and agencies of the Federal Government shall exercise their powers, duties, and functions in such manner as will assist in carrying out the objectives of this Act.

(c) Funds authorized to be appropriated under this Act may be transferred, with the approval of the Director of the Bureau of the Budget, between departments and agencies of the Government, if such funds are used for the purposes for which they are specifically authorized and appropriated.

APPROPRIATION

SEC. 708. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act. Appropriations authorized under this Act shall remain available until expended unless otherwise provided by appropriations acts.

PENALTIES

SEC. 709. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any financial assistance under section 101, 201, 202, or 403 or any extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the Secretary, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

(b) Whoever, being connected in any capacity with the Secretary, in the administration of this Act (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to him or pledged or otherwise entrusted to him, or (2) with intent to defraud the Secretary or any other body politic or corporate, or any individual, or to deceive any officer, auditor, or examiner, makes any false entry in any book, report, or statement of or to the Secretary, or without being duly authorized draws any order or issues, puts forth, or assigns any note, debenture, bond, or other obligation, or draft, bill of exchange, mortgage, judgment, or decree thereof, or (3) with intent to defraud participates or shares in or receives directly or indirectly any money, profit, property, or benefit through any transaction, loan, grant, commission, contract, or any other act of the Secretary, or (4) gives any unauthorized information concerning any future action or plan of the Secretary which might affect the value of securities, or having such knowledge invests or speculates, directly or indirectly, in the securities or property of any company or corporation receiving loans, grants, or other assistance from the Secretary, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

EMPLOYMENT OF EXPEDITERS AND ADMINISTRATIVE EMPLOYEES

SEC. 710. No financial assistance shall be extended by the Secretary under section 101, 201, 202, or 403 to any business enterprise unless the owners, partners, or officers of such business enterprise (1) certify to the Secretary the names of any attorneys, agents, and other persons engaged by or on behalf of such business enterprise for the purpose of expediting applications made to the Secretary for assistance of any sort, under this Act, and the fees paid or to be paid to any such person; and (2) execute an agreement binding such business enterprise, for a period of two years after such assistance is rendered by the Secretary

to such business enterprise, to refrain from employing, tendering any office or employment to, or retaining for professional services, any person who, on the date such assistance or any part thereof was rendered, or within one year prior thereto, shall have served as an officer, attorney, agent, or employee, occupying a position or engaging in activities which the Secretary shall have determined involve discretion with respect to the granting of assistance under this Act.

PREVAILING RATE OF WAGE AND FORTY-HOUR WEEK

SEC. 711. All laborers and mechanics employed by contractors or subcontractors on projects assisted by the Secretary under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5), and very such employee shall receive compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be. The Secretary shall not extend any financial assistance under section 101, 201, 202, or 403 for such a project without first obtaining adequate assurance that these labor standards will be maintained upon the construction work. The Secretary of Labor shall have, with respect to the labor standards specified in this provision, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 133z-15), and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c).

RECORD OF APPLICATIONS

SEC. 712. The Secretary shall maintain as a permanent part of the records of the Department of Commerce a list of applications approved for financial assistance under section 101, 201, 202, or 403, which shall be kept available for public inspection during the regular business hours of the Department of Commerce. The following information shall be posted in such list as soon as each application is approved; (1) the name of the applicant and, in the case of corporate applications, the names of the officers and directors thereof, (2) the amount and duration of the loan or grant for which application is made, (3) the purposes for which the proceeds of the loan or grant are to be used, and (4) a general description of the security offered in the case of a loan.

RECORDS AND AUDIT

SEC. 713. (a) Each recipient of assistance under this Act shall keep such records as the Secretary shall prescribe, including records which fully disclose the amount and the disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance is given or used, and the amount and nature of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient that are pertinent to assistance received under this Act.

CONFORMING AMENDMENT

SEC. 714. All benefits heretofore specifically made available (and not subsequently revoked) under other Federal programs to persons or to public or private organizations, corporations, or entities in areas designated by the Secretary as "redevelopment areas" under section 5 of the Area Redevelopment Act, are hereby also extended, insofar as practicable, to such areas as may be designated as "redevelopment areas" or "economic development centers" under the authority of sections 401 or 403 of this Act: *Provided, however,* That this section shall be not construed as limiting such administrative discretion as may have been conferred under any other law.

OPENING REMARKS ON H.R. 6991 BEFORE THE HOUSE PUBLIC WORKS COMMITTEE
BY MR. FALLON ON MONDAY, MAY 10, 1965

The bill named "The Public Works and Economic Development Act of 1965," was introduced by me in the House on March 31. Similar bills have been introduced by other Members of Congress and are also pending before this committee.

The hearings we are starting today promise to be lengthy. We have many witnesses scheduled to testify before the committee, most of them representing every level of government. Interest in this legislation, and especially in what it proposes to do, is especially high throughout the country. Demands for copies of the bill from our committee, within the Congress itself, and from the document rooms by people everywhere, are unprecedented.

Some of the intense interest in this act, I believe, arises from a misconception.

From our correspondence, we know that there is a widespread belief that we are about to smash old precedents or take off on new paths, some of them unmarked and into unknown regions. This is not so.

In the past 10 years, the Congress has engaged in considerable thought and study about the problems of national economic development. We have learned that there are three big basic drags on the national economy, with bad effects on many of our American people.

These are sections of the country which never did share in the national progress and prosperity. Others are areas which have slipped into declines, far below the national standards of economic and social health, over a long period. The third region giving us concern are those threatened with depression by economic or natural conditions over which they have little or no control.

We know, from old and sad experience, that depressions or collapse in any segment of our national life, do not come without warnings. They creep up on us.

The Public Works and Economic Development Act recognizes this completely.

Fortunately, we have accumulated the experience we need. The accelerated public works program has been highly successful. It remedied the problems of unemployment and it stimulated private enterprise. Although it was on a limited geographical basis, it produced splendid blueprints for long-range plans for attacking declining production and payrolls and area rehabilitation.

One of its most important lessons for us is that it costs less to keep people at work and away from public handouts.

This Congress passed the Appalachia Regional Development Act. Already, there is unprecedented enthusiasm and outstanding cooperation between the governing bodies of hamlets, cities, States, and the Federal Government. This alone assures its success.

This act goes even farther. It invites and enlists our private enterprise system to take advantage of the opportunities created for better business by trained workers, restored natural resources, and modern power and transportation facilities.

Its plan is honestly a grassroots program. Every project must come from local people to meet local needs. Every safeguard is here to prevent Federal imposition or Federal decrees.

The Federal Government, however, will demand returns on every Federal dollar invested. Nothing will be approved for Federal aid until the ratio of benefit to cost is proven.

This act does not offer a handout to any region or to any one persons, but it does extend a helping hand.

The CHAIRMAN. First I want to apologize for being late this morning. It was a transportation deficiency rather than mine this morning, although I hate to use excuses. I could have taken an earlier train around 6 o'clock instead of waiting for one at 8:45.

Mr. Secretary, on behalf of the committee, I certainly would like to welcome you this morning.

As I recall, this is your first appearance before the Public Works Committee, and certainly your reputation and background has been heralded ahead of your coming here, and we certainly are honored to have such a distinguished gentleman here this morning.

So, Mr. Secretary, just proceed with your statement in regard to the legislation before the committee this morning.

**STATEMENT OF JOHN T. CONNOR, SECRETARY OF COMMERCE;
ACCOMPANIED BY WILLIAM L. BATT, JR., ADMINISTRATOR,
AREA REDEVELOPMENT ADMINISTRATION; HAROLD W. WIL-
LIAMS, DEPUTY ADMINISTRATOR (ARA); AND THOMAS W.
HARVEY, CHIEF COUNSEL (ARA)**

Senator CONNOR. Thank you very much, Mr. Chairman.

Mr. Chairman, and members of the committee, I have here with me this morning Mr. William L. Batt, Jr., the Administrator of the Area Redevelopment Administration; and Mr. Harold W. Williams, on my right, Deputy Administrator, ARA; and beyond Mr. Batt, Mr. Thomas W. Harvey, Chief Counsel of the ARA.

It is a pleasure to have the opportunity to present testimony before this committee in support of H.R. 6991, the President's proposed Public Works and Economic Development Act of 1965.

With your permission, because of the length and complexity of this bill, I should like to give essentially the same statement in support of this proposed legislation that I gave before the Senate Public Works Committee on April 26. At the conclusion of my testimony, of course, I will be glad to answer questions on any aspect of the bill we are now considering.

The need for H.R. 6991 arises from the fact that many areas and regions in the United States are not keeping up with the Nation's unparalleled economic growth.

We are now in our 50th month of steady economic expansion.

The national unemployment rate is at its lowest point in 7 years, although it is still too high at 4.9 percent. As a matter of fact, unemployment among teenagers last month was 15 percent, and among non-white girls, 29 percent.

In another month, these rates will increase with the flood of high school students entering the labor market, many of them seeking permanent jobs.

Still, every month sees new records set in industrial production, gross national product, factory payrolls, total employed, and average income.

But in many areas and regions of our Nation, as among certain groups of our population, these impressive, continuing achievements of our total national economy only serve to highlight the chronic failure of many parts of our country to share in the prosperity of the whole.

For example, the Nation's 100 hardest hit unemployment areas, in 28 States, had an annual average unemployment rate in 1964 of 13.6 percent, or more than 2½ times the national average.

At the same time, the hardest hit rural areas, on the basis of the 1960 census figures, typically had incomes of less than one-third of the national median, which amounts to less than \$1,900 a year on which to support a family. Individual counties had much lower figures. For example, the 100 poorest counties, as a whole, had median family incomes ranging from \$1,260 to \$1,766, or nearly 70 percent below the national average of \$5,660.

Moreover, because many of these distressed areas are characteristically clustered together, they often form what can be considered as

districts and regions of economic distress, covering large portions of our country which have fallen behind economically.

We cannot afford to be complacent about this situation. One out of every five Americans live in an area where economic opportunities are deficient. One out of every four American counties can be identified as having serious economic problems.

As the President emphasized in his message on area and regional economic development, we must be concerned when—

any of our fellow citizens is denied the chance to build a full life for himself and his family.

To the people of an area suffering from economic distress, the meaning of that distress is abundantly clear: it usually means poor environment, poor health and sanitation facilities, poor clothing, less chance for an adequate education, inadequate food, and substandard housing.

To the people of other areas, the meaning of area economic distress may not be as clear, but it is just as real. It means fewer customers for their products. It means larger tax payments to make up for the smaller tax receipts from the distressed areas and to pay the costs of welfare and similar emergency programs. It means that our Nation's economic growth is being held back by our inability to use the full potential of our national resources.

The Congress has not been unmindful of these considerations. In 1961, recognizing that substantial unemployment and underemployment were causing hardship to many individuals and families and detracting from the national welfare, it passed the original Area Redevelopment Act to assist in the creation of new employment in the depressed areas. We learned much from this act, and it laid the groundwork for three other measures of great promise.

Among other things, we learned that while it is possible for new jobs to be successfully created in areas previously devoid of economic promise, it cannot be done easily, and it requires a great deal of preparation in terms of public service and development facilities. These are the minimum public facilities required for the long-range economic improvement of an area, if it is to be capable of producing sustained industrial and commercial growth. We have also learned that there are substantial benefits for other areas when economic development begins in a depressed area. For example, a recent survey of the source of nearly \$52,500,000 worth of machinery and equipment purchased for certain major ARA projects, showed that significant portions of that total expenditure went to each of 45 different States. There is good reason to believe that this multiplier effect of new area and regional development spreads throughout the economy and provides immediate and tangible benefits for the Nation as a whole.

The three other Federal enactments which grew out of needs brought to light by the distressed areas problem were the Manpower Development and Training Act of 1962, the Public Works Acceleration Act, passed the same year, and the Appalachian Regional Development Act of 1965.

Of these measures, only the manpower development and training program and the Appalachian regional development program will continue to be in effect after June 30, 1965. The Area Redevelopment Act will expire on June 30 and has virtually exhausted its authorizations. The Public Works Acceleration Act program has exhausted all

of its appropriated funds and nearly all of its authorization. Yet, as President Johnson emphasized in his message of March 25, much remains to be done. It is for that reason that he has proposed a bill combining the best features of the previous related programs.

By "best features," I mean that the proposed Public Works and Economic Development Act contains three primary areas of emphasis, each based upon valuable knowledge and experience gained under a previous program of enactment. These areas of emphasis include the following:

First, the provision of \$250 million annually for the sorely needed public works and development facility projects which both the APW and the ARA programs have shown to be prerequisites for successful and sustained industrial and commercial development.

Second, an improved and expanded industrial, commercial, and development facility loan program, based upon the provisions of the Area Redevelopment Act, but including new authority to guarantee loans for working capital in connection with direct loan projects, and to provide assistance in the form of two-point interest rate rebate contracts to induce sounder firms to establish their new plants or expansions in redevelopment areas. A total annual authorization of \$170 million is provided for all types of loans and guarantees in order to insure maximum flexibility. In addition, new annual interest-rebate contracts are authorized which cannot exceed \$5 million annually.

Third, authority is contained in the bill to take advantage of the possibility of more effective economic development and redevelopment when counties and States having common economic problems and common interests are encouraged to unite in seeking common solutions with Federal help, as was done under the recent Appalachian Regional Development Act.

The development facility grant program, set forth in title I, includes authority for both direct and supplementary grants, for the acquisition and construction of needed public works and public service facilities directed toward long-range economic development. Direct grants would be provided at 50 percent of project cost, and supplementary grants would be used to increase the Federal share of the cost of such projects, and of related projects under other Federal grant-in-aid programs, to a maximum of 80 percent of project cost. The purpose of the supplementary grants, as in the Appalachian Act, is to enable the States and other entities within depressed areas to take advantage of Federal grant-in-aid programs for which they are eligible, but for which because of their economic situation, they are unable to supply the required matching share.

It would be our intention to publish objective standards and regulations, setting forth the principal types of projects which would be eligible for assistance and the amount of assistance they might expect to receive within each classification of distressed area, similar to the procedure followed under the accelerated public works program.

Title I would differ from the APW program, which was essentially a supplementary grant program, principally in requiring a relationship of the proposed project to general economic development, and in concentrating Federal assistance within areas of chronic or severe—rather than temporary—distress. The new program would differ

from both the ARA and APW programs in also making grants available to designated economic development centers, located within multi-county districts, which I will discuss in connection with title IV.

We believe that the authorization figure of \$250 million annually for development facility grants is both adequate and realistic. While \$400 to \$450 million was obligated under the accelerated public works program in 1963 and 1964, this was a one-time effort designed for immediate stimulation of the economy as contrasted to the present \$250 million authorization available each year. Moreover, by requiring development projects to be related to the general economic development of the area and concentrating assistance where it will have the maximum economic benefit for areas in greatest need, Federal assistance can be used more efficiently and to better effect for long-term growth.

The development facility loan program under title II is necessary to provide funds to assist the local nongrant share of project cost, particularly in those cases where supplementary grants can be reduced by revenues produced by the facility itself.

The business loan program contained under the same title is of vital importance if we are to provide not only the environmental facilities necessary to future economic development, but also the means by which new businesses can be established—or old businesses expanded—to take immediate advantage of the development facilities provided and to create the new industrial and commercial employment which is the fundamental and underlying purpose of the act.

As I have mentioned, the business loan program would provide not only direct financial assistance for the acquisition and construction of new land, buildings, machinery, and equipment, but also guarantees for working capital for projects assisted under the direct loan program.

In addition, the new interest rate rebate provision would provide a new means of bringing more stable and promising business enterprises, which are able to obtain private financing, into depressed areas. While the cost to the Federal Government of this inducement is relatively small, and does not require the outlay of large sums from the Federal Treasury, the \$5 million in new contracts authorized annually would enable the financing of \$250 million worth of industrial expansion in redevelopment areas each year.

The 10-percent local share requirement, which proved to be the greatest single impediment to business loan projects under the ARA program, has been modified under the new program to require only 5 percent from the community, and to allow concurrent repayment of the community's investment along with the Federal Government's loan. It is anticipated that this new provision will greatly increase our ability to bring new projects into areas of greatest distress.

All funds appropriated under the new act for the purpose of making loans would be deposited in an economic development revolving fund, which would be available without fiscal year limitations for receipts and expenditures in connection with the development facility and business loan programs.

Title III of the bill would provide \$20 million annually for technical assistance in the development of plans and studies for the alleviation of unemployment and underemployment in areas throughout the country which have substantial need for such assistance. It would

also authorize grants-in-aid, not exceeding 75 percent, for administrative expenses of appropriate State and intrastate organizations, in order to assist them in planning for long-range economic development. A program of research and information to combat unemployment is also authorized under this title.

Title IV sets out area and district eligibility criteria under the proposed new act. Section 401 of this title establishes detailed and objective standard for the designation of eligible "redevelopment areas" on the basis of unemployment, low family income, and projected unemployment based on economic emergencies.

In addition, Indian reservations would be specifically eligible for designation in accordance with area-size criteria applicable to all areas; and areas designated under the present Area Redevelopment Act would continue to be eligible for a period of approximately 1 year until a first annual review of area eligibility in accordance with section 402.

It should be noted that the use of annual rather than monthly unemployment data will not only facilitate the orderly administration of the program and allow for greater accuracy of data by the elimination of seasonal factors, but will also permit a greater period of time for economic improvement within the eligible areas prior to their formal termination of eligibility for assistance.

Finally, title IV makes provision for the formation of multicounty "economic development districts," composed of two or more redevelopment areas and at least one "economic development center" of relatively promising potential for economic growth. Such centers would be eligible for loan and grant assistance under the act for projects which would be of benefit to the general economic development of the district.

To provide additional incentive to designated redevelopment areas to form such district, they would be eligible for 10-percent bonuses on development facility grants—subject to the 80-percent Federal maximum—on projects within designated development districts. To allow time for effective planning, the provisions of the act pertaining to financial assistance to districts would not take effect for a period of 1 year. The availability of funds for planning purposes under title III, however, would be immediate. A total of \$50 million annually would be authorized for assistance to centers and for 10-percent bonuses on grants after the first year.

Another main feature of the new bill, of course, is the provision of title V, which authorizes the establishment of appropriate multistate Regional Action Planning Commissions to aid in regional economic development. It is our intention to insure that the Commissions are formulated in a manner consistent with the purposes of the act, and that their emphasis will be on fostering economic development in areas and regions lagging behind the national economy generally.

Title V authorizes a total of \$15 million annually for technical assistance to such regions and for grants-in-aid up to 100 percent of the administrative expenses of the Commissions for the first 2 years of their existence. Thereafter, the Federal Government and the States in each Commission would share expenses equally.

Title VI authorizes the appointment of an Economic Development Administrator within the Department of Commerce, to perform duties

in connection with the economic development program. It also directs the Secretary to appoint a National Public Advisory Committee on Regional Economic Development and to consult with persons and agencies who can assist in meeting problems of area and regional unemployment and underemployment.

Finally, title VII contains the provisions customary and necessary for the administration of this type of program. It provides the Secretary with certain powers in connection with loans and collateral, and is intended to insure a smooth transition between the area redevelopment program and the program authorized under the new act.

The other provisions of title VII are substantially the same as under the Area Redevelopment Act, except that the provisions of the Davis-Bacon Act have been applied to industrial and commercial projects as well as to public facility projects, and there is a final section intended to extend benefits available to present redevelopment areas, designated under the Area Redevelopment Act, to redevelopment areas and centers designated under the new act.

It would be well at this point for me to emphasize the three basic principles laid down by the President in his message to Congress, and which I want to assure you will guide us in the conduct of this new program.

First, we are interested in helping to establish the conditions under which private enterprise can provide the maximum number of jobs for our distressed areas. We look to private enterprise to do the job, and everything we do under this program will be pointed toward helping local, area, State, and regional officials provide the environment and the assistance which will create improved conditions for private enterprise profits, and thereby make it possible for more jobs to be created.

Second, we are interested in local initiative. No amount of Federal help can do the job for the local people. As the President has said, the requests for assistance must come to Washington, not from Washington. We want local areas to be stronger and more self-supporting because of this program, not weaker and more reliant on outside help.

Third, we are interested in getting full value from every dollar spent or loaned under this program. We intend to administer it so that it will create new jobs, assist national and regional economic growth, and at the same time enrich the Federal Treasury with new tax dollars arising out of our increased economic activity.

To these principles I wish to add a few of my own:

First, we will see to it that the new employment created under this program constitutes truly new jobs and not a mere relocation of jobs from one area to another. We will police the antipirating provisions of the law stringently. We will go over every application thoroughly and meticulously to see to it that no relocation is involved, and this applies equally to requests for all forms of aid under the act.

Moreover, we are not only concerned with guarding against relocations of the same business. We are also concerned where there is excess capacity in an industry and where the effect of a new capacity would be to replace effective existing capacity. Our goal will be to assist and promote the economic growth of those areas and regions where this growth has been denied in the past. But we do not intend to take from one area to benefit another.

Second, we will be diligent and careful in the administration of the loan and grant program. We recognize that a development program requires the taking of risks which go beyond conventional banking standards. We recognize that we must be prepared to suffer some monetary losses. But we do not intend to allow the unscrupulous or the irresponsible to promote or finance unsound projects under this program. We will examine every project as thoroughly and completely and objectively as possible.

Third, we look upon the new public works and development facilities program as geared primarily toward the long-range economic development of the distressed areas. A massive public works program to bolster a sagging national economy is, fortunately, not needed at the present time.

Fourth, we intend to try our best to administer this program as simply, expeditiously, and economically as is practicable. Consistent with proper care and caution, we will try to eliminate unnecessary delays and needless redtape.

The President has said that the conditions of our depressed areas can and must be righted and that, in this generation, they will be righted. The bill before you will, in my opinion, provide effective and useful tools to achieve the goal the President has set for us. I urge the committee to approve this proposed legislation.

The CHAIRMAN. Thank you, Mr. Secretary.

That is a very concise statement here this morning on a big job that lies ahead for not only this committee, but people who are to administer it.

Secretary CONNOR. Thank you, sir.

The CHAIRMAN. Mr. Blatnik, do you have any questions of the Secretary?

Mr. BLATNIK. I want to join the chairman, of course, in thanking the Secretary for a very effective and concise statement on a very complex and involved and diverse subject.

(Statement of Mr. Blatnik follows:)

STATEMENT OF CONGRESSMAN BLATNIK ON H.R. 6991 AND RELATED BILLS

Today we begin hearings on a measure of vital importance to the citizens of more than 1,000 economically distressed areas in our country—the Public Works and Economic Development Act of 1965.

The legislation under consideration combines under a coordinated administration the provisions of the successful Accelerated Public Works Act, the major provisions of the Area Redevelopment Act, and the regional development approach of the Appalachian Development Act applied to other areas.

The key elements of H.R. 6991 and related bills have been tested and proven during the past 4 years and are demonstrably effective tools in the task of bringing progress to our distressed areas.

The Area Redevelopment Act is the first successful step in the economic redevelopment concept, as well as in developing new methods for revitalizing local and regional economies. Since the act was passed in 1961, it has helped to create 115,000 new jobs. ARA, as of March 31, 1965, had approved 550 financial assistance projects for a total of \$268 million. Under the ARA training program, soon to become an official part of the Manpower Development and Training Act, over 41,000 jobless persons have been trained, and 75 percent of these have found jobs as a result.

In my own State, ARA has had a clear, positive effect toward economic revitalization. The number of projects and dollars invested are not the sole criteria for measuring a program's effectiveness, but, nevertheless, I think it reveals the widespread impact of the program.

Our State executive council has approved 22 loans amounting to nearly \$870,000 for industries either expanding or locating in the northern areas of Minnesota. The Federal Government provided \$2.9 million and local and private funds amounted to \$702,000. These industrial projects are in the fields of agricultural products, industrial machine shops, forest products, recreational businesses, textile products, plastic and fiber glass products and businesses that serve taconite mining operations. ARA has contributed \$2.8 million in 21 of these projects that involve an employment potential of 555 persons. The total investment in ARA projects is \$4.4 million. There are also three public facility loan and grant projects representing a total investment of \$6.4 million of which ARA has authorized \$3.2 million. In addition, our northern areas have received approval of 27 technical assistance projects at a cost of \$1.6 million to study the feasibility of new iron ore reduction processes on low-grade ores, an intensive exploration of new commercial transportation systems and their possible implementation, as well as other, similar projects designed to diversify the industry of northern Minnesota.

The ARA has created 755 new jobs and directly related employment in my own district, totaling 14,114 man-months of work.

The ARA has been a promising start toward the revitalization of distressed economies. We have learned that such a program can make a big difference in helping communities to help themselves.

H.R. 6991 and related bills are the logical successors to this pioneering program. These bills recognize that economic development takes place at many different levels and requires help at all of them. There is the local economic development center; there is the redevelopment area (which is usually a county, or a labor market, or a city of 250,000 or more); there is the multicounty economic development district; and there is the multi-State action planning region.

The new program provides considerably more by way of grants for facilities which support economic development than did the ARA program. A total of \$250 million annually is authorized for grants, in contrast to the \$75 million for grants over a 4-year period under ARA.

The new program will also be easier to administer since many administrative criteria have been simplified. And, most important, it will be possible to concentrate help in areas of the greatest need.

I believe it is extremely important that we move ahead with H.R. 6991 in meeting the problems involving wasted human and natural resources. Until our Nation's cities, regions, and States have successfully mastered the problems of adequate transportation, access to raw materials, abundant and low-cost power, natural resource preservation and industrial development, the full potential of America's dynamic economy will not be realized for too many of our citizens.

President Johnson has emphasized that this new bill is not simply an economic program. "It has a call," he said, "upon the moral conscience of every American citizen * * *. These conditions of our depressed areas can and must be righted. In this generation they will be righted."

It is the purpose of H.R. 6991 and related bills to provide the economic opportunities to create new jobs and new hope. Let us continue in this most worthwhile cause.

Mr. BLATNIK. Mr. Secretary, the ARA program is just 4 years old now; is that not correct?

Secretary CONNOR. Yes, sir; just about.

Mr. BLATNIK. It went into effect around the first of May 1961.

You mentioned, on page 3 of your statement, "We have learned much from this act," the Area Redevelopment Act, "and it laid the groundwork for three measures of great promise."

Would it be possible for you and your assistants to give sort of a verbal summary, which I would like to have amplified in further detail, on what were the successful aspects for operations of the Area Redevelopment Act, and, of even more interest, what were deficiencies in the original act, limitations, or impediments or omissions through inadvertent omissions? So that we may come up with a more refined, more effective piece of legislation now before this committee.

Secretary CONNOR. Mr. Blatnik, on the whole, we think the Area Redevelopment Act was successful in its concept and in its administration. There are many new industries giving large numbers of jobs to people who needed them as a result of that act. But, of course, there were some failures in the projects. We would be glad to supply for the record a list of these failures if the committee desires.

(At this point, Mr. Blatnik assumed the chair.)

Secretary CONNOR. As a matter of judgment, I have reviewed them and I think the number of failures in the Area Redevelopment Act program is surprisingly small considering the type of risks that had to be taken in order to assure the carrying out of the objectives of the act.

There were certain deficiencies revealed in the law as a result of our working with it and we have done our best to propose some changes in the administrative features of the new law in order to correct those deficiencies.

One deficiency was the absence of any authority to assist working capital need in a particular project. This proved to be a great handicap in many specific situations.

Another was the requirement of a 10-percent local participation. It was our experience that some of the projects in the areas of most distress, which undoubtedly could have helped relieve that distress, were barred because of that 10-percent requirement. In an area of great distress, even 10 percent of the project amount in a large project is beyond the capacity and financial resources of some communities.

So we are suggesting the provision of a smaller percentage; namely, 5 percent. And in certain cases, we are requesting that this be waived completely, if this particular project in this particular area is of sufficient importance to be supported by the Federal Government.

Mr. Batt, of course, has had much more experience with this program than I have and he may wish to amplify my statement on your question.

Mr. BATT. Mr. Chairman, we found a very definite need for appealing to stronger concerns. Under the act, if a concern is able to get its financing from any private source, it cannot come to us. The result of this has been to focus the benefits of the act on weaker concerns and new concerns with no earnings' experience and to foreclose our ability to help strong companies, which are able to obtain private financing.

This has led to the suggestion for two-point interest subsidies to companies which obtain their financing from non-Government sources and still locate within redevelopment areas.

This will permit us, with new contracts not to exceed \$5 million annually, to finance a total of \$250 million annually in loans and to open up additional private financing in these areas.

The other area which you referred to in your question, was what experience in ARA led to the formulation of these other acts, and of course the training section of the ARA was the nest egg out of which the Manpower Development and Training Act was born, just as section 7 and 8 under ARA were the basis in some part for the accelerated public works program, which this committee and you, sir, had such a large part in making into the law of the land.

The best features of all of these are included in the new act.

Secretary CONNOR. Mr. Chairman, just to amplify this a little bit more—

Mr. BLATNIK. Mr. Secretary.

Secretary CONNOR. There is in the President's message of March 25, 1965, a concise summary of some of these experiences, and they are summarized as follows:

First, ARA has shown that helping businessmen to expand or to build new plants, coupled with financial assistance to provide needed public facilities, can produce new jobs. As of January 31, 1965, the Area Redevelopment Administration had approved 548 projects, of which over 300 were in rural areas. These projects have and will assist in the creation of over 115,000 jobs.

According to a recent study, more than three out of every four persons now working on ARA-assisted projects were not working full time prior to their present jobs. All of these jobs were in new, expanded, or restored facilities.

Second, ARA has shown that the cost to the Government of creating these jobs is less than the cost of supporting these workers and their families through public assistance programs.

It has been estimated that taking into account all outlays, the average nonreturnable one-time cost to the Federal Government for each job is about \$800.

More than this is saved in not having to pay unemployment compensation and welfare benefits to persons employed as a result of ARA activities.

The cost is made once. The benefits continue as long as the jobs last.

Third, the ARA has shown the people in our communities will work together in economic self-help programs. Under the area redevelopment program, more than 1,000 local committees have been formed to work on overall economic development programs. Some of the programs are producing dividends without any other Federal aid whatsoever.

Fourth, ARA has shown that counties can be advantageously grouped together to promote cooperation on problems of mutual economic interest.

Mr. BLATNIK. You made a very important point in your summary, Mr. Secretary.

It is my contention that it would be much more prudent to spend money, rather smaller amounts of money, to try to put them to work, at least partially successfully, to keep them employed, rather than to keep them for a prolonged time on relief.

There are people who say, "Oh, we can't afford a program." If I recall the figures, the total relief, welfare, unemployment, total cost to the economy, to the private sector, to the local public, to the State level public expenditures and Federal expenditures, I believe came close to \$5 billion a year.

Now, a good deal of those could not have been avoided; those that are disabled, widows, dependent children, those that are ill, and so forth. But a good part of that money could be used to put people to work.

That was the thought behind the accelerated public works program, in the short term, to put people to work immediately; at the same time upgrading facilities of their respective communities and

enhance their capabilities, we hope, to be in a better position to induce other industries, small industries, to come in or to encourage the modernization and expansion of existing small industries within the community.

Secretary CONNOR. Well, Mr. Chairman, I think we can all agree to the extent we can, it is better to help people become taxpayers rather than continuous tax eaters.

Mr. BLATNIK. Mr. Secretary, it has been a problem in the program from the experience I have had with it—at the outset I qualify my statement, the men I work with, including the three men at the table here today, I have never seen more dedicated and more devoted, persistent men in the agency.

I feel, though, there were limitations within the act, some due to directives based upon interpretations of authority within the act that were a little too rigid.

I note in your statement on page 13, the second point, your second principle—you will be diligent and careful in the administration of the loan and grant program, et cetera. Certainly it is a very commendable and very necessary objective. But then we get into an overlap with your fourth principle, and I quote:

Fourth, we intend to try our best to administer this program as simply, expeditiously, and economically as is practicable.

Would you or any one of your assistants be able to give us some idea of how long it takes on which type of ARA project, to run through the flow line, or to go through the check points—some call them obstacle stations—between ARA and SBA, which you have the horizontal operations as well as vertical operation, in which you have coordination as well as cooperation and integration, and we would like to know just what phase of the operation.

Secretary CONNOR. Mr. Chairman, I believe Mr. Williams, the Deputy Administrator, is in a better position to tell that.

Mr. WILLIAMS. Mr. Chairman, it is difficult to give an average time, because so many projects vary in complexity. But we have processed projects in as short a time as 2 months, but more often it would take about 6 months. And this is not a figure which we cite to you with any pride. We have constantly worked to try to get it down and we have had our problems with it.

We continue to work at it and pledge to you that this will be a major effort under anything that we have the responsibility for.

I may say, in some explanation of this method, that these loans are not easy loans to make. The Administrator must make a decision there is reasonable assurance of repayment. We cannot look at collateral and make a quick judgment there is a reasonable assurance of payment.

When you do not have collateral to look to, you must then look to the prospects of success of the business. This requires a somewhat more detailed examination of what those prospects are than normal lending procedure would be for a bank. This will then make it inevitable that under any system, it is always going to take longer to approve a loan under this program than it would under a normal banking standard. But we would not say the present time is something we are proud of and we will try to get it back down.

Mr. BLATNIK. What is the paramount role of SBA in this operation, Mr. Williams?

Mr. WILLIAMS. We have delegated to them the responsibility for making field investigations of the financial aspects of the project, principally as they relate to making the determination as to reasonable assurance of repayment. Then they make the recommendation back to the Administrator, who makes the final decision as to whether to approve or not approve the loan.

Mr. BLATNIK. In making their recommendation, we run into this problem: Is it clear within SBA they actually had two roles to play, one is the criteria, much more rigid, of their actual SBA loan program; and the other is the ARA loan and grant type of program where the element of risk must necessarily be accepted as being present—I mean, more consideration must be given to the element of risk.

In short, what I am trying to say, does SBA effectively use two yardsticks or two sets of criteria, one for the regular program, which is more rigid, more clearly defined, spelled out by law and directive; or do they carry on the same rigid procedure, same rigid criteria and yardstick when they evaluate the physical feasibility of ARA's loan program?

Mr. WILLIAMS. This is a matter of judgment in so many cases, and it varies with the individual loan specialist making his report.

Some have understood the fact that the ARA program would have credit criteria which are not quite as rigid as the SBA criteria; others have not.

Mr. BLATNIK. It has been a problem, has it not, in the last several years? Trying to get a meeting of minds on the matter in which—criteria to be used in determining the approval or disapproval of these loan applications for ARA loans?

Mr. WILLIAMS. I think the problem goes to the purpose of the SBA program, which is to help a businessman, and the purpose of the ARA program, which is to help an unemployed person. So that we look upon our role under ARA as trying to become a partner with the businessman in a program to produce more jobs. We look upon ourselves as being very friendly to that businessman.

I think sometimes, under the SBA program, where they look to the businessman as applicant, there is an adversary proceeding. It is up to the businessman to prove to the SBA specialist he deserves a loan; and if he cannot prove it, then he does not get the loan.

But when a businessman comes to us, we are interested in forming a partnership with him to produce more jobs for the unemployed, so we try to take him and work with him and try to help him make a project that would be successful.

I do not think we have been entirely successful in getting this philosophy understood throughout the SBA organization, although many of their people did have it.

Mr. BLATNIK. Some of us have discussed the possibility of having the more streamlined and direct or rifle-shot type of program, making these loans. In short, there would be what we call a junior version, junior modern, up-to-date version of the old RFC, Reconstruction Finance Corporation, whether it be ARA, SBA, or some joint operation between the two, which can more or less bullet-shoot the grants and loans to the respective projects and areas. It would be a compre-

hensive, rather laborious stop-by-stop process, local development committees, State business committees enter into the picture, ARA enters into the picture, SBA's—projects going vertically, horizontally, across the board. So a great deal of time is lost.

I merely mention this, we want to give this whole procedure a great deal of thought and study and scrutiny and evaluation.

Mr. Secretary, would your assistants be able to work out not too complicated but a flowsheet, plus relative time elements, of the steps that a project has to go through?

Truly it has to start with an individual loan, whether it is going to be approved or supported by a local interest, nondevelopment group, whatever it is, approved by the State level. Give us a clear picture of the flow line of the average project, in hopes that we may accomplish what you state on page 5, the second areas to be emphasized, "an improved and expanded industrial, commercial, and development facility loan program."

We want an effective, more expeditious program, and at the same time a sound program.

I think a great deal of time and study and evaluation should, and I hope will, be given to this area.

Secretary CONNOR. Well, Mr. Chairman, we can give you that flowsheet.

And your question prompts me to think perhaps we can set up a schedule comparable to those used in industry now showing the indicated times that are needed for each step of the operation.

I think with the stimulus of target times of that kind, we can eliminate some of these delays.

Mr. BLATNIK. Experience should have given us a better idea why these areas suffer from economic setbacks or why they have been bypassed by the general upward trend of the national economy as a whole. Obviously some of the reasons would be depletion of natural resources, particularly the mining industry area, technology, which displaces industries and starts new ones elsewhere, and automation.

Do you have any statement to make on relative importance of training versus trying to create new jobs or the need for a two-prong attack, both training and additional new jobs?

What I am trying to get at again is the statement that is so often made that there is actually a shortage of skilled workers, implying jobs are apparently available if labor, manpower, and womanpower, were available with the skills and the competence to handle those jobs.

In short, do we have a clear picture of the relative weight that should be given to these two areas; one, training program, and the other, the going grant program to create new jobs?

Secretary CONNOR. Well, Mr. Chairman, we do know that irrespective of economic need, many people prefer to continue to live in the localities where they were born and raised. And in trying to attract industries into those areas, it often happens that a particular industry needs skills that the people in that area do not have, but which can be acquired through training programs.

I think Mr. Batt can give us some evaluation of the relative importance of the two factors that you have mentioned.

Mr. BATT. Mr. Chairman.

Mr. BLATNIK. Mr. Batt.

Mr. BATT. We have found, I think, over the past 4 years, that you need both. You need to train people to upgrade their skills for jobs that are in these areas—even in some of the most depressed areas, like your Minnesota iron range, which particularly in service occupations may be available. Then you need training to upgrade their skills for great changes which automation is bringing about, as in the iron industry, from depleted mining to taconite, which is dramatically illustrated in the iron range; and as you know, under ARA training and Manpower Development and Training Act we have helped men, who thought their working life had ended at 45, to learn how to be bulldozer operators and function in the taconite operation.

So you need training for the people themselves, both for those who work in their areas, and for those who out-migrate.

Congress has provided for that training under Manpower Development and Training Act.

At the same time, you have to bring new job opportunities into these areas and it seems to us that neither one nor the other is the exclusive answer.

We have studied the experience of Western Europe. We find that the only country that was doing exclusively training in out-migration was Sweden, and they have just this year added a program of putting plants into their depressed area to help provide jobs for the people they cannot get to move out.

Mr. BLATNIK. So—not relevant, but a side point, on page 5, Mr. Secretary, in your second area of emphasis—

“an improved and expanded industrial, commercial, and development facility loan program, based upon the provisions of the Area Redevelopment Act, but including new authority to guarantee loans for working capital in connection with direct loan projects, and to provide assistance in the form of two-point interest rate rebate contracts to induce sounder firms to establish their new plants or expansions in redevelopment areas.

Would you explain to the committee—I certainly need no more, at least on the elemental reasoning—the two-point interest rate rebate contracts?

Secretary CONNOR. Yes, sir.

Mr. Chairman, it is our experience that unlike new industries that are being formed by local capital, interested in the particular community or locality, many of the large corporations in this country look upon the possible plant site location in an underdeveloped area in relation to other possible plant sites in other areas that may be quite prosperous. Large corporations have facility planning programs, looking many years ahead, to take care of their needs as the business grows and expands.

So when they look at an area where the economic conditions are subnormal, as a possible site for a new plant, this area often has some advantages for them in the form of surplus labor, often including some of the skills of interest to them, and perhaps some water facilities and other resources that are useful. But often there are some economic disadvantages. And all of the advantages and disadvantages in this particular underdeveloped area are totaled and weighed against the advantages and disadvantages in other areas.

The financing of the program is not of much concern to that large corporation as would be the annual operating costs of having a plant

in the locality, because usually such a corporation either has the financial resources itself, or is capable of getting them through its own private resources. So that public financing under this act would not be needed.

But partly as a result of the favorable experiences that have now been had in several European countries, particularly Belgium, but more recently West Germany, where this interest rebate feature has been an incentive to attract corporations to locate new plants in depressed areas, we think this will be a useful experiment.

We can't guarantee that it is going to be used in large numbers of cases, but we think in some important cases, it will be used, and it may very well tip the scales for a very large corporation locating a plant in one of these areas of great concern to us, rather than putting it into an area where it is not needed.

In other words, it helps that corporation in its annual financing charges and it might very well cut down its total operating cost to the point where this would be a real incentive.

Mr. BLATNIK. Mr. Secretary, in addition to this financial inducement to get more reliable industries—that is, industries financially better off—to settle into or to establish operations in distressed areas where it may be some economic disadvantage, how much coordination is there between the operation of ARA under the Department of Commerce and the Defense program on the purchases of common line items, where contracts, similar type of inducements, could be given to industries that are already located in distressed areas or have a large firm establish a branch plant in a distressed area?

Secretary CONNOR. Mr. Batt.

Mr. BLATNIK. Mr. Batt.

Mr. BATT. The nearest thing to that, as you know, Mr. Chairman, is the Defense Manpower Policy No. 4, which was first put out under the Truman administration, and then reissued under President Eisenhower's administration, which provides some preferential treatment for contracts going into areas of labor surplus and a little extra preferential treatment for going into areas of substantial and persistent labor surplus, which is a list provided by the Labor Department, the same list from which we take our so-called 5(a) areas.

I think I would be misleading the committee if I gave you any indication that that has been of tremendous significance in locating defense investment, however, in these depressed areas. I do not think it has. I think other factors have been predominating, although it has helped in some things, like the reactivation of the former naval ordnance plant in Mr. Key's West Virginia, which has reemployed a lot of former coal miners and chemical workers.

Mr. BLATNIK. What is the total dollar authorization in this public works economic piece of legislation before us?

Secretary CONNOR. On the whole, the proposed authorization is \$510 million, of which \$250 million would be provided in title I grants for public works and economic development.

Mr. BLATNIK. On page 7, Mr. Secretary, you stated:

We believe the authorization figure of \$250 million annually for development facilities grants is both adequate and realistic.

As I recall, as recently as last year, was there not a backlog of close to \$400 or \$500 million of some needed justifiable community works facilities on record with your accelerated public works program under the ARA operations?

Secretary CONNOR. Mr. Chairman, the APW program did contain obligations of \$400 million in 1962-63, and \$450 million in 1963-64, but we think that this test in the new act, the economic development test, will rule out many projects that were eligible under APW. We think limiting the eligibility to long-term unemployment and low income areas, which rules out labor surplus areas, will cut down the so-called universe that would be pertinent under this law to about half the size of the APW universe. Hence we think the estimate that approximately \$200 million will be required for basic grants and approximately \$50 million for supplementary grants is realistic, a realistic estimate.

Mr. CLAUSEN. Will the gentleman yield?

Mr. BLATNIK. I will yield to the gentleman from California.

Mr. CLAUSEN. While you are on that point, Mr. Chairman, there are a number of people who are of the opinion that if this particular piece of legislation passes, they will then be provided assistance. Now, how can we as a committee know what projects are going to qualify? Will you be filing a report in advance prior to the passage of this legislation?

Secretary CONNOR. No, sir, we cannot guarantee that any particular project is going to be approved. It will depend upon the authorization that is passed by Congress, and then a study of the applications, some of which are now in hand and can be processed—they were filed under the ARA program. But applications under the APW program will have to pass a different test, and therefore new applications will have to be filed. Then of course there will be some applications coming in from firms and from public authorities which have not been filed heretofore.

So we could not tell you in advance of the passage of this legislation whether a particular project will be approved.

Mr. CLAUSEN. How can we get an answer? You see there are a number of projects on a so-called backlog that used to be filed regularly with the committee, as Mr. Williams knows, and I am wondering how this information can be made available, because there are many people who will be asking this question.

Mr. WILLIAMS. We do have certain program priorities, which Mr. Batt can explain, and then we can give you lists of the localities that will qualify under this new program.

I think it would be of interest to the committee if Mr. Batt would indicate the kinds of projects which certainly will be eligible for approval.

Mr. CLAUSEN. Yes.

Mr. BATT. The way the bill is now written, Congressman Clausen, we believe that direct and supplementary grants will be eligible for waterlines and waterworks related to industrial and commercial development; sanitary storm sewers related to industrial and commercial development; industrial parks, especially land development and utilities; police and fire stations related to commercial and industrial development; research centers related to commercial and industrial development; tourism facilities; streets and roads related to industrial and commercial development.

Supplementary grants would be available for waste treatment facilities; for hospitals and medical facilities needed for the economic development of the area or district—not all hospitals and medical facilities by a long shot—area vocational schools, regional libraries related to industrial and commercial development; airports; watershed protection and flood prevention.

Those are all programs which can be basically financed under supplementary grants.

Examples of the types of projects not likely to be eligible for grant and loan assistance are courthouses and townhalls, educational facilities, except vocational schools, of course. Playgrounds, swimming pools and golf courses not related to tourism facilities would not be eligible.

We also will be happy to submit, if you wish, the areas which as of the moment are eligible under the act. Of course, we will be guided by what the act provides.

Mr. CLAUSEN. I wonder if you could submit that for the record at this point. It might be very helpful.

Mr. BLATNIK. The gentleman from California brings out a very important point. In addition to the criteria for the types of projects which were enumerated, we need more enlightenment on title IV—Area and District Eligibility. Some new features determine which areas will be eligible to be declared development areas; is that correct?

Mr. BATT. The principal new change, Mr. Chairman, will be, as the Secretary pointed out, that the universe will roughly be cut in half. This labor surplus area will not be eligible at this time.

We will be happy to provide the list of areas which we look at as eligible as of this current date. Of course the economy changes every month, so the situation will be different when the act is enacted.

Mr. KUNKEL. Will the gentleman yield? Mr. Chairman, will you yield?

Mr. BLATNIK. I am glad to yield to the gentleman from Pennsylvania.

Mr. KUNKEL. I think Mr. Batt can probably answer this. Will it be county by county again?

Mr. BATT. Primarily, Congressman Kunkel, the eligibility is on the basis of labor-market areas, which in most cases—not universally—are county by county.

Mr. KUNKEL. What I have in mind, and you are probably familiar with this situation, in my district, Perry and Juniata Counties are both included, one in one category and one in another. But the place where there is the most persistent hard-core unemployment is up in the Lykens, Wiconisco, and Williamstown area of Dauphin County.

I think you are aware of that. That has persisted for years and years, ever since the coal mines closed up up there. Then this last year many of the dress factories closed up; now the unemployment is worse than ever, and there are about 300 people traveling nearly 40 miles away to go to the Olmstead Air Force Base, working down there. Since that is closing up, they will be out of work. So I would say it is one of the most persistent unemployment areas in the Nation.

I was wondering if there was any way that could be included? Schuylkill County is included in the area of redevelopment—you know, that is right across the line from Williamstown.

Mr. BATT. Yes, sir. There are undoubtedly inequities in any humanly devised system. The best one we have been able to find to use, and were directed to use under the previous act, and under this one, is the labor area concept under the Department of Labor, which defines Dauphin as one labor area and Schuylkill as another. Schuylkill has been a very, very prosperous one, thanks to State government and the other employment opportunities you are familiar with.

Mr. KUNKEL. Of course, the Olmstead Air Force Base, which employs 11,000 people, and 2,000 military stationed there, is being phased out, so I do not know whether it is going to be such a prosperous area from now on. That is quite a chunk to take out of the employment.

Mr. BATT. If that is enough to affect the unemployment levels in that labor market area, the closing down of Olmstead, we also have a provision in this new act which will permit us to help areas hard hit by closedowns, where it looks as if their unemployment would bring them up to a level eligible within a 3-year period, then of course we could make the act available to all of Dauphin County.

At the moment it is not.

Mr. KUNKEL. What is the difference between the classification of Perry and Juniata Counties? One of them is under the old act in one classification and one in another?

Mr. BATT. I will have to provide that for the record, Mr. Kunkel.

Mr. KUNKEL. I can look it up. You need not bother looking it up if you do not have it at hand.

Mr. BATT. When we get below a county it is terribly difficult to get any data. No data are provided by the Government under Census or monthly reviews of the labor force, so we do not have any way of knowing when you get below a county what the situation is.

Mr. KUNKEL. I am particularly anxious to get this Williamstown, Lykens, and Wiconisco area included, because I know how hard hit they have been for such a long period of time.

Mr. BATT. There are no geographical limitations on technical assistance. It may be we can help them plot the recovery of their areas, because of course right over there in Schuylkill County we have some of the best experience in the United States.

Mr. Williams, would you like to comment?

Mr. WILLIAMS. Mr. Kunkel, I am very happy to comment. I am a constituent of yours.

Juniata County is designated under 5(a) of the Area Redevelopment Act because it is a part of the Lewistown labor market. This is a larger labor market.

Perry County is classified under 5(b) of the Area Redevelopment Act, a so-called smaller area, because it is a part of the Marysville-Newport labor market.

One solution to the problem in northern Dauphin County might be to ask the Pennsylvania Department of Employment Security to make a commuting survey to see where the people in northern Dauphin County are working, and if they are working in one of the other centers, it might be that the boundaries of that labor market could be changed, because that is based upon commuting patterns.

Of course if they all commute to Harrisburg for their jobs, it would probably be classified as part of the Harrisburg market.

Mr. KUNKEL. Which service was that you said?

Mr. BATT. The Pennsylvania Department of Employment Security, which is part of the Pennsylvania Department of Labor.

Mr. KUNKEL. I did not hear you.

Mr. BATT. The Pennsylvania Department of Labor, Bureau of Employment Security, the department I ran when I was in Harrisburg.

Mr. KUNKEL. They will make a survey?

Mr. BATT. A commuting survey of northern Dauphin County, and see if that labor market is correctly defined, or if the changes in Olmsted Air Force Base, and elsewhere, have reshuffled labor opportunities.

Mr. KUNKEL. It probably has not gone far enough to make that known as yet. In what labor market is Tower City?

Mr. WILLIAMS. That one escapes me.

Mr. KUNKEL. Tower City. It is right across the edge in Schuylkill County.

Mr. WILLIAMS. Pottsville.

Mr. BATT. That would be in the Pottsville labor market area, and it would be eligible.

Mr. KUNKEL. Yes. That is one of the things that makes it particularly tough on the people up there and irritates them very much, because they get the programs over in Schuylkill County, and they cannot get them in Dauphin. Yet in my whole area there is no question in my mind but what that is the worst spot so far as persistent unemployment is concerned.

Thank you very much.

Mr. BATT. Possibly what drags Schuylkill down is that heavy anthracite unemployment over in Pottsville.

Mr. KUNKEL. I have no doubt that Schuylkill County should be included.

Mr. HENDERSON. Mr. Chairman?

The CHAIRMAN. Will the gentleman from California yield?

Mr. CLAUSEN. Before yielding I do have some people in my office and I do want a chance to ask some questions, so these will be just a couple of quick ones.

First of all, Mr. Secretary, I am certainly pleased with the additional remarks you have made, because I have had some good experiences and some bad experiences, as Mr. Williams knows. The one thing of course that has been of great concern to me is this so-called piracy factor.

Would you think it would be wise to have some sort of a penalty in the legislation to enforce this antipiracy policy that you are enunciating here?

Secretary CONNOR. Mr. Clausen, I think that the present provisions cover it adequately. I am not quite sure what kind of penalty should be devised that would be fair in all cases. Relocation is the sort of situation you can ferret out and bar as a matter of administration without too much trouble.

Mr. CLAUSEN. Actually, I think in the earlier stages of the program sometimes the people in the field were actually trying to oversell the program. I know we had one example in my own area where they were trying to put together a plant, finance it through the Area Re-

development Administration, which would, in effect, have taken the labor supply of six existing organizations. I do not have to remind you of what the attitude was of the people who were going to be affected.

Consequently, I could certainly think we would need to have something in the way of a penalty for people who would be involved in this sort of thing.

Secretary CONNOR. Mr. Chairman, I think we all agree that in the early days of the program there was perhaps a little too much enthusiasm, but by now this particular feature has settled down, and we have not had any instances in the last year or so. My personal opinion is that I do not think we need to go beyond what is provided for in the bill.

Mr. CLAUSEN. Let me ask one final question, and that is on the matter of the so-called 2-percent portion of the legislative recommendation. Do you know whether we are going to have representatives of industry in here to testify in support of this, do you know?

Secretary CONNOR. We certainly have reviewed this with many banking authorities.

Mr. BATT. I believe there are some bankers——

Secretary CONNOR. I think you had best take it up with the chairman.

Mr. HENDERSON. Mr. Chairman, will the gentleman yield?

Mr. CLAUSEN. I yield.

Mr. HENDERSON. Mr. Secretary, or Mr. Administrator, I would like to refer you to section 101 in subsection 1. With regard to this section, would it not be helpful if we added a date into the law, and provided that in these public works grants the communities which qualify after that date could receive their increased percentage later?

I am thinking specifically of an example of a sewer application under the present law entitled to 30 percent. As I understand the section, a community would get 50 percent if it qualified under the provisions, and then if it could not supply 50 percent on its own, it would be entitled to a supplemental grant. I am referring to the first 20 percent that would be added by the bill.

If I understand the bill correctly, would it not be helpful to have a cutoff date so we would not have communities waiting to go forward with their projects, as we did in some cases in APW?

Secretary CONNOR. I think Mr. Batt is in the best position to answer that.

Mr. HENDERSON. What I am concerned about, Mr. Batt, is that some communities, after the passage of the bill, and after the adoption of other criteria by the Secretary, will delay their projects. I can see that this would not be a problem under supplemental grants, because that is based on the assumption they cannot meet the matching of 50 percent. But I wonder for those communities under section 101, subsection 1, whether it does get the 50-percent increase, say, in the case of a sewer? Should we not have some provision so they could get their application in to HEW and process it, and if after the fact they were found to be qualified, they would have a retroactive date?

I do not have a date in mind, but perhaps January 1 or even April 1. My present concern here is that there are going to be communities that

would hold up public works projects waiting for the enactment of a bill.

Mr. BATT. If you will let us study that one, Congressman Henderson.

Mr. HENDERSON. It seems to me you ought to give some thought to that. I will be glad to talk to you.

Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman from Alabama, Mr. Jones.

Mr. JONES. Thank you, Mr. Chairman.

Mr. Secretary, let me direct your attention to title IV on page 20, "Area and District Eligibility." On page 9 of your statement you went into that.

I wonder if you would be kind enough to satisfy us further on the various provisions under section 401, section by section, since this will be of primary importance to the committee, and give us some understanding of the bill and its application to the areas that will be eligible for participation.

Secretary CONNOR. Congressman Jones, do you have a specific question, or do you want to go through it to justify each part?

Mr. JONES. We would like to go through it section by section, because that is really what is called for on presentation to the House, to explain those sections. It would be helpful to have it from you.

Secretary CONNOR. I think Mr. Batt can start us off.

Mr. BATT. Congressman Jones, to a large extent the areas that are eligible will be the redevelopment areas which have been eligible under the criteria of the Area Redevelopment Act.

Mr. JONES. Give us that criteria, please.

Mr. BATT. The criteria are fundamentally two. The best data we have for unemployment, of course, are the unemployment data developed and kept monthly by the Secretary of Labor. An area is eligible under our act today, and will be eligible under this act, if it has unemployment of over 6 percent, and also has unemployment which is 50 percent above the national average for 3 of the preceeding 4 years.

Mr. JONES. That is the first requirement, which is the same formula which was applied to the accelerated public works program?

Mr. BATT. Yes, sir. These areas as a base were eligible under the accelerated public works program, but in addition, because this was an emergency bill designed to help counteract a recession of 1960 and 1961, there were also eligible the areas which were so-called surplus labor areas, defined by the Department of Labor, and all they needed was over 6 percent unemployment for 9 of the previous 12 months. They did not have to have chronic and persistent unemployment in addition.

These areas were not very numerous in number, but they were bigger cities, and so they actually doubled our universe. Eligible areas under the ARA Act are one-sixth of the population, one-sixth of the labor force, and a third of the unemployment. The number of areas we picked up under the APW Act was not much over 100, but they were bigger cities, so it actually doubled the size of the labor force and unemployment.

The ones which were eligible under the Area Redevelopment Act on the basis of unemployment would be fundamentally the ones eligible for the benefits under this act. Unless the committee makes some

changes, we would also, of course, in addition to the areas of heavy unemployment, have areas of underemployment.

Congressman JONES. What did you say?

Mr. BATT. Underemployment. These are the rural areas where people are not working in a factory or commercial enterprise, so they are not counted as unemployed, when in point of fact they may be in very bad shape because they try to eke out a living from a substandard farm.

The best measurement we have of that is the census data on income which, as you know, is developed by the census every 10 years. So we have also taken the poorest areas in the United States.

We now have a cutoff point of about \$1,850 in median family income. This bill would raise that to a figure of \$2,250, and that is that phrase where we say "40 percent of the national median."

Those are the two largest segments.

Mr. JONES. You use that 40 percent, too, on line 18, page 21.

Mr. BATT. That is correct, sir.

Mr. JONES. What do you mean by 40 percent of the national median income?

Mr. BATT. Forty percent of the national median is about \$2,250—median annual income of families—and the counties which have that figure or below it also would be eligible under this act.

Mr. JONES. What is the percentage of population which has an income of less than \$2,250?

Mr. BATT. I do not have it on the basis of population, sir, but we do have it on the basis of counties, but we can provide that for the record.

Mr. JONES. How many counties in the United States have a median income of less than \$2,250?

Mr. BATT. Well—

Secretary CONNOR. Mr. Williams has that information.

Mr. WILLIAMS. If I may make a small correction, it is \$2,260, and there would be 205 counties in the United States which have a median income of \$2,260 or less.

Mr. JONES. How many?

Mr. WILLIAMS. 205.

Mr. JONES. How many counties are there in the United States?

Mr. WILLIAMS. About 3,000.

Mr. JONES. What would be the number of counties eligible if you raised the median to \$3,000?

Mr. WILLIAMS. There are 670 counties which have median family income of \$3,000 or less.

Mr. JONES. In other words, there would be three times as many eligible at the \$3,000 figure as there would be at \$2,260?

Mr. WILLIAMS. It would come to slightly less than three times as many, because some of those counties are eligible under the unemployment criteria already.

Mr. JONES. Unemployment criteria for qualification under the Area Redevelopment Act.

Mr. WILLIAMS. Or under this act.

Mr. JONES. If you are going to reach the people Mr. Batt has been talking about; that is, the submarginal income types on our farms, the figure of \$2,260 is not going to be very significant.

Mr. WILLIAMS. We think that many of the areas in the unemployment counties would also meet that description, as having people with underemployment on the farms. Actually under the legislation proposed here today, there would be a total, if it were enacted, of 524 areas which would be eligible on the basis of unemployment, 273 on the basis of income, 39 on the basis of being Indian reservations, and 155 which would be in soldely because they were eligible under the Area Redevelopment Act, but would not qualify under the other provisions of our act.

Mr. JONES. Mr. Williams, it does not seem to me that those figures, the basis upon which you make your hypothesis, will reach these people in the rural areas, because if you take the 1960 figures—or mostly the 1960 figures—to arrive at some plan of qualifying an area or group of people, there must be taken into consideration the exodus of people from the farms, pouring into the urban areas. They are deprived of the opportunity of being the recipients of benefits under this program due to the fact there is increased income to people who have moved out.

Of course, I appreciate it is hard to get at, but we are missing a lot of segments of people we are aiming to relieve.

Mr. WILLIAMS. I think your question is, essentially where do you draw the line? We would believe perhaps it would be better to draw the line at the 40-percent level and concentrate our efforts in there, rather than to run the risk of dilution and dispersion of efforts.

Mr. JONES. The question is going to arise, in addition to the number of counties at \$2,260, at \$3,000 that would be eligible, how many would be excluded that are already in the Appalachia area, or would they be excluded?

Mr. BATT. It is not the intention to exclude them at all, sir. There are many things that the Appalachian bill cannot provide. Sewer and water lines are one glowing example that can be provided under this act.

Secretary CONNOR. Nevertheless, Congressman Jones, we will be looking at the total picture and we do not intend to duplicate under this act any kinds of help that can be provided under the Appalachian legislation.

Mr. JONES. There will be an accord between your operation and that of the Appalachian program?

Secretary CONNOR. Yes, sir, there will; and under the Appalachian Act the Secretary of Commerce has quite a bit of responsibility with respect to specific projects.

Mr. JONES. And subject to review the Secretary will be administering both programs.

Secretary CONNOR. No, sir; there is a separate administrative agency set up—

Mr. JONES. Yes, I understand.

Secretary CONNOR (continuing). But there is a very close liaison relationship, and certain responsibilities under the act have to be taken up through the Secretary of Commerce, and this gives us the opportunity to make sure there is no duplication, and that the Appalachian legislation covers the type of project that is intended to be covered under it.

Mr. JONES. Mr. Roberts, I yield.

Mr. ROBERTS. Mr. Secretary, of the 205 counties Mr. Williams was talking about, how many of them already are in Appalachia? Instead of getting new counties, are we not actually just going back and re-doing the same old job?

How many of those are already in Appalachia?

Secretary CONNOR. Mr. Williams has that broken down by States, and it might be a good idea to put that breakdown in the record.

Mr. WILLIAMS. Congressman Roberts, relatively few would be in Appalachia. Most of them are in the Southeast. There are 30 from Kentucky and 21 in Tennessee, 28 in Georgia, but not all of those would be in the Appalachian section of Georgia, and 2 in Virginia, but they would not be in the Appalachian section.

We would have to make a special analysis I believe on that and we will be happy to supply it for the record.

But I would say the majority are not Appalachian counties.

Mr. ROBERTS. We are a little thinskin about getting our people covered and I want to say this about Mr. Batt and Mr. Williams, I know I have gotten more than an even shake, but I still have not gotten covered.

Thank you, Mr. Jones.

Mr. JONES. Mr. Batt, will you continue with that?

Mr. BATT. Oh, yes, we also included some Indian reservations. This is defined for us by the act and recommended by the Secretary of the Interior.

We also include here for the first time areas of a sudden rise of unemployment because of a plant closing where it looks as if in at least 3 years the unemployment would be such as to make it eligible. This permits us to go into a situation like that before the horse is stolen, and to help out in their efforts to diversify their economy and broaden their base.

We have had several where we have been able to go in and help a plant get reestablished under new management. Lisbon Falls, Maine, is the best case that comes to mind.

Mr. JONES. Where?

Mr. BATT. Lisbon Falls, Maine, which had two plants providing all of their employment in Lisbon Falls. We were able to go in there because their unemployment was high enough to make them eligible. We were able to help them find a new entrepreneur to take over the plant, the major plant, before the machinery had been moved out. So they were able to buy the plant intact, and now they are back in production. The last I heard they were operating on two shifts and employing not all the people, but a substantial number of the people, through a loan that was processed very fast to help that situation.

This act would help give us more flexibility in meeting situations like that.

Then there is a grandfather clause that would make areas eligible that are now eligible under the Area Redevelopment Act, that would hold them over for 1 year to help them until at least our first annual review, to help them to adjust to going out of the program.

Mr. OLSEN. Will the gentleman yield?

Mr. JONES. Yes.

Mr. OLSEN. What is the effective date of the grandfather clause of this act?

Mr. BATT. Presumably the date of enactment, Congressman Olsen. Those are substantially the eligible areas, Congressman Jones.

Mr. KUNKEL. Will the gentleman yield?

Mr. JONES. Yes, I yield to the gentleman from Pennsylvania.

Mr. KUNKEL. We seem to have hit a dead spot here. I wonder if you could look into that situation in Dauphin County, with the Middletown Air Depot closing up, being nearly entirely phased out by the end of 1968—I think that is the present plan, and see whether there is any possibility of taking up any slack there with this 3-year clause.

Mr. BATT. Yes, sir; I would be very happy to look into it.

Mr. JONES. Thank you very much, Mr. Secretary, and Mr. Batt.

The CHAIRMAN. Mr. Baldwin.

Mr. BALDWIN. Mr. Secretary, I would like to ask, in addition to the \$510 million which is authorized specifically by various sections of the act, there is a provision toward the end of the act which has a general authorization clause, on page 44 of the act, section 708, which states:

There is hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

In view of the fact that most of the sections have specific maximum authorizations, what do you contemplate section 708 refers to?

Secretary CONNOR. The intent of that section, sir, is to cover the necessary appropriations needed by the Department of Commerce in order to carry out the responsibilities that are contained in the act, and this would be covered by an appropriation request through the appropriate committee.

Mr. BALDWIN. Do you contemplate that this section 708 would authorize just \$510 million or some larger amount? There is no limitation stated in section 708. As far as section 708 is concerned, it could authorize a billion dollars.

Secretary CONNOR. The \$510 million total that would be authorized would be for the purposes of the act that are in these titles, titles I, II, III, IV, and V. The administrative aspects to which you refer contain no limitation, but it would be an additional amount, the amount the Department of Commerce would need to administer the act, which would have to be justified to the congressional Appropriations Committees.

Mr. BALDWIN. So in addition to the \$510 million, there are specifically authorized in certain sections administrative authorizations, and then, as I recall over here, similarly in the loan section, there is a statement that the Department of Commerce within the Department administration could also purchase some of these loan certificates, and I do not believe there is any specific authorization limitation set forth for that.

If I am correct, that would be above and beyond the \$510 million. Is that not correct?

Secretary CONNOR. The \$510 million is that total that is being requested except for the administrative provision. Now I do not quite recall exactly what provision you are referring to, but it would be within the \$510 million.

Mr. BALDWIN. There is a provision dealing with the purchase of evidence of indebtedness under section 202, I believe.

Secretary CONNOR. That would be considered the same as a loan, and it would be within the limitation for loans, and all of those would be subject to the \$510 million limitation.

Mr. BALDWIN. On this general point, as I understand it, there is no limitation in this bill as now worded as to the cumulative loan amount that might be outstanding. You have set a limitation of \$170 million per year, but as the years go by, these loans might be of varying length, so there actually is no limitation in here as to the cumulative amount of loans that might be outstanding at any given time. Is that correct?

Mr. BATT. Yes, sir; it is.

Mr. BALDWIN. Let me ask, of the \$510 million that are specifically authorized in the act, what portion, or is all of this included in the budget for fiscal year 1966, as was submitted to the Congress in January by the President?

Secretary CONNOR. No, sir. The estimate in the budget is \$400 million.

Mr. BALDWIN. \$400 million.

Secretary CONNOR. Yes; of course, I do want to point out, as I did in the statement, that certain of these authorizations do not vest or mature until 1 year after the enactment date, in order to get the necessary planning, preliminary work done.

Mr. BALDWIN. When you say they will not vest until 1 year after the enactment date, where do I find the specific limitation in here that says these limitations would not be available until a year after?

Secretary CONNOR. That is in section 403, at the bottom of page 9, starting at line 23.

Mr. BALDWIN. Subsections (a) and (f) of this section shall not be effective until 1 year after date of enactment.

I see \$50 million under section (f) and how much is involved in (a)?

Secretary CONNOR. The \$400 million appropriation request was the best estimate we could give, and was approved by the Bureau of the Budget, and submitted by the President. As to what the expenditure would be in the next year, assuming that the program was enacted by Congress prior to the expiration of the Area Redevelopment Act legislation on June 30, it cannot all be committed right from the first day of the new fiscal year, and it seems reasonable to think that \$400 million would be the amount approximately needed during the coming fiscal year, even if the total of \$150 million is the authorization.

Mr. BALDWIN. Let me ask though, as far as this particular section on the bottom of page 20 that you referred to, am I not correct that only applies to \$50 million?

Secretary CONNOR. Yes, sir; that is correct.

Mr. BALDWIN. I want to ask a number of questions dealing with the difference between the scope of this act and the Area Redevelopment Act. Under the Area Redevelopment Act, as I understand it, grants could be made for what was termed "public facility usage." Under this act grants would be made for "public works, public service, or development facilities usage."

There is no definition anywhere in the act as to exactly what these terms mean, what the scope of these terms mean, particularly the development facilities usage, which is perhaps the newest of the three terms.

How are we going to have clear guidelines if there is not any definition in the act as to what is contemplated by these terms, which obviously appear to be broader than the terms used in the Area Redevelopment Act?

Secretary CONNOR. Congressman Baldwin, I think Mr. Batt's summary of the type of projects that would be eligible covers that, but I think it might be well, because it is important, if he reiterates exactly what this does mean.

Mr. BATT. Congressman Baldwin, the primary difference between this and the Area Redevelopment Act in the public facilities section is that this would be somewhat broader. Under the public facilities sections 7 and 8, of the Area Redevelopment Act, we had to definitely show what we called a bird in hand. We had to have the plant at the end of the water and sewer line before we would approve a water or sewer line.

On the other hand, under the Accelerated Public Works Act, all we had to show was that it would employ people temporarily. So this present concept is rather more generous than sections 7 and 8 of the Redevelopment Act.

Mr. BALDWIN. Along this same line, under the Area Redevelopment Act, there is a definition that grants can be made only if there are findings the amount of the grant proposes to contribute to the cost of the project in proportion to its ability so to contribute and "there is little probability such project can be undertaken without assistance from this grant."

Both of these are eliminated in this present bill which liberalizes it even further. Why does this bill not include these provisions which seem to me were meritorious provisions?

Mr. BATT. We found this was totally unadministerable, Congressman, in trying to determine the capacity of a community to be liquid enough to repay. It was the result of this experience that we provided in the Accelerated Public Works Act that there would be a flat grant of 50 percent, and the supplementary payments would be for areas which are determined in advance, and published in advance, so every major and city manager knew exactly what his area was eligible for.

We found when you had a sliding scale, trying to determine what a community was able to repay, it was relatively simple as far as the projects were concerned, like the waterline or sewerline which would have earning capacity and which would repay the cost of the line, would repay part of the cost of the line. This was not terribly complicated and could be determined.

What we found impossible to determine was whether or not a community was able financially to take on the additional costs of this public facility. Each one in effect—this was a highly subjective judgment—required a kind of means test for a community, and was always subject to negotiation and differences of opinion.

We found out this slowed up the program immeasurably. Nobody knew what the ground rules were, and we felt strongly if you were to make a readily administerable program, you ought to be able to determine the ground rules in advance, so that every applicant community would know exactly what proportion, or substantially what proportion, was available in terms of Federal help.

Mr. BALDWIN. Let me ask another question. Another major variation from the Area Redevelopment Act in this proposed bill deals with the matter of interest. The Area Redevelopment Act, as I understand it, provides that loans could be made at the rate at which the Treasury determined its current loans were being made, and I think it allowed a variation of one-half of 1 percent, or thereabouts. So in effect the bill provided for a standard figure as to a loan rate that might be applicable to all the available areas at the time.

This act provides that in the areas that qualify there can be a 2-percent subsidy, as I understand it, that is, the Federal Government will pay 2 percent to reduce the cost of the loan to the applicant.

Now, the loans that might be made by individual applicants could vary substantially from the standpoint of interest rates. An applicant who might have some fairly reasonable security rating might get a loan of 5½ percent, and some applicant who might not have very much of a security rating, or may have had a couple of bad debts in his record, might have to make a loan for 7½ percent, or there may be different lending agencies with different criteria making loans, even with the same applicant.

Are we just going to arbitrarily make a 2-percent subsidy within an area to every loan which is made, no matter if one is paying 5½ percent and one paying 7 percent and one paying 6½ percent?

Secretary CONNOR. Congressman Baldwin, just to start the answer to your question, of which there are many facets, under this legislation the loans that would be made by the Federal Government directly have interest computation provisions that have been worked out by the Treasury Department, and which are consistent with the provisions that are in other similar pieces of legislation. They therefore will be at the same uniform rate from time to time according to what is being charged on Federal Government loans.

The 2-percent interest rebate incentive that you mentioned is just for the special category of projects that are in the industrial and commercial part of this legislation, and where the applicant is able to arrange private financing, which is not the usual case here, but where with the help of this 2-percent interest rebate, the whole project can be encouraged in its placement in an underdeveloped area. So the use of that 2-percent rebate is only in the relatively unusual case where there is private financing, and where this can be the difference between encouraging the company to put a project in one of these underdeveloped areas.

The \$5 million limitation on that 2-percent interest rebate provision we think is a reasonable limitation, but that is a provision that is separate and a part from all the other loan authority in the act.

Mr. BALDWIN. Mr. Secretary, we have had submitted to us, the Congress, by the General Accounting Office to date 16 reports—I believe it amounts to now—on the operations of the Area Redevelopment Act. Of all the bills or acts that have come before us, before this particular committee, I do not know of any which has had a larger number of basically critical or negative reports filed upon it.

It starts right in with a basic estimate by the Area Redevelopment Administration of a number of jobs provided by the program. I notice in the President's message to the Congress he stated the program created 115,000 jobs. I assume those figures were assembled for the

President by the Area Redevelopment Administration. But I notice—and I have before me a summary of each of the General Accounting Office reports——

The CHAIRMAN. Will the gentleman yield?

Mr. BALDWIN. Yes.

The CHAIRMAN. Before he reads the reports from the General Accounting Office, earlier today the Secretary asked if he could be excused for another important engagement he had downtown at 12:30. I think this will be a long discussion, because I understand we are going to have the General Accounting Office representatives here at some time.

I was wondering if the Secretary would like to leave now and perhaps come back another time to answer these questions posed by the gentleman from California.

Secretary CONNOR. If it is convenient for the committee, I would appreciate it, because I do have this other engagement.

The CHAIRMAN. Is it agreeable to the other gentlemen?

Mr. Secretary, I want to thank you for coming up this morning, and you have certainly given us valuable assistance which we need when we write this type of legislation.

I was wondering if you could direct someone to remain who could answer the interrogation members might want to conduct.

Secretary CONNOR. Yes, sir. Mr. Batt and Mr. Williams and Mr. Harvey may stay, because they are not involved in this other situation.

The CHAIRMAN. On behalf of the committee, let me thank you.

Are there any questions by the committee of Mr. Batt or the other gentlemen?

Mr. BALDWIN. Mr. Chairman, if I might follow up, can we verify that the Comptroller General of the General Accounting Office will be asked to testify?

The CHAIRMAN. I cannot guarantee it, but I understand representatives are coming. I cannot guarantee when they will be here.

Mr. BALDWIN. Then I will withhold the remainder of my questioning until a future time when the Secretary can be called.

The CHAIRMAN. Mr. Kee.

Mr. KEE. Mr. Chairman, I want to join with you and Mr. Blatnik in paying the highest tribute to the Secretary of Commerce for his very concise and clear statement presented on H.R. 6991.

Mr. Chairman, I think it is only appropriate and proper to point out at this time that Administrator Batt is the grandfather to the network which furnished the intelligence for the establishment of the Area Redevelopment Administration, and also the accelerated public works program which came under his jurisdiction.

Mr. Chairman, the Area Redevelopment Act was enacted by the Congress and it was the first time in the history of the United States that an executive branch of the agency was assigned the responsibility of doing an extremely difficult job, and was directed to bring in all other agencies of the Federal Government to cooperate with it.

I want to say it was my privilege to work with Administrator Batt and his deputy Mr. Williams, Chief Counsel Mr. Harvey, Gordon Reckord, Victor Roterous, and the others, in my small way in helping to make this program effective, down in my fifth district of West Virginia.

One thing so many folks have overlooked is when the Area Redevelopment Administration Act was passed some people got the idea this is your Mecca; this will solve all of your problems, when the fact of the matter is that the Area Redevelopment Administration had absolutely no authority by direction of the Congress to go into any area to help them without first being invited in by the area to help them.

One of the most important features we have learned through experience which has brought about this bill today is the Area Redevelopment Administration required the local communities to come up with an overall economic development program; in other words, these improvements were suggested by the local people at home and not by the Federal Government.

Just one very brief statement as to the overall economic development program, it means that local interested citizens gathered together, took a look at where they were, took a look at where they are at present, and they made up their own minds as to the future they wanted. This was their decision, not the decision of the Federal Government.

I am gratified to be able to report for the record that the Area Redevelopment Administration—I worked with in my local county groups and explained it to them, through a joint effort of my several counties at home—and Administrator Batt and his tremendously able associates joined together and came into the Area Redevelopment Administration—and asked for technical assistance where they could send folks down to work with the local people. They gave all of their time and energies and their financial resources, but they did not know what to do. I am just gratified and indebted to the Area Redevelopment Administration for the work that they did. They have chartered the way for us in West Virginia to move forward. Because of their work we now know where our future lies, and our local people, Mr. Chairman, are in the process of doing their part.

We are very cognizant of the work Mr. Batt and others in the accelerated public works program have done. This program was not something where you sit down and write a check from Uncle Sam and send it to various local communities. Our folks were organized; they came up with new money both in the accelerated public works program, just as they did in the Area Redevelopment Administration, for the purpose of seeing what they could do to create new jobs.

We have learned that no matter what legislation is passed by the Congress, the effectiveness in the area is absolutely dependent upon local initiative. As a result of that, Mr. Chairman, in considering your bill on the long range of economic development of a distressed area—this is still not based on experience—we have learned now that we must work on a regional basis, take the regional approach if America is to move forward.

In conclusion, Mr. Chairman, the Fifth District of West Virginia is the second largest coal-producing congressional district in the United States. We have right now in southern West Virginia less than one-third of the man-producing coal that we had only 8 years ago, due to mechanization. We had to do something. We had to diversify, and the people who are at home are indeed grateful to the Area Redevelopment Administration for the work they have done to help our people diversify.

I might add at this point, later on I made arrangements through your committee, Mr. Chairman, to have John Faulconer of the Hinton Daily News to come up and be a public witness.

Mr. Chairman, folks in this community gave an appreciation day to the officials of the Area Redevelopment Administration because when they went in they helped them to work out a program over and beyond the financial capabilities, because of their appreciation of what was done. We have these folks down home that just think the world of the Area Redevelopment Administration.

At this time, Mr. Chairman, I just want to thank Mr. Batt, Mr. Williams, Tom Harvey, who is a West Virginian, Gordon Reckord, who we have in the audience, who worked very closely with Victor Roterus in working out the overall economic development program which was really quite enlightening to our people at home. They have complete confidence now. Our people are ready to move forward into greater fields to help diversify, to create new and permanent jobs on a regular basis.

I repeat again, Mr. Chairman, had it not been for Mr. Batt and his very able associates we in West Virginia would still be going down, rather than on the way up.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Mr. Cleveland.

Mr. CLEVELAND. Mr. Chairman, I have several questions I would like to reserve for the return of the Secretary, but there are several questions which perhaps his representatives here can assist me in answering. I will address my questions to any one of the gentlemen here who can answer them.

As I understand this new legislation it is an outgrowth of accelerated public works and ARA and obviously and necessarily the passing of the Appalachian legislation. As I understand the approach to the loan section, there will be loans to businesses, and then there is a grant section, and the grant section is going to, by making grants to communities, make these communities a more hospitable economic environment for the new industries you hope will come into the area and be created there.

If you had a choice between these two sections, which of these two sections is the most important, the grant section, that is mainly to the community, or the loan section which is going to be applied to give an industrial or business loan?

Mr. BATT. I would say, Congressman, this has to be a well-balanced team.

Mr. CLEVELAND. If you have no preference, I want to know this.

Mr. BATT. I have no preference. I think the two are equally essential. You need the facilities; at the same time it is enormously important to have the full-time permanent job opportunities.

Mr. CLEVELAND. I would like to ask the two gentlemen with you if they concur that the loan and grant sections are inextricably important, or one is more important than the other? Do you care to comment on that?

Mr. WILLIAMS. I would say you put it very well, sir; they are inextricably linked.

Mr. CLEVELAND. The reason I raised this question, there is evidence before this committee from people in your department in connection

with the Appalachian bill overwhelmingly preferring the grant section, the strengthening of the economic environment in a community. By that I mean they considered it to be much more important than setting up a program to dole out loan money to industries, and there then appears to be a sharp conflict, if that be your view.

Mr. WILLIAMS. Sir, I think if you have had experience in economic development, you know you don't dole out money when you loan it to people. You loan it to industries that will work and repay it.

If I recall correctly the testimony of the people working on Appalachia, they were dealing with a very, very long-term deficiency in environment in the Appalachian area and, as I recall the major points they made were that these deficiencies were so long term, and their transportation problems were so hard to solve, that for that particular area at this particular time, you needed to make a major effort to solve huge environment problems of the region.

But as I know very well from talking with them, they were relying on a commercial-industrial loan program such as ARA to come in and help establish the businesses which will be able to operate economically there as a result of the environment changes.

Mr. CLEVELAND. Do I understand your testimony that the Small Business Administration is not doing its job in this field?

Mr. WILLIAMS. No, sir. That was not what I said.

Mr. CLEVELAND. I remember you said something I would be frank to say I did not fully understand as to the difference between the small business type of loan and the ARA type of loan. I wonder if you would go over that with me, because that was my next question.

Mr. WILLIAMS. I think what I was trying to point out was that the major purpose of the Small Business Administration was to provide loans to the small businessman.

Mr. CLEVELAND. May I interrupt a minute? Am I correct when the Small Business Administration does this one of the factors it is interested in is how many people this would put to work? Do I not see this in their reports?

Mr. WILLIAMS. Yes, sir; they put it in their reports.

Mr. CLEVELAND. They are conscious of the fact that people will be employed as they help more businesses with loans.

Mr. WILLIAMS. Sir, I think they make loans to a businessman even if there is no additional employment. A businessman does not have to prove additional employment in order to get a small business loan.

Mr. CLEVELAND. Is this not a factor they consider?

Mr. WILLIAMS. I would say there are many factors they would consider, but it would not be an overriding factor.

Mr. CLEVELAND. Just for information, I made an application as an attorney once for a small business loan, and I had to satisfy the people that jobs were going to be created in the area. This was a good many years ago. Perhaps they have changed their criteria, but I have always understood this was one of the factors they considered.

Mr. WILLIAMS. Was this under a development program?

Mr. CLEVELAND. Small Business Administration loan.

The CHAIRMAN. Will the gentleman yield?

Mr. CLEVELAND. Yes, sir.

The CHAIRMAN. We have some requests from members that they have engagements after 12:30. I think they are of sufficient number

that the committee would be poorly represented. I was wondering if the gentleman could wait until these gentlemen return on another date to continue his questioning.

Mr. CLEVELAND. There was one question I am going to ask, if the gentlemen are coming back—I am glad to hear they are coming back because I still have some other questions.

I want to know specifically if this bill passes as submitted what areas will be included either by map or list. What areas will be entitled to provisions of this act?

Mr. WILLIAMS. I believe we submitted that for the record already, sir, and I will be glad to give you a map at the conclusion of these hearings so you will have it.

The CHAIRMAN. On behalf of the committee, let me thank you Mr. Batt, Mr. Williams, and Mr. Harvey, and I would appreciate it should the committee feel they need your assistance again—and certainly I believe they will—if you will be available to come with a sufficient notice.

Mr. BATT. Thank you, Mr. Chairman. We would be delighted to do so.

The CHAIRMAN. I ask unanimous consent that my statement at the opening of the hearing today be included in the proper place in the record, following the opening statement of Congressman Blatnik.

(The following was furnished for insertion:)

STATE OF NEW JERSEY,
OFFICE OF THE GOVERNOR,
Trenton, May 14, 1965.

HON. JAMES J. HOWARD,
*House Office Building,
Washington, D.C.*

DEAR JIM: If enacted into law, the proposed Economic Development Act of 1965 would have considerable significance for the people of the State of New Jersey. I have been contacted by the present Area Redevelopment Administration and asked to submit my views on this legislation. I understand that you have been providing progressive leadership in expanding and maintaining these critical efforts to combat unemployment. I commend you for your role in this important area of public need.

I am enclosing a statement to the chairman and members of the House Public Works Committee, and I am hopeful that you will find it possible either to submit it at the committee hearings or introduce it into the Congressional Record. Thank you for your cooperation in this matter.

With warmest personal regards.

Sincerely yours,

RICHARD J. HUGHES, *Governor.*

STATE OF NEW JERSEY,
OFFICE OF THE GOVERNOR,
Trenton, May 14, 1965.

HOUSE PUBLIC WORKS COMMITTEE,
*House Office Building,
Washington, D.C.*

DEAR SIR: I appreciate the opportunity to submit a statement in support of the President's proposed Public Works and Economic Development Act of 1965, H.R. 6991. In this period of unprecedented prosperity, governmental institution at all levels have a special responsibility for insuring that all our citizens participate in America's economic growth. The establishment of an Economic Development Administration in the Commerce Department, founded on the principles of the Area Redevelopment Administration and strengthened by a new mandate for action, should be a progressive step toward fulfilling such responsibilities.

The grants proposed in title I of the new act will have considerable significance in New Jersey, particularly in those needy areas which can receive up to 80 percent of project costs. I would urge the Committee to maintain its emphasis on grant programs, since loan provisions are too often left untouched by local communities which find better financial terms from nongovernmental loan institutions.

The relaxation of requirements for technical assistance and the great increase in annual appropriations requested promise real benefits to the people living in our areas of high unemployment. The addition of another criterion for determining eligible areas based on an economic emergency, such as a plant closing, is of particular merit. Since this unfortunate situation has occurred in a number of ordinarily ineligible areas in New Jersey from time to time, I look upon it as a desirable addition to the program. I also welcome the provision which makes possible development districts including at least two depressed counties as well as other nonqualifying counties. Finally, I am pleased by the provision providing bonuses of 10 percent of the cost of a public facility which are offered to districts establishing "redevelopment commissions." One such commission is already in existence in southern New Jersey and includes the counties of Cumberland, Cape May, and Atlantic.

In summary then, this act resembles the Area Redevelopment Act but provides important liberalization of its provisions. In New Jersey the act serves to supplement area redevelopment in areas of high unemployment. It is worth noting, however, that while New Jersey was able to implement only two projects under the general provisions of the Area Redevelopment Act, the State was among the leaders of those participating in the accelerated public works program. New Jersey received about \$40 million in Federal grants and had an estimated \$99 million in total projects costs. I would urge the Commission to consider the proposals for similar programs in conjunction with the Economic Development Administration. Similarly, more permissive qualifying requirements for redevelopment areas would have real value to New Jersey citizens. Many of our State's most pressing problems are in urban areas—areas which have relatively average high income levels and employment while including substantial pockets of unemployment and poverty.

I have long advocated renewed cooperative State-Federal-local activities in this area, and I am heartened by the steps in this direction which would be made possible by H.R. 6991. I appreciate the opportunity to express my views on this legislation. I am hopeful that you will be successful with it, and I believe that it will provide important benefits for all the people of the United States.

Sincerely yours,

RICHARD J. HUGHES, *Governor.*

The committee will adjourn until 10 tomorrow morning.

(Whereupon, at 12:25 p.m., the committee recessed, to reconvene at 10 a.m., Tuesday, May 11, 1965.)

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

TUESDAY, MAY 11, 1965

**HOUSE OF REPRESENTATIVES,
COMMITTEE ON PUBLIC WORKS,
*Washington, D.C.***

The committee met, pursuant to adjournment, at 10:15 a.m., in room 2167, Rayburn House Office Building, Hon. George H. Fallon (chairman of the committee) presiding.

The CHAIRMAN. The Committee on Public Works is sitting in open session in the hearing on H.R. 6991, Public Works and Economic Development Act of 1965 and related bill.

According to my agenda here this morning, our first witness this morning is Mr. Andrew J. Biemiller.

Mr. Biemiller, would you step up?

Mr. Biemiller, will you give the stenographer your name and your position with the American Federation of Labor and Congress of Industrial Organizations?

**STATEMENT OF ANDREW J. BIEMILLER, DIRECTOR, DEPARTMENT
OF LEGISLATION, AMERICAN FEDERATION OF LABOR AND CON-
GRESS OF INDUSTRIAL ORGANIZATIONS; ACCOMPANIED BY
MILES STANLEY, SPECIAL ASSISTANT TO GEORGE MEANY,
PRESIDENT, AFL-CIO**

Mr. BIEMILLER. Thank you, Mr. Chairman. I will be glad to.

For the record, my name is Andrew J. Biemiller. I am director of the Department of Legislation of the AFL-CIO.

With me is Mr. Miles Stanley, special assistant to President Meany. Mr. Stanley is also president of the West Virginia State AFL-CIO and chairman of our Council of Appalachian Labor Councils.

We are pleased to appear here, on behalf of the AFL-CIO, to express our support for H.R. 6991, the Public Works and Economic Development Act of 1965, introduced by the chairman of the Public Works Committee, Mr. Fallon.

We welcome the substantial increase in public works grants contemplated by this bill. And we are even more enthusiastic about its new concepts of multicounty and multistate development programs. These are significant improvements over the original Area Redevelopment Act. They represent a basic attribute of good government—the ability to learn from experience.

This committee hardly needs to be reminded of the labor movement's long campaign for Federal aid to chronically distressed areas. We began with the premise that the victims of economic catastrophe are as deserving as the victims of natural disasters. While our first concern has been for the workers left jobless by changes beyond their control—industrial migration, the exhaustion of a mine, the obsolescence of a factory or a product—we have also recognized that effective rehabilitation must embrace all elements in a community thus affected.

Moreover, the Congress itself has consistently supported the principle of area redevelopment for nearly a decade. You will recall that President Eisenhower twice used the veto to block programs approved by Congress. So we feel there is no need for us to argue the cause itself.

You have already heard testimony documenting the progress achieved during the 3½ years the present Area Redevelopment Act has been in operation. The record is good. But as I indicated a moment ago, experience has shown the need for the revised approach in the bill before you.

We do have a few changes to suggest, which we will note in discussing the various titles of the bill.

TITLE I

The Accelerated Public Works Act of 1962 gave a tremendous lift to the depressed areas. We fought hard, but in vain, for the extension of that act. The present bill would have somewhat the same effect, on a modest scale. This is all to the good, although we believe the annual authorization should be considerably greater than the \$250 million the bill proposes.

In the same spirit, we must respectfully but firmly dissent from a recent statement by the Secretary of Commerce that a massive public works program is not needed at present. We think it is.

The United States has enjoyed a record level of economic activity for an unprecedented period of time. Yet even now, millions of Americans are jobless and substantial productive capacity remains unused. Unemployment has finally dipped below 5 percent, but not by much, and with no assurance that the improvement will be permanent.

The provisions for public facility grants in H.R. 6991 cannot, in themselves, meet the problem. Not only are they on too small a scale, but they will not reach in metropolitan areas, most of which are not eligible for aid under the bill.

What is required, as we have said many times, is a massive investment in America—an investment that will create public facilities that are intrinsically needed, and will provide needed jobs as well.

To return to the bill itself: Because the demand for grants under this title will inevitably exceed the funds available, criteria should be established to guide the administrator. For example, there should be some limitation—perhaps 10 percent of the total—on the amount that localities in any one State could receive.

We strongly urge additional safeguards, not only with respect to title I, but to the bill as a whole, in order to carry out the clear intent of the Congress to prevent area redevelopment from being used to promote plant piracy and other undesirable side effects.

We do not believe the "Statement of Purpose" in the bill is enough to do this. There should be a specific ban on pirating contracts, of the kind written into the Appalachian Regional Development Act of 1965, and which also appears in the Economic Opportunity Act of 1964.

Such a ban would and should go further than the language presently in title II, section 202(b) (1). We believe that language should be replaced by the following:

"Such financial assistance shall not be extended to assist establishments relocating from one area to another or to assist subcontractors to undertake work theretofore performed in another area by other subcontractors or contractors."

Provision should also be made to prevent the use of funds under this bill for expanding productive capacity in industries where present capacity is underutilized. This could only result in jeopardizing jobs and labor standards elsewhere. On this point, we are glad to note, the Secretary of Commerce is in full agreement.

We would like to call the attention of the committee to another danger that is directly related to the whole drive for area redevelopment, without being within the purview of the legislation itself. This is the increasing use of tax-exempt State and local bonds to finance factories for use by private, profitmaking enterprises.

Thirty-eight States now sanction this practice and three more are considering it, according to a recent survey by U.S. News & World Report. Many of these States have adopted this bargain-counter device for luring runaway plants with great reluctance. For example, the industrial development and planning division of the State of Virginia recently recommended to the Governor that if legislation to outlaw this practice were offered in the Congress, members of the Virginia delegation should be urged to vote for it.

Mr. Chairman, I am confident that every member of this committee—all experts in the field we are discussing—recognize that the use of tax-free bonds in this way originated as a barefaced raiding operation and has spread so widely because other States felt they had to meet competition with the same repugnant weapon.

We do not dispute the need for industrial development in the States that started this self-defeating competition. The need was—and is—so great that a man who is looked upon as a leading southern liberal, Holding Carter of Greenville, Miss., boasted in one chapter of a book of his about the devices he used to lure a carpet manufacturer from Yonkers, N.Y., to set up shop in his town. Apparently he never gave a thought to the nearly 2,000 workers in the century-old establishment in Yonkers. Yet Mr. Carter, on most other matters, is a humane man of good will.

Indiscriminate and unchecked proselytizing of industry through the use of tax-exempt bonds, without regard to the needs of an area and with no checks or safeguards, is, it seems to us, a threat to the whole concept of area redevelopment. At one time, in 1954, the House of

Representatives voted to amend the tax laws in a way that would have halted this abuse, but the Senate failed to act. We suggest another approach.

We propose that any local political entity, or a development corporation under its sponsorship, that can afford to build private plants through the issuance of tax-free bonds is too well off to require assistance under this act.

TITLE II

Given the safeguards I have already outlined, we heartily support the loans for public works and development provided here.

We are especially pleased by the recognition that tourism and recreation represent a wholly legitimate field for development, not to be equated with leafraking. This ties in with the increasing need for recreational facilities for a growing population with more leisure time.

We do dissent from the proposed Federal subsidy of 2 percent of the interest cost of loans to concerns able to borrow privately and willing to locate in eligible areas under the act.

If I may use the vernacular, this would open the door to all kinds of hanky-panky.

We are all in favor of encouraging large, expanding corporations to place their new facilities where they will do the most good. We do not believe that this encouragement ought to include a Federal subsidy to corporations that don't need it.

If, for instance, General Motors or General Electric or United States Steel could be induced to locate a new facility in a depressed area, that would be a major victory. But none of these corporations, nor any other, would make such a decision except with the expectation of making a profit. Perhaps, in the true spirit of public service—as evoked on the matter of balance of payments—they might be willing to accept a slightly lower profit, or the prediction of a lower profit. But they should not expect the Federal Government—or more properly, the taxpayers—to pick up the difference.

We in the AFL-CIO do not have any illusions about the nature of the corporate mind. But neither are we cynical. Until we are proved wrong, we would like to give industry a chance to do what is best for the country without having a special spigot on the Federal barrel.

TITLE III

The AFL-CIO hires a great many experts in a wide variety of specialized areas to assist the officers in carrying out their program. So obviously we are in favor of the objectives of this title.

But we think it should be clear that the technicians—the experts—are not there to run the show. There must be, in each development area, a permanent committee that represents a cross section of all economic interests, including, of course, labor and the minority groups.

Redevelopment is no one's private preserve. If it is to succeed, it must be a broad-based effort.

In the same sense the administrator should be held responsible for the proper performance of personnel employed under this title.

TITLE IV

This and the following title seem to us to represent a real breakthrough—a broad understanding of the nature of area redevelopment and the approaches that are required to make it effective. They have our hearty approval.

The original ARA, faced with more than 1,000 technically eligible areas designated by statistically arbitrary yardsticks, inevitably made mistakes. Operating under its mandate, it tried to do too much, too soon, in too many places. We do not say this in criticism; it is hard to see, under the circumstances, how the result could have been otherwise.

Title IV offers the promise of less arbitrary pressure. We agree that monthly designations of “distress” are too frequent; but we also think once a year is not frequent enough. We recommend twice yearly reviews.

Joint programs for contiguous districts make sense—the kind of sense that is carried still further in the following title.

TITLE V

By encouraging multi-State regional programs, where they are practical and desirable, the provisions of this title at last make it possible for the United States to follow up the pioneering success of the TVA a long generation ago.

Many of the problems that need to be attacked in order to restore the economic health of an area have no relation to State boundaries. Rivers, as in the case of TVA, and highways, as in the case of Appalachia, run from State to State. They must be developed through an overall plan. The same is true of other economic factors.

As we understand it, this title would create a mechanism for State-Federal cooperation in identifying the regions having common problems that are subject to remedy; in drawing up practical plans for their solution, and in preparing and supporting appropriate legislation to implement these plans.

We applaud this historic step. It is a forthright recognition of what has long been evident—that while the political borders of the States remain inviolate, there are no longer any real economic borders between them.

We have only one concern with respect to this title. We hope the language of the act will not demand that these regional developments follow inflexible patterns based upon the TVA or Appalachia plan. The new commissions, while drawing upon the experience of the earlier programs, must also be free to innovate where it seems appropriate.

TITLE VI

We are in accord with the functions of the agencies set up under this title, but we suggest that their terminology might be made more descriptive.

The proposed National Committee on Regional Economic Development can, like its ARA counterpart, serve effectively to advise and assist the administration of the act. However, we suggest that it might

be called the National Advisory Committee on Area and Regional Economic Development, to make clear the fact that its functions are not limited to programs under title V.

In the same way, we feel the administrative agency itself might be more aptly titled the Area and Regional Economic Development Administration, or some version of this, to distinguish it in the public mind from the new Office of Economic Opportunity.

As you know, there is no title in this bill dealing with manpower training in chronically depressed areas, since funds for such training are authorized by section 241 of the Manpower Act of 1965. We are sure the committee will duly note, even so, that retraining of workers is just as important to successful redevelopment as the other tools supplied by the bill before you.

In closing, Mr. Chairman, we would like to repeat a point made by the AFL-CIO in supporting the 1963 amendments to the Area Redevelopment Act. At this time we said:

[We are aware that area redevelopment will be a slow and painstaking undertaking; no overnight miracles are expected. Most distressed areas were a long time going down, and will require time—as well as aid and much effort—to restore them to good health.]

This had already proved to be true in 1963. It is even more apparent today. Yet the ultimate goal is no less essential because it is difficult.

The excellent program before you recognizes this truth. As I said at the start, it represents the statesmanlike ability to learn from experience. The new approaches it embodies should, and, we are confident, will, speed the task of bringing new opportunity to areas where it has been stifled. We urge you to approve it with the changes we have proposed.

The CHAIRMAN. Thank you, Mr. Biemiller, for your presentation this morning.

Are there any questions by members on my right?

Mr. Blatnik?

Mr. BLATNIK. I really do not have any questions, Mr. Chairman.

It is obvious it is a very carefully thought out, well presented, broad and comprehensive statement on behalf of this important legislation.

The AFL-CIO generally, particularly its legislative officers, are former colleagues, very close friends; Mr. Biemiller and his associates were very active in regard to the ARA and the APW.

Mr. Biemiller, on page 2, I was very pleased to see your reference to the Accelerated Public Works Act. We worked very energetically against considerable odds a few years ago. We worked very well.

I am very impressed with the emphasis you make on the need for not only more expansion, but quite some substance, the investment in the public sector of the economy. Far too little emphasis and attention is being placed on that.

As you well know, I am very much in favor of expending for—I say that in a positive sense of the word—the resource use, resource development, public works projects, highways, rivers and harbors, public buildings, municipal buildings, water pollution, and so forth. I mean a tremendous amount of work needs to be done in this field.

I share with you the feeling that the \$250 million must be considerably increased and not too rigidly limited to direct immediate eco-

omic industries that may be attracted by improvement in these facilities.

I notice in today's paper that the unemployment rate for April is at 4.9 percent compared with 4.7 percent as of March. So even in spite of the very glowing economic picture—the economy I think is in its 50th-some month upward—we are on shaky ground. We dipped a little below 5 percent, we immediately begin to turn back toward 5 percent. Something more than ARA will be required to give more of the substantial thrust or push to the economy.

Would you care to comment on the public works?

Mr. BIEMILLER. Mr. Congressman, as you well know, AFL-CIO was a very enthusiastic backer, as we say here, of the accelerated public works bill, which you did so much to promote. We regret exceedingly the last Congress did not renew the accelerated public program.

(At this point, Mr. Blatnik assumed the chair.)

Mr. BIEMILLER. We have in this bill, in title I, an approach of this nature.

We certainly think the \$250 million could be expanded, could be used very profitably.

Senator Randolph has already proposed, on the other side, an amendment to double this amount of money as far as the companion bill in the Senate is concerned. Even this amount of money may not be enough for the purposes that we really are after.

Certainly you are right in calling attention to the fact that the unemployment problem is very much with us. Within the last 24 hours, we have been discussing this problem with the Secretary of Labor, and we are faced on the one hand with still a rate of around 3.5 percent of older folks and about 15 percent, that may well go to 20 percent, of teenagers and those in the early twenties in this country.

The goal of breaking the 5-percent figure, which prevailed for so long in this country, is purely a very temporary kind of improvement. We, the AFL-CIO, have long argued that until we get this figure down below 3 percent, we have a serious unemployment problem that has to be met and met with drastic methods.

Now, in the 79th Congress, the Employment Act of 1946 was passed, and the Employment Act of 1946 was clearly designed and clearly states that the Congress accepts the responsibility of dealing with problems of unemployment. We think one of the best ways of doing this is to develop a tremendous public works program. We are willing to go into the billions, as far as this is concerned, on any kind of public works program. And certainly on this limited public works program which title I has in mind here, we ought to at least double the amount of money, in our opinion.

Mr. BLATNIK. I have no questions for the moment.

Are there any questions on my right?

Mr. Kluczynski?

Mr. Johnson?

Mr. Dorn?

Mr. DORN. Mr. Biemiller, I would like to compliment you on a very good statement.

I do think the specific matter you call our attention to in regard to the State and local bonds being used to lure industry and finance industry is timely and worthy of the consideration of this committee.

I say that coming from the South. But my State has refrained from doing that, because, as you stated here, I think it kind of defeats your own purposes in the long run. When a community or State is able to float those kinds of bonds, then I have my doubts about their needing any help anyway.

So I appreciate your bringing that to the attention of the committee.

Mr. BIEMILLER. Thank you, Mr. Dorn.

Mr. DORN. And thanks again for a good statement.

Mr. BIEMILLER. Thank you, Mr. Congressman.

This is a problem that has been plaguing us for a great many years. The action of Congress taken in 1954, that I referred to, at that time the Congress used the approach of removing the tax exempt feature from industrial development bonds. The House of Representatives passed it; the Senate saw fit not to. But I think we certainly have a situation here where, if we are going to engage in this constant competition of providing free facilities, that those communities should not be given priority, as they sometimes have been, in getting Federal grants for this purpose.

Mr. DORN. Thank you, Mr. Chairman.

Mr. BLATNIK. Mr. Kee?

Mr. KEE. Thank you, Mr. Chairman.

Mr. Biemiller, I want to congratulate you on your excellent statement. I am particularly pleased with your recommendation under title I that the \$250 million be increased. I, for one, want to do all I can to have that increased to at least \$500 million.

I am especially pleased you have with you the very capable president of the West Virginia AFL-CIO. I want to say that in our efforts in our distressed areas that we do have in West Virginia, in our mutual efforts, your distinguished president has been extremely effective and has been in the forefront.

Thank you very much.

I am certainly glad to have you here, sir.

Mr. STANLEY. Thank you, sir.

Mr. BIEMILLER. Congressman, we have been very pleased that Miles Stanley accepted President Meany's invitation to join his staff in dealing with problems of poverty and problems of our State and local organizations. And in addition to the other titles he has that I mentioned when I introduced him, he has been serving, as you know, on the National Advisory Committee of the Area Redevelopment Administration, and is in a position to answer a lot of detailed questions, if they arise here, with greater knowledge than I would have. That is one reason we are glad to have Miles here and why we brought him along.

Mr. KEE. And we thank you, sir.

Mr. BLATNIK. Mr. Baldwin?

Mr. BALDWIN. Mr. Biemiller, I would like to congratulate you upon recommendations dealing with specific pirating of contracts.

As you know, I come from the State of California, which is a State that has one of the higher economies, higher cost of living, a higher wage rate as a whole. We are proud—

Mr. BLATNIK. Will the gentleman yield?

Higher share with a substantial share of the Federal defense dollar.

Mr. BALDWIN. This is correct.

[Laughter.]

Mr. BALDWIN. This is correct. This is a tribute to the weather in California. In the early days, the airplane research industries felt they wanted to find a place to develop their industry.

Mr. BLATNIK. Off the record.

(Discussion off the record.)

Mr. BALDWIN. Thank you, Mr. Chairman.

Mr. Biemiller, if I might follow up this point, I am in full agreement with the point that you have recommended, that any bill of this nature should have in its as tight a description as possible to be sure we do not end up with the kind of situation, the kind of thing that results from the bill that is just a transfer of industry from States that have fairly high economies, fairly high or high cost of living, and comparably high levels of wage earning; because if this is what results, then we defeat the whole purpose of the act.

I have noticed with interest that beside your specific recommendation to apply this to subcontractors, to undertake work theretofore performed in another area by other subcontractors, I would agree with that recommendation that you have made, the recommendation that provision should also be made to prevent the use of funds in this bill for expanding productive capacity in industries where present capacity is underutilized.

You have indicated you feel we should do something to accomplish this, although you have not made a suggested, specifically worded amendment, or where that amendment should be, as you have done with this first one that just preceded it.

It seems to me it would be very helpful to the committee if you and your staff might desire to draft an actual proposed wording for such an amendment, together with specific location in the bill, and submit it to members of this committee for our consideration.

Mr. BIEMILLER. We should be very happy to do that, Congressman Baldwin.

Mr. BALDWIN. Following up on this same point, I share your views on this matter of the use of tax-free bonds by the States as a means of luring industry from one place to another, which I feel is a complete misuse of the original purpose of the tax exemption granted to the States.

I notice that once again you have, on page 4 of your statement, made a proposal that any local political entity, or a development corporation under its sponsorship, that can afford to build private plants through the issuance of tax-free bonds is too well off to require assistance under this act.

It would be helpful again there if we could have the specific worded amendment that you would suggest, together with the location in the bill where you would suggest that it be inserted.

Mr. BIEMILLER. Our counsel informs me that he is trying to draft such a proposal. It is a difficult one, in his opinion—and in my opinion, too—but we are going to make an effort at it.

Frankly, we think the original approach used by the House of Representatives of doing away with the tax-exempt feature would probably be a more effective method of stopping this abuse, but we are trying to see if we cannot figure out an amendment that might be attached to this bill.

Mr. BALDWIN. On that point, of course this committee would get into the immediate problem of conflict of jurisdiction of ways and means.

Mr. BIEMILLER. I quite understand that perfectly. I am talking about whether we can find something that will fit into this bill that could be utilized.

But I am sure you certainly recognize, as well as our counsel and the rest of us do, that to draft a clause that would do anything more probably than tell the Administrator he has got to take this into consideration is a pretty tough thing to do, because you have so many different uses of this device that to try to pin them all down may prove to be a legislative monstrosity by the time we got through with drafting it. But we are making the effort and if we can come up with any good language, we will certainly submit it to this committee.

Mr. BALDWIN. That would be most helpful.

Now, one other thing. Your comments on title II, in which you state, on page 4, "We do dissent from the proposed Federal subsidy of 2 percent of the interest cost of loans to concerns able to borrow privately and willing to locate in eligible areas under the act," I am in full agreement with your recommendation on this issue, because it seems to me—and I raised the question yesterday of the Secretary of Commerce—there are going to be great variations in interest rates in any area, depending upon the type of company, depending upon its credit status, and depending upon the lending organization and how much the lending organization is trying to make a fast dollar. And I cannot quite conceive—obviously General Motors could come into an area, with its credit status, with its background of asset resources, it could go to some major lending agency and get an interest rate, a basic interest rate, substantially lower than some new small industry just starting out.

Now, if we are going to give General Motors a 2-percent subsidy on its interest rate, suppose its interest rate is 5 percent, whereas a new industry starting out has an interest rate of 7 percent, if we are going to give General Motors a 2-percent subsidy from a 5-percent rate, that means it is going to get a 3-percent rate, or almost just practically half of what may be a new small business starting out in the area would have to pay, who would have to take, perhaps, 7 percent.

Furthermore, the same business, if the small business started out, it might get one loan from one place at 6 percent and another loan someplace else at 8 percent. If we are paying 2-percent subsidy on both, I think that this—I would agree with your statement, this would open the door to all kinds of "hanky-panky."

It seems to me that you have hit the nail right on the head when you have brought out this is going to be a most inappropriate kind of thing to administer, and we shouldn't get into this kind of business.

I want to congratulate you on the clarity with which you have stated your position on this thing.

Mr. BIEMILLER. You have stated our views very precisely, I can assure you, Congressman.

Mr. BALDWIN. Thank you, Mr. Chairman.

Mr. BLATNIK. Further questions on my left?

Mr. Kunkel?

Mr. KUNKEL. Mr. Biemiller, I have been reading your brief. I think it is an excellent one and I certainly agree with you that we should take every possible step to stop the pirating. Other members of the committee have given similar views.

I think it would be a fine thing if you were to draw up for our consideration, so we would have a good starting point when we get into executive session, an amendment designed to accomplish this purpose insofar as it is practical under the scope of this present legislation.

What is your general idea? I notice that you mentioned we should not slant the funds under this to the areas and the sections which are indulging in pirating practices. Do you have any other thoughts on this subject?

Mr. BIEMILLER. Mr. Stanley, who has been serving on the ARA Advisory Committee, has some views on this.

Mr. STANLEY. Well, Mr. Congressman, there has been, since the outset, of course, some problems attached to this.

Mr. KUNKEL. Excuse me. I cannot hear you.

Mr. BLATNIK. Would you draw the microphone closer to you, please?

Mr. STANLEY. There has been since the outset some problems attached to this in administration of the Area Redevelopment Act, and it is one which has been watched very closely, I might add, by the administrator of the act.

Now, we could just, on the face of it, if you could determine what constituted pirating industry, it would be fairly well simplified. But let's take the hypothetical situation, development of an industrial park, and let's assume that you must have one tenant committed to the industrial park before a grant for a loan is approved. And this tenant is clean in every respect. In other words, he is not moving from somewhere else and does not constitute piracy.

Once that industrial park is established, controlling the second wave that comes into the park, how do we put the controls on them?

This is something I think that must be taken into consideration.

If the second tenant or third tenant would be transferring their business from one locale to another, how do we restrict them from doing so?

I think this technically is one of the problems that is involved in endeavoring to write the kind of language into the act that would do the kind of adequate job that should be done.

I am not certain, sir, whether I answered your question.

Mr. KUNKEL. Well, I just wanted to have some discussion on things that we might do in this act in order to accomplish the purpose of the Members of Congress.

Mr. STANLEY. Well, sir, I think if you believe that additional language is needed beyond that which is presently in the Economic Opportunities Act and the Appalachian Act, that it could be developed to get at the kind of second level situation which I suggested, and perhaps make it tighter and more restrictive than what is currently in those two acts.

Mr. KUNKEL. Well, when you draw this amendment that you are going to try to prepare and submit, it will include any ideas which you have on this line? Is that not correct?

Mr. STANLEY. Yes, sir.

Mr. KUNKEL. Are you recommending the abolition of all tax exemptions for municipal and State bonds?

Mr. BIEMILLER. No. The recommendation that we are making is the one that passed the House of Representatives in 1954, to eliminate tax exemption on bonds used for industrial development purposes, which are almost always revenue bonds. And I might add that there are many, many people in the investment world who agree with us on this situation. They think it is a perfect version of the original intent of the exemption-granted state and municipal bonds for general purposes.

Mr. KUNKEL. I agree with your idea, too. Also I see great danger of competition between the States and localities on granting this type of tax exemption. In other words, each one will try to out bid the other in giving favorable tax exemption. Eventually it will end up completely back of the eight ball.

Mr. BIEMILLER. This is what has been happening, as I am sure you know, Congressman.

Mr. KUNKEL. Thank you very much.

Mr. BLATNIK. Mr. Grover?

Mr. GROVER. Mr. Chairman, I do want to compliment Mr. Biemiller on touching upon something that is very tender to us in the Northeast. Coming from Long Island, which is the place where a good many of the firms, smaller firms, have left, a good many of us have constituents who have lost their jobs because of a reduction over the years in defense contracts, and I mean reduction from originally 21 percent maybe 15 years ago of prime defense contracts, to approximately 10 percent today.

We have been hit relatively hard. However, our unemployment projection is a couple of points above the national average; we are not a depressed area.

However, this problem of job piracy is one we are very sensitive to and quite conscious of, and I think this is just a restriction; it is a good restriction.

Of course, we cannot be naive, as you know. I know there are many other areas in which the locality and municipality in the State have other instruments they can use to lure business, and there are other tax exemptions they can use—real property tax, for one, and also municipalities can purchase large tracts, rezone them, and then sell them at reasonable cost to lower business ends.

So it is a problem that is perhaps a little broader than the vehicle of tax-exempt bonds. It is a problem which again we are sensitive to, one which I think you are correct when you say you might be looking to a very unwieldy piece of legislation to attempt to correct, one that might burden this bill.

However, perhaps it is an expression of intent, and the policy in this bill might be sufficient for the time being to strike at the problem to the extent we can.

Mr. BIEMILLER. That, as you recall, is the suggestion I made. I think any language will have to turn out as an expression of intent and of general instruction to the administrator as to factors to take into consideration.

Mr. GROVER. That is all, Mr. Chairman.

Mr. BLATNIK. Mr. Cleveland?

Mr. CLEVELAND. Mr. Biemiller, I have read your statement. I also feel your statement about job piracy is one that we should carefully consider. This is one of my chief concerns about parts of the Appalachian bill.

Another point you make here on page 3 of your remarks that I would like to underscore, I am not sure—I came into the hearings late—whether or not you are going to offer an amendment to take care of this. This is specifically the fourth paragraph:

Provision should also be made to prevent the use of funds under this bill for expanding productive capacity in industries where present capacity is underutilized.

Now, the reason I had so much trouble with the ARA bill, and I opposed it, is the fact that the ARA people were announcing with much pride they were building shoe factories in Indiana, in rural areas there, but at the same time shoe factories were closing in my district. And at the same time ARA was announcing building of plywood plants and paper pulp mills in the western part of the country, we had a bad situation of oversupply in our paper and pulp mills and plywood mills in northern New Hampshire.

I might say all of these mills I am referring to were unionized.

We had the feeling—I could not get this through to the labor people, though—that this ARA type of approach was not helping them very much. It might be increasing employment out West, but it was not helping employment in the Northeast. I thought it was more a matter of shifting employment rather than creating employment.

Do you propose to submit an amendment on that paragraph?

Mr. BIEMILLER. In a colloquy I had earlier with Congressman Baldwin, Congressman Cleveland, I agreed we would put together an amendment to try to meet that suggestion. We will submit it.

Mr. CLEVELAND. That is good news.

Another thing I would like to ask you, if you can give us the date of the U.S. News & World Report you cite further down that page.

Mr. BIEMILLER. It is approximately 3 weeks ago, but I will check it and send it to your office so you will have it, Congressman.

Mr. CLEVELAND. Thank you very much.

I have no further questions, Mr. Chairman.

Mr. BLATNIK. Mr. Gray?

Mr. GRAY. Mr. Chairman, I want to commend my good friend, Mr. Biemiller, for his very forthright and enlightening statement here this morning.

Mr. Biemiller, you represent the great labor movement, and the opponents of this legislation are those people who have said ARA and Public Works Acceleration Act were of no value, they were just a temporary shot in the arm and no lasting benefits would come.

Do you agree with that statement?

Mr. BIEMILLER. Not at all. I think we make that clear in the statement, by and large, certainly in the case of the accelerated public works, we think a tremendous amount of good was done in the country. And by and large, we would agree that ARA has been beneficial to the country.

What we are trying to do is to correct what we think were some of the errors that were made by ARA, made partly because of the rather loose language that had been used in the antipirating clauses of the existing law.

Now, you will note also that some of the criticisms that were made of ARA we certainly do not agree with and we applaud this bill for meeting it head on, and that is to permit the use of money for the development of recreational and tourism facilities.

Certainly, in our opinion, this is not only a good thing, but a badly needed thing, with the leisure that is now developing in this country—and I certainly do not mean unemployment; I mean the fact we now have extended vacations, and this has become an accepted part of the American way of life. The need for recreational facilities has grown tremendously.

I am familiar with some of the things that have been done. We think they are all to the good and we are for—I repeat—strengthening this phase of the work. I think this is one of the criticisms of ARA that is way out of line.

Mr. GRAY. I appreciate your comments, but from the various crafts that you represent, you have had reports that this has been of lasting benefit, and certainly has been of temporary benefit in providing needed jobs?

Mr. BIEMILLER. It has been helpful.

Now, I think the point that Mr. Cleveland just made does merit real consideration. It is not only a question of the shoe factories that happened to be your immediate problem, but garment factories have been involved in this same kind of situation. We do want to make sure that we do not simply take out of some existing area a firm and just move it to another area, generally with a lessening of work conditions, which is unfortunately the habit which has grown up in many parts of this country.

We do not think ARA has been very guilty on this. We think there have been a few cases where this has happened and we want to stop it.

Mr. GRAY. In essence, you say hindsight is better than foresight?

Mr. BIEMILLER. Certainly.

Mr. GRAY. By taking the mistakes we made, correcting them here, we can come up with a good bill, in your opinion?

Mr. BIEMILLER. Certainly. I do not think there is any question but we can come up with a good bill, a very good bill. I think you have the framework here in front of you.

I think with some improvements—I gather there is agreement on some of them at least—this committee can do a great service to the people of this country by combining the ARA concept and the accelerated public works concept, and I think you can create a lot of jobs that are badly needed and improve the overall public wealth of this country and stimulate private enterprise at the same time.

This is the goal of this bill and it is a very laudable goal.

Mr. GRAY. I want to say I agree with the gentleman explicitly and we deeply appreciate, at least one member of this committee deeply appreciates the contribution that you and your great organization have made and the suggestions. I am sure when we are in executive session, these recommendations will be seriously considered.

Mr. BLATNIK. Mr. Kluczynski.

Mr. KLUCZYNSKI. Mr. Chairman, I am very happy to have my very good friend, Andrew Biemiller, before this august body. He is a former Congressman and a leader in the Wisconsin legislation. He is a wonderful labor leader.

I am sure your testimony and your statement this morning will be very helpful to this committee and also your recommendations when we get to the executive session. I hope we can adopt some of the recommendations you have given us here this morning.

I know every member of this committee wants to do something on the unemployment situation. It is not only unemployment, but also recreation facilities, as you said, to give to the people so they can all enjoy this great land of ours, America.

I am very happy that you are supporting H.R. 6991. Keep up your good work.

Mr. BLATNIK. Thank you.

Any questions on my left?

Mr. McEwen?

All right, Mr. Cleveland.

Mr. CLEVELAND. Just one more thought. This is just a thought, but I appreciate your considering this and perhaps either coming back to the committee, coming back with your reaction to this suggestion.

As I listened to the testimony on Appalachia, I became convinced that they unquestionably had a point when they made the suggestion, a good deal of Appalachia does this, which is to improve the facilities, the sewers, the hospitals, the libraries, the technical schools, as a technique working with these disadvantaged communities.

This is a public works function and this is a governmental function.

As you may know, the Republicans submitted an alternative to the Appalachia bill, which was national in scope and incorporated many of the features of the Appalachia bill.

I am still troubled by this matter of this feature of the ARA, which is the financial loan feature. I am troubled by it for several reasons. I have already suggested to you some of them. We are just financing our opposition in the other parts of our country and this is not really helping employment.

It seems to me, you have already pointed out in your testimony you do not feel the public works section of this bill is big enough. I am wondering if one happy solution would not be to take the business section out and increase the public works section.

I am not asking for an opinion on that, but I would like to ask you to consider it as a possible solution to this business of these loans as being used unfairly in a competitive situation, particularly when the Federal Government already has the Small Business Administration in this area helping, operating to help small business loans to get started.

Mr. BIEMILLER. May I just make one general comment?

We will be glad to take your views under consideration, Congressman, but the general comment I want to make is, first of all, I have suggested very strongly that title I be strengthened and enlarged so that there will be more funds available for these very desirable improvements in local public works.

Secondly, I do not agree that the loan fund should be completely pulled out of this bill. I repeat—I just gave the one example of re-

creational facilities, tourism, that I think is a very legitimate part of the bill. I think there are also other legitimate situations that have developed where with the proper safeguards, that you do not go out and either steal industry away, or, in effect, create needless additional capacity. If we can get those two things strongly in the bill, I think there is a very desirable feature to the loans, and that they can be used to improve the American economy.

Mr. CLEVELAND. Just to throw out one more thought on that, Mr. Biemiller, are many of these so-called recreational type loans—if you build a road to the other public facilities, you have done a good deal of the job.

I think a helpful, if you will, dividing line might be keeping these loans out of the private sector; because there are just so many people who can go skiing. The extent that the Government is going to be building these ski areas in various parts of the country, it just does seem a little unfair to me, the people who have borrowed money and gone out and done it themselves, to have their opposition financed that way.

Mr. BIEMILLER. Well, I certainly do not think there is any danger of putting out of business such well-known places as, in your general area, Stowe, by creating more ski runs.

Mr. CLEVELAND. I would appreciate it if you could do something about that.

I come from New Hampshire.

Mr. BIEMILLER. I know you do.

Mr. CRAMER. Mr. Chairman?

Mr. BLATNIK. Mr. Cramer.

Mr. CRAMER. I have a couple of questions I would like to ask Mr. Biemiller.

I think some of your suggestions have been constructive and will be helpful to the committee.

Of course, the problem, as you fully realize and indicate in your statement, with ARA, has partially been the substantial criticism of the program and the manner in which it has been administered. Right? That has been the basic problem?

Mr. BIEMILLER. Right.

Mr. CRAMER. Now, if we are to try to draft a bill to overcome these objections, then it would seem that the draftsmanship should be directed toward correcting those critical areas, areas of criticism. Right?

Mr. BIEMILLER. As a generalization, certainly.

Mr. CRAMER. Yes. So I want to direct a couple of questions toward that general area.

I notice you made a statement or suggested that you thought the bill ought to be drafted in a way to permit recreational activities, such as swimming pools, ski slides, golf courses, and other public facilities that in the past have, I assume, been criticized as being part of this program. Is that correct?

Mr. BIEMILLER. Yes.

Mr. CRAMER. That is your position?

Mr. BIEMILLER. Quite.

Mr. CRAMER. And your position is further, is it, in your view this bill does not do that as redrafted?

Mr. BIEMILLER. Oh, no, no, no.

Let Mr. Stanley get in on this. He has been working on this area.

Mr. CRAMER. Fine.

Mr. STANLEY. We believe that it does do that as presently outlined.

Mr. CRAMER. It contains that authority?

Mr. STANLEY. Broadens it and makes it more specific.

Mr. CRAMER. Yes.

Mr. STANLEY. And we believe that it is an essential part of the bill.

I know in my own State of West Virginia, there are numerous instances where recreational facilities have been developed which would have been literally impossible without the aid of ARA.

If I may make a personal reference, one of my earliest recollections is going to Hawk's Nest, Congressman, when I was a child, with my family. Yet when we got there, all we could do was have a picnic lunch and look over the cliff and go back home, because the facility was not developed.

Now, under ARA, this facility is going to be developed and there will be literally thousands of people who will be able to spend full days or weekends there enjoying themselves. That otherwise would have been impossible.

Mr. CRAMER. Where is that?

Mr. STANLEY. Hawk's Nest, Route 60——

Mr. KEE. Fayetteville.

Mr. STANLEY. Fayetteville, W. Va.

It is in Congressman Kee's district.

Mr. CRAMER. Is it a State or county project?

Mr. STANLEY. State project.

We believe this is a very legitimate function and one that should be broadened and extended. We think the present legislation the committee is considering——

Mr. CRAMER. So you and Mr. Biemiller are in favor of the changed language on section 201, page 7, lines 14 and 15, which now read; "and improvements for public works, public service, or development facility usage"?

Mr. BIEMILLER. Which page is that?

Mr. CRAMER. Page 7, lines 14 and 15; section 201.

Mr. BIEMILLER. Yes.

Mr. CRAMER. That is the language involved in this area.

Mr. BIEMILLER. Right.

Mr. CRAMER. The old language, of course, was "public facilities."

Mr. BIEMILLER. Right.

Mr. STANLEY. Yes.

Mr. CRAMER. So, in effect, this is a broadening. You favor that.

You favor that despite the fact that that was one of the principal areas of criticism of the spending of Federal funds relating to APW and ARA principally in the past.

Mr. BIEMILLER. I stated categorically just a few moments ago that this was one criticism with which we did not agree.

Mr. CRAMER. Yes. Now, also, as I understand it, as redrafted, as compared with the present ARA-APW laws, that of course an additional criticism of ARA was the ability to make—let me make this point first, relating to my last question. It is true also that under this language, the new language on page 7, lines 14 and 15, provides

not only for loans, which was the only available source of funds for those facilities in the past, but for grants as well. So now we have recreational facilities not only for loans, but grants as well. I just make that observation.

Then going to my next question, some of the criticism relating to ARA, and I know you recall some of the examples cited, was that this money could be used to make loans—and, of course, this now provides for grants—for the building of motels and hotels in areas where building and loans might have the effect of increasing your employment opportunities.

Now, that is contained in this new redraft of the bill; right? Loans and grants are available for motel and hotel construction; is that right?

Mr. BIEMILLER. That is my understanding.

Mr. STANLEY. Yes.

Mr. CRAMER. And it is your position that that should be retained despite the fact that that was another area of serious criticism?

Mr. BIEMILLER. Correct.

Mr. STANLEY. I think the criterion here, sir, is these things tend to improve the economic base of the community. If they do improve the economic base and they do increase employment and employment potential, then they are legitimate areas for concern.

Mr. CRAMER. Yes. Well, you realize of course, the problem that Congress has, at least so far as I am concerned, as it relates to the policy question of how far should Federal grants or loans be made and in relating to what types of facilities? Should there be a limitation? Is it not justifiable criticism that Federal loans and grants can be made available for the construction of motels, even if it does have the effect of increasing employment, attracting tourists, or what have you, to the area? Is that the proper Federal participation function?

That is the policy decision which will have to be made, and I understand your position is yes.

Mr. BIEMILLER. Yes.

Mr. STANLEY. That is correct.

Mr. KUNKEL. Would the gentleman yield?

Mr. CRAMER. Yes; I will yield.

Mr. KUNKEL. There is one thing I would like to ask you about that, Mr. Biemiller. Do you not think that there should be safeguards in the bill which would prevent using Government money to build competitive motels and hotels in areas where people have gone in with their own money and built a motel or a hotel? What kind of safeguard would you suggest to protect against that sort of a situation?

Mr. BIEMILLER. Mr. Stanley.

Mr. STANLEY. Congressman, if the hotel and motel facilities in a community are adequate to take care of the persons who wish to go there—in other words, if capacity is adequate—then I think certainly it would be unwise for Federal funds, or any public funds, to be used to build competitive establishments.

On the other hand, if there is an area where there are no hotels or motels and because it is not an attractive enough proposition to bring outside capital in to finance them, then I think certainly it is a proper use of public funds, because this enhances the area. It may cause facilities to be used that otherwise would not be used.

I mentioned Hawk's Nest State Park. I can mention Kass Railway, which has been developed by the State, and I doubt seriously if there will be enough outside capital attracted to that area to build hotels and motels.

I think that in this instance, the use of public funds for this purpose would be a very legitimate function.

To answer your question more specifically, sir, if I may, I think your point that you would not take private capital and build hotels and motels and then another entrepreneur comes in and gets public funds to build a competitive establishment, I think this should be prohibited certainly, beyond any question.

Mr. KUNKEL. Well, that was one of the criticisms as I saw it. I do not know whether these illustrations I read about are true or not, but there were a number of articles citing cases where people had a going concern and were practically put out of business by ARA competition, and I feel that there should be some protection against that.

I agree with you, if it is an undeveloped area, that is another thing, if there is no hotel or motel in that place where you could legitimately use public funds to make it accessible to the public.

Mr. STANLEY. I am sure we would have no objection to that.

Mr. WRIGHT. Will the gentleman yield?

Mr. CRAMER. I will yield in a second.

That is just an example, the areas I wanted to get into, and I think we should protect as it relates—but there is nothing in the legislation to protect against that type of situation, as I see it.

Do you see anything in the legislation that would prevent it from being used for that purpose?

Mr. BIEMILLER. No, sir. Not to my knowledge.

Mr. CRAMER. I realize there are certain tests set out on page 3. But from reading those related grants for public works development facilities—I see no proscription against the type of situation that the gentleman from Pennsylvania describes.

Mr. WRIGHT. Will the gentleman yield?

Mr. CRAMER. Let the witness answer, then I will yield.

Mr. STANLEY. Well, I do not believe that there is a prohibition written into the act against the kind of situation which you describe. This would be handled, we would assume, through the rules and regulations under which the agency operates. They would not approve loans or grants if they were being applied for by a competitive business or industry, such as the situation we are discussing here.

Mr. CRAMER. I will yield to the gentleman.

Mr. WRIGHT. In response to the question of the gentleman from Florida, I think it is quite clear in the legislation, as drafted and presented to us, that title I, relating to grants, would be available only to public nonprofit institutions. It would not be available to a hotel, for example, because section 101 begins with a definition of those institutions which might apply for grants. It would have to be a State or a political subdivision thereof, an Indian tribe, or a private or public nonprofit organization.

Now, a hotel is not a nonprofit organization or association. Therefore, it seems to me quite clear, in fact, that grants would not be available to hotels.

Now, when we get into the loan section, section 201 relates to public facilities; and again, I would say that hotels would not qualify under section 201.

Additionally, the test provided under 201 for public facilities, on line 20 of page 7, the requirement is that those public facilities eligible for loans would have to—

improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities;

Otherwise assist in the creation of additional long-term employment opportunities for such area.

So I do not believe a hotel would qualify as a public entity under section 201.

Now, under section 202, beginning on page 10 of the bill, perhaps a hotel under certain circumstances might qualify for a loan—not a grant, but a loan. However, the test under 202 also is provided, as shown on page 12, subsection (3), which states that:

The project for which financial assistance is sought must be reasonably calculated to provide more than a temporary alleviation of unemployment or underemployment within the redevelopment area wherein it is, or will be, located.

I do not know whether a hotel or motel could qualify under that standard or not; but if it could, then I see no reason why it should not be eligible for a loan.

Under no circumstances, however, can I see that it would be eligible for a grant.

Mr. CRAMER. I will say to the gentleman in reply, the gentleman's own conclusion that he does not know is adequate to raise the red flag, so far as I am concerned, that in fact hotels and motels financing grants or loans is one of the areas of principal criticism, and I believe consideration should be given to preventing the use of these Federal funds for this purpose. I do not think this bill does it.

In support of this, I cite not only the conclusion of the gentleman from Texas, but also the language on page 2, lines 10 through 12, which sets out the general purposes—

that Federal financial assistance, including grants for public works and development facilities to communities, industries, enterprises, and individuals in areas needing development—

And so forth.

In relation to the grants for public works, the question the gentleman raised, a number of communities are in the process of developing through State-chartered organizations of not only recreational facilities, including lodging, but also encouragement of development of industry in the area.

For instance, in our area we have the allied industry council. They certainly could qualify under the sentence in section 101 beginning on page 3, line 3—

upon the application of any State, political subdivision, Indian tribe, or private or public nonprofit organization or association.

So it is not excluded even as it relates to title I, under those circumstances.

Now, as it relates to title II, I do not think there is any question but what they can qualify. I think the gentleman, of course, under

the gentleman's provision they should increase employment, would have that potential, and so forth. But I do not think there is any question but what they can qualify under that title.

So my only reason for raising it is I think the committee will have to decide whether, as a matter of policy, it wants to include, and secondly, whether or not the language is tight enough to do what the committee wants to do.

I will yield further.

Mr. WRIGHT. If the gentleman would yield further, I think it is clear that a hotel or any other essentially profit enterprise would not be eligible for grant. I do not think there can be any question about that. If there were any question, I would certainly have no objection to some provision under section 101 that no profit enterprise would be eligible for grant.

But now, if the gentleman would yield further——

Mr. CRAMER. Yes.

Mr. WRIGHT (continuing). I do not know that there is anything inherently evil about a hotel. If you want to apply a standard under the loan provision, which is for private, profitmaking enterprises, and then if the hotel meets that standard of providing long-term employment opportunities for the area, I see no reason why a hotel should not be as eligible as any other enterprise which actually met those standards.

As a general rule, I do not think hotels constitute what we have in mind, Bill; but industries and other employment enterprises that offer continuing opportunities on a moneymaking basis, this is what we are trying to help in those areas that do not have the interstructure for mass employment opportunities.

I do not know that there is anything evil really about hotels as a private enterprise, anymore than there is related to certain other kinds of enterprises, if it is really going to provide long-term employment opportunities to the area.

Mr. CRAMER. I will say to the gentleman—in fact, I just have a couple of more questions——

Mr. BLATNIK. The Chair would like to state on this particular point, it is an important one obviously, but it is one that cannot be determined or settled at this point; it will certainly be considered in further discussions.

Mr. CLEVELAND. Will the gentleman yield?

Mr. BLATNIK. Just a moment.

As one of the cosponsors of the bill, it is not my intent, and as I interpret the legislation before us, there is no provision to permit grants to private profitmaking establishments, such as any establishments to include motels or hotels. There might be in the case of technical assistance programs of that type.

The Chair would ask the committee members to help expedite the hearings. We have had excellent testimony and interrogation of this very important witness and his associate. We have three more witnesses. We would like to conclude within the next hour.

Mr. Cramer.

Mr. CRAMER. I will be glad to—I have yielded much of my time. I will make it as brief as possible.

Page 31, the reason I asked the question, the Annual Report of the Area Redevelopment Administration of 1964, this indicates what the policy problem is. Accordingly, these are loans. A major effort there has been to help make area redevelopment areas to develop their tourist potential, to attract outside income, to provide jobs—this is ARA's report.

As of June 30, 1964, ARA approved 30 projects, involving investment of \$21.3 million for hotels and motels, and 35 projects, involving \$47.2 million, for other types of tourist projects. All financial assistance for motel, hotel, and other tourist projects amounted to 28 percent of ARA's total investment.

Now I will yield to the gentleman from New Hampshire.

Mr. CLEVELAND. The only point I wanted to make, for the information of the gentleman from Texas, and perhaps for the witness and for the committee, is this, that although a grant under the terms of this bill as written may not be made directly to a hotel or a golf course or a ski area, there are many expenses involved in establishing a hotel in a ski area that could not receive grant treatment. And I refer to construction of access roads, sewage systems, water supplies, and these are things many of the existing hotels have had to build at their own expense.

You can take some very inexpensive land and if you can get the Government to build with grant money the access roads, water supplies, and sewage treatment facilities, you may not have given that industry a grant directly in terms, but you have given them a tremendous lift.

Mr. CRAMER. A step further, they provide the land under title I, for the purpose of developing such a private enterprise facility.

The present ARA law provides the following test, that grants can be made only if they are financed—that the applicant for the grant proposes “to contribute to the cost of the project in proportion to its ability so to contribute”; and further “there is little probability that such project can be undertaken without the assistance of a grant under the act.”

Neither of these findings were required under the present law.

Do you have any comment on that?

Mr. STANLEY. I do not think either of the provisions that you read would be detrimental to the intent of the present act that you have before you for consideration.

Mr. CRAMER. So you would object to including them into the act, the new bill, as they are in the present Area Redevelopment Act; right?

(At this point, Mr. Wright assumed the chair.)

Mr. STANLEY. Where are they in the present act?

Mr. CRAMER. They are under the grants section of the present act.

Mr. STANLEY. That is correct, we would not object.

Mr. CRAMER. All right. I have just one other question.

On page 12 of the bill, line 7, one of the tests under the ARA section is, “the project for which financial assistance is sought must be reasonably calculated to provide more than a temporary alleviation of unemployment or underemployment within the redevelopment area wherein it is, or will be, located.”

I am sure you are familiar with a number of the critical reports of the General Accounting Office related to the fact that the test for increased employment, in its opinion, General Accounting Office, was that the test for this increased employment was not properly applied.

Then I would think the committee would want to make sure it tightened up enough that if x dollars were to be used of Federal money, that a reasonable return in additional employment should result. Is that not a fair approach? If you are going to put \$10 million in, you ought to get at least a certain number of new jobs out?

Mr. BIEMILLER. Certainly we would have no quarrel with that, and we think that certainly is the intent of the present language.

Mr. CRAMER. Right.

Mr. BIEMILLER. If there is any validity to the criticism, it is a criticism of poor administration. I mean, there is no point in kidding anybody on that one; because certainly this language is quite clear and we agree with this language.

I think part of the problem has been some pressures that have been exerted to not use ARA for the purpose for which it was originally intended, which is redevelopment.

Mr. CRAMER. I cite as an example the loan made to the Bayonne-South Jersey Cooperative Aid Poultry Association, \$42,000. It was supposed to create 27 new jobs; it resulted in a reduction of 8.

Mr. STANLEY. Sir—

Mr. CRAMER. So the point I am making, does this language do that job?

I do not think it does, because if you had a finding that there was any new employment, under the language on page 12, paragraph 3, numbered (3), any new employment, then it could be approved. It does not say that it would contribute to substantial increased employment; it just says, "alleviation of unemployment." It could be one person.

Mr. BIEMILLER. More than a temporary alleviation.

Mr. CRAMER. I understand "temporary" fine. But what is "alleviation of unemployment"? Employment of five people? Eight people? Ten people?

It does not require substantial increased employment or increased employment commensurate with the Federal investment.

Mr. BIEMILLER. Well, I would certainly say that if the original factor in the case that you cited held it is a substantial increase if, for 42,000 bucks, you could create—what was the figure—27 jobs? This is a substantial increase in employment for that kind of a capital expenditure.

Mr. CRAMER. I agree with that, but it resulted in an eight job decrease.

Mr. BIEMILLER. This becomes a question of judgment.

Mr. CRAMER. It becomes further a question of whether we properly wrote the law initially so that the Area Redevelopment Administration would have to follow the mandate of Congress in exercising its judgment. For that reason, my thought is that, perhaps clarifying further, that proscribing the function of ARA in exercising its judgment along the lines that the money invested by the Federal Government, the return in additional or new employment should be sufficient to justify the investment.

Mr. BIEMILLER. But I repeat that on the surface of the application, and assuming the application was valid, you did have a substantial increase in employment in the instant case.

Mr. CRAMER. I can cite other—

Mr. BIEMILLER. I know.

Mr. CRAMER. Do you have objection to writing further provision or proscription into the bill?

Mr. BIEMILLER. I do not—I want to make sure the proscription did not stop the loans for small projects. I think this is the point you have to watch here. So that you have trouble in defining “substantial employment.” I believe that is the phrase you suggested.

Mr. CRAMER. The return in additional jobs should be fairly related to the amount of the Federal investment.

Mr. STANLEY. But, sir, is there not real danger here of throwing the baby out with the bath water?

If you are going to say you must create so many jobs for x number of dollars expended—

Mr. CRAMER. I just said it should be related reasonably to the amount of the Federal investment.

Mr. STANLEY. I think this is the intent of the act. But there cannot be any sure bets, as you well know, sir. If all the ARA projects were successful, then I would have thought ARA would have been a failure.

Mr. CRAMER. You are not listening to the suggested language. My thought is that it should be along the lines the number of jobs should be reasonably related to the amount of the Federal investment.

In other words, you cannot spend \$10 million to create five jobs. It is not reasonable.

Mr. STANLEY. But it may add substantially to the economic base of the community, which in the future will help develop, or will develop additional employment.

I would hesitate to say that you could relate a dollar figure directly to jobs created and be successful in this kind of a program.

Mr. CRAMER. Well, then I just have one more question.

What I am trying to do is get the problem areas and find out if there is a way of meeting that problem. That is what my objective is in these questions.

Now, on page 21, paragraph (2), this is in relation to the tests of unemployment to determine whether the area is qualified. That has been subject to considerable criticism, that the test is not proper.

Now, the test under paragraph (b) is substantially the same as in the present ARA provision, but paragraph (2), which takes the place of paragraph (b) of the present law, section 5(b) of the present law reads as follows:

The Secretary shall also designate as “redevelopment areas” those areas (including Indian reservations) within the United States which do not meet the requirements set forth in section (a) but which he determines are among the highest in numbers and percentages of low-income families, and in which there exists a condition of substantial and persistent unemployment or underemployment—

the important words being “low-income families.”

Now, what are they substituting for that in the new bill, paragraph (b)? On page 21, let's read that:

"Those additional areas which have a median family income not in excess of 40 per centum of the national median, as determined by the most recent available statistics for such areas."

Now, according to the Secretary's testimony, as I understand it, that means that the median income, 40 percent of the median income would be \$2,260. So a family receiving—that is, at the present time, and of course it would fluctuate, it would include 205 additional counties.

My question is: Do you think this language is preferable to the present language of "low-income families"?

MR. STANLEY. Well, this simply intends to clarify or specify what constitutes low-income families, does it not, as the difference from the present law?

MR. CRAMER. Well, do you think that \$2,260 as income for a family is reasonable in classifying it as a depressed or redevelopment area?

MR. STANLEY. Well, \$2,260, yes, I would think definitely it would be a depressed area or distressed area. If we would have any provision on that, I would assume we would think it was too low.

MR. CRAMER. That is all, Mr. Chairman.

MR. WRIGHT. We have several other witnesses.

I want to thank the gentlemen for their lucid and interesting and informative, helpful testimony. We appreciate your coming and sharing with us your views.

MR. BIEMILLER. Thank you, Mr. Chairman. We appreciate the opportunity to be here.

MR. WRIGHT. If we could move along and attempt to get as far as possible within the next few minutes, prior to our having to go out of session today, I should like to ask the Honorable J. Travis Price, mayor of Springfield, Tenn., and president of the Tennessee Municipal Association, to come forward.

Mayor Price, we are honored to have you with us and grateful for your having stayed as long as you have awaiting opportunity to testify before us.

I notice that you have quite an exhaustive and comprehensive statement which you present for the committee's consideration. Would you like to summarize the statement so that we might include all of the testimony in this morning's session?

STATEMENT OF HON. J. TRAVIS PRICE, MAYOR OF SPRINGFIELD, TENN., AND PRESIDENT OF THE TENNESSEE MUNICIPAL ASSOCIATION

MAYOR PRICE. Mr. Chairman and gentlemen, I think the honor is mine, and I am grateful to you for giving me this opportunity.

With the Chair's permission, in view of the limited time and in view of the fact that my statement is in print before each member of this committee, I would be perfectly agreeable to having it just entered as a matter of record and we can proceed to questions and answers, if there be any.

In that case, without objection, the statement presented by Hon. J. Travis Price will appear at this point in the record.

(The prepared paper follows:)

STATEMENT OF J. TRAVIS PRICE, MAYOR, CITY OF SPRINGFIELD, TENN., ON S. 1648

I am J. Travis Price, mayor of the city of Springfield, Tenn., and president of the Tennessee Municipal League. I am testifying in support of S. 1648 on behalf of my city, the Tennessee Municipal League, and the National League of Cities.

The National League of Cities is firmly on record in support of the area redevelopment program. At its 1964 annual congress, on behalf of its 47 member State leagues and more than 13,000 municipalities, NLC incorporated in its national municipal policy a strong statement including the following: "We endorse the Area Redevelopment Act. It constitutes the first systematic plan to help communities adversely affected by changed economic activity to rebuild basic facilities or to acquire basic facilities necessary to support modern economic pursuits."

NLC's policy also stated: "There is a huge backlog of needed municipal public works projects in this Nation. * * * We, therefore, urge the Congress to authorize additional funds for public works acceleration."

The Tennessee Municipal League's 1964 annual conference included in its Federal legislative program the following: "We reaffirm our vigorous support of a revised and improved Area Redevelopment Act and continuation of the accelerated public works grant program in order that areas of severe unemployment or chronic underemployment and low income might improve their economies and job opportunities."

I request your permission, Mr. Chairman, to include in the record at the end of my testimony the official policy on area redevelopment and public works grants contained in the 1965 national municipal policy of the National League of Cities and also of the Tennessee Municipal League.

Thus, both the Tennessee League and the National League of Cities support the provisions of S. 1648. The bill incorporates the measures which have proven successful in strengthening and redeveloping the economies of distressed industrial communities, and of underdeveloped agricultural and similar areas which have never achieved an industrial and urban economy.

Since Tennessee does not have any distressed large industrial centers, my testimony will emphasize the experience and the needs of the smaller industrial communities and the emerging urban centers in the 47 eligible redevelopment area counties among the 95 counties in my State.

By citing actual cases, I will endeavor to demonstrate two facts: That the measures provided in this bill will get the job done; that in the absence of an adequate Federal program, there is no practical way to make available to distressed areas the essential resources provided in this bill.

Appropriately, the first example is my own county of Robertson and city of Springfield. When the area redevelopment legislation was first enacted some 4 years ago, Springfield was a prosperous manufacturing center with 1,600 industrial jobs and a center of trade for a thriving surrounding agricultural economy.

However, the decline of jobs in farming had already fallen heavily upon us, resulting in a loss in population in Robertson County from 1940 through 1960. In the late 1950's and early 1960's changes and stresses in the national economy resulted in the closing of 3 industrial plants employing some 1,000 persons.

Therefore, we were confronted by the combined depressive forces of decreased employment in agriculture and industrial dislocation.

We are being rescued, Mr. Chairman, by a combination of efforts and assistance—by our own community and its civic and governmental resources; and by the area redevelopment and accelerated public works programs. No lesser combination of resources and measures would work. We cannot go it alone.

Let me outline these measures, and only the most important ones, for they demonstrate the effectiveness of several of the measures contained in S. 1648.

First, we carried through to completion basic improvements in our water and sewage facilities at a cost of \$1,200,000 through sale of city bonds in the private investment market;

Second, our city government and industrial agencies purchased several sites at a cost of \$120,000.

Third, we secured an accelerated public works grant in the amount of \$174,000, matched with \$183,000 of local funds, to expand water storage and service facilities to the new industrial sites, and to expanding residential areas throughout the community;

Fourth, with a commercial loan from the Area Redevelopment Administration in the amount of \$325,000, together with \$175,000 from local governmental and private sources, we were able to finance a plant for a new industry.

Fifth, with the facilities and advantages which have been thus secured, we were able to attract three additional industrial operations into our industrial park. Total increased industrial employment was approximately 300, and planned expansion of these firms will add 350 more jobs.

Finally, we now have in process of preparation an application for ARA financing of a small manufacturing enterprise.

The net result in manufacturing employment is 1,350 jobs in 1965 compared with 1,600 in 1960. The rate of unemployment in Robertson County remained at a high level in 1964—9.9 percent.

With ARA public facility and industrial financing assistance, we are making the hard climb back to where we started a few years ago.

We know that our economy must expand and we have plans to achieve it, but we will need assistance offered in the public works and economic development bill of 1965.

Among immediate objectives for which we would hope to use the provisions of this bill is the acquisition of a new industrial park at an estimated cost for land and development of \$700,000.

We have conducted discussions with various industrial prospects, some of which can locate in our area only with low-cost, long-term loans offered in this bill.

Ultimately, in order to support an expanding economy, we must open up a new public water source by building a transmission line some 12 miles to a river offering ample water supplies.

Furthermore, we want to use the provisions of this bill to improve our economic planning. Although we have a splendid countywide overall economic development plan under the Area Redevelopment Act, we are aware that we must have thorough data on regional economic resources and participate with other neighboring communities in developing those resources of a regional character which will support the continued economic development of our own community as a part of a regional complex.

It would be a totally wrong impression if anyone assumed that Springfield and Robertson Counties were waiting around to be bailed out. We are using every resource available to provide community facilities and industrial financing. In the last 16 years, our city government has issued in excess of \$4 million of public bonds, principally to improve and expand our basic utility systems—water, sewerage, natural gas, and electricity. Further, in the last 15 years we have issued \$2,440,000 of industrial revenue bonds to provide below-the-market, long-term capital for industrial plants.

The citizens of our county and city will vote soon on a 1-percent local sales tax to provide more adequate finances for improving educational services and supporting economic expansion.

In case there is any question about the ability of well-conceived measures such as those offered in S. 1648 to create urban-industrial centers in genuinely rural areas formerly dependent upon agricultural and forestry employment, I would like to cite one additional example: that of the town of Centerville and the county of Hickman, situated 50 miles southeast of the metropolitan community of Nashville in middle Tennessee.

At the end of World War II, this community had only one substantial industrial enterprise—a pig iron mill employing some 500 persons. It was soon converted to a wood-processing plant employing only 250 persons.

By means of public industrial bonds to provide long-term, below-the-market capital, two garment manufacturing operations were secured. They employed a total of some 800 persons, principally women.

In the mid-1950's, the local governments undertook the modernization of public facilities and services. The town of Centerville through public bonds invested some \$550,000 in improvement of its water and sewerage utilities and in the construction of a new natural-gas system. The county consolidated its schools and, among other improvements, installed one of the State's first closed-circuit television systems to improve instructional methods. The town provided a public

golf course, and an airport with State and Federal financial assistance at a cost of some \$175,000. The town and county governments jointly financed a Hill-Burton Hospital with Federal aid.

Then, the Area Redevelopment Act came along to put the icing on the cake. The county, with hope of ARA assistance, acquired a large industrial park through its Public Industrial Development Corp. Because of difficult terrain the park was located some distance from the town. With an \$80,000 grant and a 40,000 loan from ARA, extensions of water and natural gas were made to the industrial park, and two excellent new industries employing a total of 400 persons were located there.

The State of Tennessee, under its industrial highway program, constructed an industrial access highway to the site.

Because the Federal Aviation Agency required a large portion of the park for an omniguide station, it now has become necessary to find other industrial land. This is being undertaken with a \$23,000 technical assistance grant from the ARA to employ a private consulting firm to locate the most adequate and economical new industrial park and to develop economic data indicating the types of industries which might be attracted.

A unique and unexpected bonus from the ARA program occurred when a large national concern operating a wood processing plant, employing 250 persons in manufacturing operations and another 250 in forestry operations, announced closure. Local investors, in cooperation with community industrial development and governmental agencies, promptly filed an application with ARA for a 65 percent loan to acquire this plant, and deposited in escrow in local banks the required 10 percent local contribution. With this demonstration of community interest and capability, the company reappraised its decision, and determined to continue operation of the plant.

It is somewhat amazing to report that this community has a total of some 2,000 industrial jobs available in 5 major manufacturing plants and several smaller operations, although the total population of Centerville in 1964 was only 2,318. This represents, however, a gain of almost one-third in the last 4 years.

It is obvious that the Nation now has a new, if small, industrial-urban center offering employment opportunities to a large surrounding area, with a stable economic base through diversified manufacturing operations.

And consider this significant fact: ARA recently notified Hickman County that low unemployment makes it ineligible for further ARA assistance. The Nation has one less depressed area.

In these two examples and in numerous others which might be cited (and we have in Tennessee several dozen former rural trading centers that have become urban-industrial communities), we see the need for the various measures provided in S. 1648 which are not available either from local or State governmental or private resources. Let me outline them briefly:

1. A proper organization for economic development including:

(1) Proper organization at the local level with an overall economic development plan as provided in the Area Redevelopment Act.

(2) Broader area economic planning and development of data on resources—a new proposal in this bill with financial aid for administrative costs and 10 percent increased grants for community facilities. The validity of this district approach already has been demonstrated through three tributary development authorities created by the State of Tennessee to cooperate with TVA in multicounty river basin economic planning and action. I might note that the 1965 general assembly enacted legislation authorizing the creation of economic development districts composed of a number of county areas with a common economic base.

(3) Broader multistate regional planning, such as we have long had in the Tennessee Valley through the TVA, and recently extended to the vast region brought under the Appalachian development legislation.

(4) Recognition of the need to create urban centers with adequate public and private resources and facilities to provide a base for economic expansion—a new provision of this bill encouraged by a 10-percent increase allowance in grants for community facility projects in such centers.

2. S. 1648 recognizes the need for adequate community facilities serving industrial and tourist expansion by providing 50-percent grants, and in unusually distressed areas as high as 80 percent, either in direct assistance under this bill or by supplementation of grants available under other Federal programs. We are very encouraged by the definition of eligible projects under this bill, which

is broader than that in the original Area Redevelopment Act. We feel that the basic water-sewer facilities and the acquisition and development of industrial land to be ready for economic expansion is essential. We cannot wait until industry is knocking on our door to initiate the provision of these basic community facilities.

The \$250 million provided for this purpose, with an additional \$50 million for the 10-percent increased grant to encourage economic development districts and the development of urban centers, will be extremely helpful.

3. The provision of community facility loans will be a necessary supplement in many cases to the grants which are available.

4. Of particular importance are the provisions in this bill for a more adequate and versatile set of industrial and commercial financial tools. In addition to the present 65-percent direct loans for long-term investment capital to commercial and industrial enterprises, we particularly approve the concept of minimizing use of Federal and local government funds through the \$5 million annual amount to pay 2 percent of the interest on loans to industrial enterprises when secured from private financial sources. We believe such below-the-market interest rates are essential, and this will open up a potential of \$250 million a year of private financing of commercial and industrial expansion in redevelopment areas.

5. Especially helpful will be the provision for guaranteeing short-term private loans for operating capital made to firms which are receiving direct loans. Frequently, a sound industrial financing plan breaks down due to lack of operating capital. This is especially true since most of the enterprises which are locating in redevelopment areas are either expansions of existing ones or new enterprises which have a need not only for additional long-term capital for plant and facilities, but for increased operating capital as well.

6. Finally, we believe the new emphasis in this bill on financial assistance for administrative and technical services in connection with economic development is fully justified. We cannot proceed successfully without proper overall economic planning in communities and regions, and without the technical knowledge needed to be certain that sound enterprises are located in areas which have adequate resources and advantages for profitable operations.

In conclusion, Mr. Chairman, I would like to comment briefly on the problem of administration of this program. We are extremely hopeful that this bill will place in one agency of the Federal Government—namely, a new economic development administration of the Department of Commerce—full authority to administer this total program. This bill certainly provides a more complete set of tools than the original Area Redevelopment Act. Equally important is insuring that one agency has authority to make the program work.

We genuinely believe that operation of the original Area Redevelopment Act was almost wrecked due to the bureaucratic demands of various other agencies of the Federal Government to gain authority over certain aspects of this program.

While it is entirely proper for one agency of the Federal Government to employ the services of other agencies capable of rendering them, the final authority should rest in one agency.

We believe that it is particularly unsound to make a distinction between small and large urban areas. It is well known that the Department of Agriculture insisted, after the original ARA Act was enacted, that the administration of this program in so-called rural areas be substantially delegated to that Department, although the ARA Act contained no such delegation. But we see no distinction, and there is none, in the application of this program in Centerville with less than 2,500 population, or Springfield with just over 10,000 population, or of a large urban center. This program deals with urban community facilities and with industrial and tourist enterprises—with urban problems and industrial and commercial operation—not with farming.

Rather than the fragmentation of operations and unsound delegations of authority at the Federal Government level, we would hope that all Federal agencies and their employees in Washington and at local levels would join with all of the elements of our communities in promoting and fostering local economic planning, local urban development planning, and in the full use of whatever Federal assistance may be made available through this act and under numerous other programs. We must have unified administration at the Federal Government level and unified planning and action at the local level.

It has been a privilege for me to present this testimony, and to indicate with conviction and with specific examples the great progress that can occur in

developing local and regional economies in this Nation through vigorous and intelligent planning and effort at the local level, and through sound Federal and local cooperation.

Mr. WRIGHT. If you would care, Mayor Price, to give us a brief summation in addition to this, verbally, as a springboard for our discussion together, why we would be happy to have it.

MAYOR PRICE. Mr. Chairman, thank you, sir.

Briefly, my statement has reference to the experience in the State of Tennessee with respect to the applicability of ARA and APW projects.

Supplemental information, which does not find itself within the statement, reflecting our experience—and I was quite interested in the interchange of conversation, questions and answers, with respect to the previous witness—in Tennessee our experience has been, as of March 31, 1965, under approved ARA projects in the State under section 6, commercial and industrial loans, there were 10 approved by that time, creating 1,600 jobs.

Under section 7, public facilities loans, 9 projects in number, five million, seven hundred plus, creating 2,430 jobs.

Section 5, aid grants, \$1.5 million, 485 jobs.

Section 16, training classes, 67 projects, about \$900,000, or a little less, with 1,210 persons in training.

We are here to testify in support of the proposed bill, Mr. Chairman, and gentlemen, because it has been our experience, and it is our clear understanding that ARA, as it exists, and certainly as it is proposed in the proposed bill, can be and is good for the economy of this country.

Questions and illustrations with respect to faux pas or busts, or situations where what was envisaged did not come about, we believe are exceptions rather than the rule.

In my own county and city, a town of some 10,000 population in a county of some 30,000 in population, we, through the Area Redevelopment Administration, have 1 and are negotiating for 2 other small industries, industries of 35 to 50 or 60 jobs in employment; industries which are good, sound industries, but are, financially speaking, marginal, which are industries which could not have financed themselves. And we certainly, being a small, semirural and agricultural community with only real property taxes as our source of revenue, except as supplemented from State and Federal sources, could not have financed them either. And those new industries, the one in and the two coming, and accompanied by accelerated public works projects of sewage and water treatment, not only have brought those three in being and coming, but three other industries which are self-financing, which were not at all interested in our community until we were able to show them that we had those facilities and those public works which they had to have in order to be there.

The agricultural economy in Tennessee, as it has been in the large portion of the erstwhile agricultural South, has become a thing of the past in large measure. A large percentage of our unemployment problem—Springfield, for example, is 9.9 percent chronic unemployment, still right now because of the dropoff in agricultural employment.

Economic factors over the past decade caused us to lose industrial jobs to the tune of some 1,000 to 1,200 jobs lost over the past decade. We have gotten back through ARA and APW projects almost that 1,000, and we can envision in the next 10 years an increase to the point where we will have doubled the employment we had 10 years ago.

Now, Mr. Chairman, I think that pretty well summarizes my position and my attitude.

Mr. WRIGHT. Mayor Price, the committee is interested in your experience. You, as mayor of a town of approximately 10,000 people, would certainly have a feel for the problems of communities of this size all over the Nation that are facing a continuing struggle to keep their heads above water financially and keep their young people at home, to provide opportunities to make the new generation want to stay there, particularly the economic growth of your community.

Mayor PRICE. Which, I might interpose, Mr. Chairman, represents something like 75 to 80 percent of the incorporated municipalities in the United States.

Mr. WRIGHT. Is that valid to the Nation as a whole?

Mayor PRICE. I think so, 10,000 or less.

Mr. WRIGHT. If I may make a personal reference, I have a great deal of sympathy and empathy, I think, for your position in that some years back I had the privilege of serving as mayor of a town, approximately the same size as yours, and was privileged to be president of the Texas Municipality Association at that time.

Through your service as president of the Municipal Association of your State, I suspect you also have had the opportunity to see what happens generally in these communities throughout Tennessee?

Mayor PRICE. Yes, sir.

Mr. WRIGHT. What percentage of your State is eligible for area redevelopment and accelerated public works loans?

Do you have an approximate figure?

Mayor PRICE. In terms of the number of counties, Mr. Chairman?

Mr. WRIGHT. Yes.

Mayor PRICE. I think from 17 to 19 of our counties are eligible for coverage under the so-called distressed——

Mr. WRIGHT. How many counties do you have in all?

Mayor PRICE. Ninety-five.

Mr. WRIGHT. So in your particular county, with approximately 9 percent chronic unemployment, that would be right in the heart of this problem area?

Mayor PRICE. Geographically speaking, Mr. Chairman, no. Geographically speaking, the majority of the counties eligible would fall within the east Tennessee, or so-called Appalachian region. There are some seven or eight counties spread into the middle west Tennessee areas which are also chronic unemployment counties.

Mr. WRIGHT. Springfield?

Mayor PRICE. Springfield is just north of Nashville, at the bottom end of the so-called Blue Grass area of Tennessee and Kentucky.

Mr. WRIGHT. You say your observation has been by and large these loans for individually owned business enterprises, the grants for public facility construction have been permitted and have fed into the long-term job potential of the area?

Mayor PRICE. Not only by and large, Mr. Chairman, but I would say that in the preponderant incidents, in my case, it has been the case.

I personally, if you will pardon a personal reference, spent some 13 years here in Washington on the Bureau of Credit with the Department of the Navy, and I have learned to give considerable thought to the question of the proper utilization of the taxpayers' dollar through Federal expenditures, and I am very jealously, from the position I now hold, guarding against waste of Federal funds.

But the proper employment of Federal funds in the improvement of the economy of all regions of our country I think is a wonderful thing and is a very valid purpose for the Federal Government.

Mr. BALDWIN. Mr. Chairman?

Mr. WRIGHT. Are there questions?

Yes, of course.

Mr. BALDWIN. Mr. Price, I notice that in two instances, your statement is in direct conflict with two of the important recommendations made by the previous witness, Mr. Biemiller.

Mayor PRICE. Yes, sir.

Mr. BALDWIN. On page 4, even with the tax-exempt bonds, which Mr. Biemiller felt should not be used under the objectives of this bill, at the end of the first paragraph you state:

Further, in the last 15 years, we have issued \$2,440,000 of industrial revenue bonds to provide below-the-market long-term capital for industrial plants.

Then in the next to the last paragraph of this same page, you say:

By means of public industrial bonds to provide long-term, below-the-market capital, two garment manufacturing operations were secured. They employed a total of some 800 persons, principally women.

Now, I think this is exactly the point not only Mr. Biemiller was aiming at, but also Mr. Cleveland of New Hampshire, that Mr. Cleveland specifically pointed out that New Hampshire had lost a whole series of—and the gentleman from New York, Mr. Grover, also pointed out—that New Hampshire and New York lost a whole series of garment plants, and they are very much of the opinion that some of this loss was due to this type of activity by certain States, apparently including Tennessee.

The recommendation of Mr. Biemiller is we incorporate in our bill a provision that would bar any area that used any tax-exempt bond for the attraction of industry from qualifying under the terms of the bill.

What would you think of that recommendation?

Mayor PRICE. I appreciate, Mr. Congressman, you raising that question with me, because I quite respectfully disagree with Mr. Biemiller on that point.

First and foremost, let me state that as a broad philosophy, I cannot accede to the position of—if I might use an illustration—saying that we should deny to the people of the United States the right to bear arms, because some few people use them to rob banks with.

Mr. BALDWIN. That issue is not before us. We do not have that.

Mayor PRICE. That is correct. It was an illustrative point.

The fact of the use of industrial revenue bonds to finance industrial growth, let me say in terms of robbing or taking industry away from one area of the United States to put into another, or pirating, as has

been used here, I disagree with entirely. I think there should not be pirating.

I think that a regulation was in existence in the Area Redevelopment Act and should be contained, and perhaps even strengthened in the proposed legislation, which would not make use of Federal funds under this bill for the purpose of financing any transfer of jobs from one place to another.

Let me say for the record, sir, that in the 12 or 13 industries which we have in my county, city, there has not been one single industry that has been pirated away from anywhere else. They are all either expansions or new industries entirely.

Mr. BALDWIN. Could I ask a question?

Mayor PRICE. Yes, sir.

Mr. BALDWIN. When you refer to these, one case as industrial revenue bonds and the other case as public industrial bonds, I take it in both cases these are State authorized bonds, which are tax exempt as far as Federal income taxes are concerned. Is that correct?

Mayor PRICE. Under the State of Tennessee's Industrial Revenue Bond Acts of 1951 and 1955, sir, municipalities or counties may issue industrial revenue bonds, which are taxes similar to legislation in some 39 States now.

I think, gentlemen, it would be wise to point out right here and right now that, of course, as I conceive this legislation, it is designed to help areas which are depressed and, as a result of that, to get into the business of financing and developing industry which perhaps is marginal or is not quite strong enough to finance itself.

You gentlemen are perfectly aware of the fact, and General Motors was used as an illustration and I will use that, that the money market is flexible. A large highly solvent corporation, such as General Motors, does not pay the public going rate for interest when it borrows money. Little industries, such as we are talking about here, cannot get special interest rates from banks and lending institutions for their borrowings. This merely designs itself to put small industries, which we need and which we are hoping to help to grow, on a competing basis with the large, solvent corporations.

I hope that answers your question, sir.

Mr. BALDWIN. When you say it is small industries, is there any restriction in Tennessee laws that could not make it available for use for industries the size of General Motors?

Mayor PRICE. It could be used for any of the industries of whatever size, that is correct.

Again, sir, that is not so much a question of anything but sound, wise administration on the part of those people who have that responsibility; that is local government issues.

Mr. BALDWIN. Mr. Chairman, I yield back to the floor.

Mr. WRIGHT. Mr. McCarthy.

Mr. McCARTHY. Mayor Price, are you familiar with the city of Jackson?

Mayor PRICE. Jackson, Tenn.?

Mr. McCARTHY. Is that near you?

Mayor PRICE. Reasonably so, sir. It is about 60 miles away.

Mr. McCARTHY. The reason I bring that up is that I had personal experience about the location of a major new industry in Jackson.

The company I was with just last year completed a major multimillion dollar plant. We were very impressed with the way they went about it. They established an industrial park there and they were very aggressively promoting it. They had to build a plant, which cost about \$8 million, to service the whole midsection of the United States.

Mayor PRICE. Yes.

Mr. McCARTHY. We were very impressed by their aggressiveness in promoting this industrial park. They had good rail facilities, many things to recommend it, and were aggressively promoting it; and without any Federal assistance, they did so, and added substantially to the employment prospects for the people in the area.

I would prefer to see that kind of a situation rather than what in effect is a subsidy.

Would you have any comments on Jackson?

Mayor PRICE. Only in this regard, Mr. McCarthy, my experience with my own city of Springfield has been comparable. I mentioned a few moments ago we have 12 industries now whereas 15 years ago we had one. That one, by the way, went by the board after operating in our town for about a decade, or for more than a decade, since 1903. It was a woolen mill and it lost out through competition from Italy and Japan.

Only as of this time, one industry in our community has had assistance through ARA. The rest of them were handled on a local financing basis, through industrial revenue bonds.

Gentlemen, we have in my State had to become aggressive, as the gentlemen in Jackson are, because being in a TVA area served by a great public utility, which is a governmental or quasi-governmental function, it has not in the past had what the great North and Northwest and great Northeast has had; that is, tremendous railroads and tremendous public utilities, which have gone out and aggressively sought and acquired industry for those areas.

It has fallen to governmental activities to do the job that private industry has done; that is, those great utility services which build their own corporations by the service they perform to their customers.

Now, they did the job. In our area, there is nobody involved in industrial acquisition, industrial expansion, except local government. So we had to get into that business.

Jackson did it; we have done it. The whole State of Tennessee—with some few exceptions, some small towns have not waked up to the 20th century yet in Tennessee, as they have not in the whole United States; but in the main, we have had to do a job which private industry has done in other parts of the United States.

Mr. McCARTHY. So you had 1 industry, now you have 12; right?

Mayor PRICE. Yes, sir.

Mr. McCARTHY. And only 1 of those 12 was with the ARA assistance?

Mayor PRICE. That is correct, sir.

Mr. McCARTHY. Then it seems to me that you are doing the job without too much help from ARA.

Mayor PRICE. We are doing the job in my town without too much help from ARA; but in the State as a whole, it is not quite that bright a picture, Mr. McCarthy. We could not have done the job that we have done in terms of industrial expansion.

Again, I must broaden my answer to take in the accelerated public works program. We could not have done it. We would still be agricultural and still be what we were in 1950, about 6,000 people, instead of the 11,000 we are now, were it not for the fact that we had the facilities of the accelerated public works program to provide public utilities throughout our corporate area there, which would make us an area in which industry could be interested.

Now, these two things, it seems to me, work hand in glove, and I think both aspects of this program are extremely important.

Mr. McCARTHY. Thank you, Mr. Mayor.

Mr. CRAMER. Mr. Chairman?

Mr. WRIGHT. Mr. Cramer.

Mr. CRAMER. I have just a couple of questions.

I thought your observation not having private enterprise, such as private firms, go out and get industry in your area was very interesting as it relates to TVA.

I am fully familiar with the work that private power does do as it does in the State of Florida in the industry development area. I am rather shocked to learn that TVA has no such program; in other words, doing the job of attracting industry that private enterprise does in other areas.

Perhaps that is an interesting commentary on when a Government agency refuses or fails to do the job private enterprise does faced with the same situation.

Mayor PRICE. We are all very much confused as to just how far Government has the proper obligation to go and should go in getting into the private realm. I do not know the answers to it myself. It is something you have to work out as you go along I think.

Mr. CRAMER. You quote the figure of \$250 million, on the bottom of page 7, the amount of additional private financing that would be made available under the \$5 million for 2-percent interest on loans.

Would you indicate how you arrive at that figure?

Mayor PRICE. Mr. Cramer, I am afraid I will have to pass on that. That is some information that was furnished for me by the technical staff of the Tennessee Municipal League.

If I might make the observation, my personal feeling, if it is of any value before this committee, would be to try to set an arbitrary dollar figure on a proposed project is purely an arbitrary operation in the first place. The proper approach, it would seem to me, is to look at a project and determine its validity and then finance it at whatever is a valid financing figure.

I realize the limitation under which Congress must work in setting dollar limitations on these, but experience has proved to me whenever we set one, we usually end up with finding out it is either too large or too small in terms of its applicable practical experience over a period of time.

Mr. CRAMER. You indicate, on page 1, the National League of Cities you say has 13,000 municipalities. Are there that many members of the NLC?

Mayor PRICE. The National League of Cities, which just recently changed its name to that from the American Municipal Associations, has 47 of the 50 States as members, and additional memberships of 13,000 municipalities; yes, sir.

You see, the arrangement is each State has a membership and communities of a certain size may have individual members.

Mr. CRAMER. Was a vote taken on these two questions you suggested, ARA and APW? Was an actual vote of the membership taken, 15,000 membership?

Mayor PRICE. The vote of the membership in attendance at the national convention.

Mr. CRAMER. What was the vote?

Mayor PRICE. I do not have that.

Mr. CRAMER. It was not unanimous?

Mayor PRICE. I would not think so.

Mr. CRAMER. I would not, either. That is why I asked the question. Could you furnish those figures?

Mayor PRICE. Yes, sir, I will see to it that they are furnished.

Mr. Healy's office is here in Washington and I will get in touch with him and see that he furnishes them to you today, Mr. Cramer.

(The information follows:)

NATIONAL LEAGUE OF CITIES,
Washington, D.C., May 12, 1965.

HON. GEORGE H. FALLON,
Chairman, House Committee on Public Works,
Washington, D.C.

DEAR MR. FALLON: In his testimony before your committee on S. 1648 yesterday, Mayor J. Travis Price, of Springfield, Tenn., referred to the fact that the membership of the National League of Cities incorporated an endorsement of the Area Redevelopment Act and the accelerated public works program in its national municipal policy at the 1964 American Municipal Congress, held in Miami Beach, Fla. Congressman William C. Cramer questioned Mayor Price about the vote on these statements of policy, and we would offer the following for inclusion in the record at pages 147 and 148 of the mayor's testimony:

"The National League of Cities (formerly the American Municipal Association) represents approximately 13,026 cities and towns who are affiliated with the league, either through the membership of 1 of 45 State associations of municipalities or through direct membership. At the present time, 275 municipalities are direct members of the National League of Cities.

"Representatives of these 13,026 municipalities meet each year at what is now known as the congress of cities to formulate the national municipal policy. Resolutions are considered by standing committees and a resolutions committee, and finally voted upon at the league's annual business meeting. A representative of each State association of municipalities may cast 10 votes at the meeting, and each direct member city has 1 vote. Thus, if all State associations and direct member cities are represented at the meeting, 725 votes may be cast.

"To become a part of the national municipal policy, resolutions must be adopted by a two-thirds majority of the eligible votes held by representatives present at the meeting. At the 1964 American Municipal Congress 41 State associations and 158 direct member cities were represented, making the potential vote total for that business meeting 568.

"Policy declarations of the National League of Cities are formulated by standing committees which consider existing statements of policy and amendments thereto. The recommendations are then considered by the Resolutions Committee, and, if that committee acts favorably, the recommendations are voted upon by representatives of the membership. At the 1964 American Municipal Congress both the area redevelopment and the accelerated public works resolutions were considered by the appropriate committees, the Resolutions Committee, and the representatives of the membership. In all three cases, the statements of policy concerning the Area Redevelopment Act and the Accelerated Public Works Act were adopted unanimously without changes.

"Thus, the full unanimous support of these two vital programs by the National League of Cities remains confirmed."

We hope that this statement fully answers the questions posed by Congressman Cramer and other members of the committee.

Thank you for taking the time of the committee to hear Mayor Price's testimony. We will be happy to answer any further questions which may be raised.

Sincerely yours,

PATRICK HEALY,
Executive Director.

Mr. CRAMER. I just have one other question relating to the—

Mr. WRIGHT. If the gentleman will yield just a moment, since this is a matter of some interest to the committee and all of us I think would want to know the general feelings of the municipalities representing this association, perhaps you could furnish it also for the record?

Mayor PRICE. To the entire committee and to the record if you wish, Mr. Chairman.

Mr. WRIGHT. All right.

Mr. CRAMER. That was my intention, Mr. Chairman. I appreciate he be given an opportunity to submit it for the record.

Mr. WRIGHT. For the information, Mr. Cramer and the rest of the committee, I am advised the National League of Cities will be represented here tomorrow in testimony. Perhaps they will be able to give us this and other related information.

Mayor PRICE. If it be agreeable, then, I will just advise Mr. Healy that that information should be furnished as incorporated within that testimony.

Mr. WRIGHT. I think that would be very helpful.

Mayor PRICE. If that will be agreeable.

Mr. CRAMER. Assuming that—and there obviously is justification for trying to encourage the development of underdeveloped areas, but are we not met with the basic question in trying to provide Federal financial assistance to some private enterprise that just happens to be going into an underdeveloped area as compared with private enterprise, which will carry its own load? Are we not faced with the basic problem, particularly if they are located close together or in proximity, or even in the same State or even in the same region, such as TVA, of thus providing one private enterprise function with a very definite advantage in the form of 2-percent loans, free property, highway to their factories, and such other public facilities as are provided? I am a little familiar with these inducements to industry; I drafted for my own county a bill.

Are we not thus faced with the basic policy problem of what the governmental function should be nationally, federally, in favoring one industry over another? And particularly where those two industries are located in similar areas, with similar problems and similar advantages, with the addition of this exception of this Federal subsidy.

Are we not faced with a serious question of putting this other guy out of business or putting him to very substantial disadvantage in marketing his product or pricing it?

Mayor PRICE. I think we could very clearly be, Mr. Cramer. However, I think we approach the answer to that very problem when we move into this concept of regional planning.

Certainly a valid part of regional planning would be taking a look at what we propose in terms of a plan and an installation with respect to its impact on those things that are there.

As an illustration, even though we still sit at 9.9 on chronic unemployment in my county and my city, we very carefully, over the past 15 years, have done two things: One, we have seen to it that we do not concentrate all of our industrial expansion into one particular industrial area, such that in case there is stoppage of work in the automobile industry, all of our factories would close down because they were subordinate plants or subassemblies, or something. We have spread our aspects of diversification. We have also made a very careful analysis of our position, and I think that is pretty generally true throughout our State, to see to it that we do not bring competing industries in, such that one interferes with another, and we have growth in one area of our economy to the detriment of the other.

Mr. CRAMER. That is your community. What about the adjoining community? They have similar industry, but do not have the help of the Federal Government to do so. That industry is in competition with the one that is federally subsidized.

Mayor PRICE. That, sir, I think, is one of the things that has been a problem, which is being answered, at least in part, in the plan in this proposed bill by this concept of regional planning agencies, which go beyond the county line.

County line is an arbitrary political thing anyway. The people in their interests, economic and sociological, do not pay any attention to county lines, or corporate limits any more, for that matter.

Mr. CRAMER. Regional planning, as I understand it under the proposal, is somewhat limited to areas where you have general unemployment. Those areas combining—we need to combine other areas, so that the concept is basically planning areas which have similar unemployment problems.

Mayor PRICE. That is true and perhaps I am confusing you, Mr. Congressman, because I am interrelating two different concepts in my own mind of recent interest. I think there is a comment about it in my statement here.

In our State of Tennessee, we have just recently, in the past general assembly, authorized the establishment of regional planning commissions incorporating numerous counties, even including those and in many instances regional planning commissions which do not have ARA-approved counties within them, where we look at our picture as an economic region, a sociological region, rather than in terms of 95 arbitrary divisions of the county lines.

Mr. CRAMER. Yes, sir. But this basic problem is going to be with us in the future—

Mayor PRICE. Yes, sir; it is.

Mr. CRAMER. If we continue this type of program.

Mayor PRICE. The basic problem, Mr. Cramer, has been with us since the beginning of the Federal Government's and the State government's and the local government's first entry into this area of private enterprise where we are getting into the business of doing the things that, if it but would, private enterprise should have done for its people, or for the people of this country, under the purest sense of the republican democracy.

Mr. CRAMER. I would be interested in knowing also how you solve the problem of your industries not getting public assistance, or Federal assistance, but one getting it.

MAYOR PRICE. Frankly, sir, Federal assistance, as such, one industry has; all of these industries but two—two of them chose to borrow on their own money from an insurance company and put up their own plant. All but one of the rest of them we financed through the industrial revenue bond issue.

Again, let me add to the record that there was no pirating; these were all new expansions or new plants.

The one industry that has taken advantage of the ARA, and it was an ARA-SBA combination operation, the advantage which they had is an advantage in the interest rate on their bonds, because it was a revenue bond issue as well in which, through ARA and SBA operations, they purchased 65 percent under the formula 15, 65 and 20 percent, and the only advantage which this industry of itself secured was the favorable interest rate, which it was not able to do in the money market on its own as were the others.

I am sure you understand, Mr. Congressman, that the industrial revenue bonds sell at a negotiated interest rate based on the financial statement of the company coming in, not the financial statement of the municipality, and the interest rate is set and is negotiated or is bid upon, as he case may be.

Now, this particular company which had ARA and SBA support was not—although it was a sound company, it was a small company, and it did not have a financial statement and resources such that it could command the favorable interest rate on industrial revenue bonds that could be commanded by some of these other industries, such as Nutone and Mansfield Tire & Rubber, which came into Springfield with branch plants, without any Federal subsidy, if you wish to call it that, or Federal assistance whatsoever.

This one could not do that.

In order to provide an expansion—and we do have a healthy industry in this company—we secured ARA and SBA cooperation in arriving at a favorable interest rate, which would make them competitive; so that rather than having a favorable position, I would rather say that they became competitive with their larger neighbors because of this assistance.

That, to me, is the classic answer, where the man who is not able—

MR. CRAMER. Excuse me. What business is this?

MAYOR PRICE. This one is a dry pet food manufacturing concern.

If there is a congressman here from the State of Illinois—I understood Mrs. Reid was here—the Rockwell Co., of Monmouth, Ill., established a branch plant in my town in Springfield, and both plants are flourishing.

MR. CRAMER. Dry pet food?

MAYOR PRICE. Grain. Corn, wheat, and soybean.

It is the Kibble Pets, or Gravy Train type of thing.

MR. CRAMER. It is a branch of this other business in Illinois?

MAYOR PRICE. Yes, sir. Yes, sir.

MR. CRAMER. How big an outfit is the Illinois plant?

MAYOR PRICE. Illinois, if I am not mistaken, employs 110 to 115 people, normally, and they still are at that; and we have 45 employees in the branch plant here.

MR. CRAMER. They are still what?

Mayor PRICE. They are still functioning; they are still in operation in Monmouth. They make dry pet foods.

Mr. CRAMER. Are they making money, do you know?

Mayor PRICE. Yes, sir.

Mr. CRAMER. In Illinois?

Mayor PRICE. Yes, sir.

Mr. CRAMER. Out of Illinois?

Mayor PRICE. The branch plant is supposed to make money; yes, sir. And it is doing so.

It is a matter of having enough capital over and above their operating capital to finance a plant expansion.

Sometimes, Congressman, as you know, many businesses, they flourish; they are growing. They just have not reached a point where they have built up a sufficient reserve for capital to finance an expansion. They go to a bank or to some resource to borrow the money and then amortize that expense over a period of 20 years to give them a chance to get over that hump, so they could grow larger.

The primary reason why this particular industry was interested in coming into this area is because they came to the conclusion that some 45 percent of the total pet population of the United States existed within a radius of 250 miles of the center around Nashville, Springfield, and their statistics also prove not but about 1 out of 10 pets in the United States was being fed processed pet food but was being fed table scraps. They are bringing their industry to a larger market.

Mr. CRAMER. They also brought it to an area where they could get favorable treatment. They brought it to Springfield, rather than some area that was not a depressed area; right?

Mayor PRICE. That would be correct to say that; yes. But Springfield needed them, and it was mutually beneficial all the way through.

Mr. CRAMER. I understand. I realize that. But it had the effect of the industry locating in a depressed area because they could not have done so financially elsewhere, even in that market area, unless it was within a depressed labor market area.

Mayor PRICE. It might be that I might answer that in two ways, sir.

One is they might not have been able to expand as they did at all were it not for the benefits of this.

Mr. CRAMER. Right.

Mayor PRICE. And secondly is it not their coming to the depressed area the whole purpose of this proposed legislation?

Mr. CRAMER. Yes. But it could have the opposite effect of making a depressed area of some place else that might successfully have been able to bid for the pet plant if they were on the same footing as you had.

Mayor PRICE. Had it been a pirating proposition, yes, it could have made a depressed area out of a locality where it had been removed.

I could not go along to say that act or move would have contributed to making a depressed area out of some other community that could have gotten that.

Mr. CRAMER. It would prevent another area from competing for that company that was not a depressed area?

Mayor PRICE. That is correct.

Mr. CRAMER. And, therefore, increasing its employment? It would have that effect?

MAYOR PRICE. It would have.

I think the answer, as long as we are using this specific illustration, though, Mr. Cramer, is that had it not been for ARA and SBA services in this area, they would still be in Monmouth alone and still be waiting and looking for an opportunity to grow.

MR. CRAMER. They might have gone to other—well, I will leave it at that.

MR. MCCARTHY. Mr. Chairman.

MR. WRIGHT. Mr. McCarthy.

MR. MCCARTHY. I just want to bring out a case in point from my own personal knowledge.

A couple of years ago, I had a very depressed county in Oklahoma, and through ARA assistance, an entrepreneur went into the gypsum business.

Well, that probably did a lot for that little community in Oklahoma; but the problem was that in that whole southwestern region, you had an overproduction of gypsum with about six or seven plants, and a population chart would show that the market could not absorb that new plant. So what happened was that everybody cut the price and you had chaos in the industry in that part of the country.

Now, I just want to get that on the record. I have had some experience, personally, with this and I have some doubts about how this has operated in the past. I mean, anything like that is to my mind just—well, it is ridiculous to put somebody in business to compete in an industry that already has overproduction.

MAYOR PRICE. That is a tragedy.

MR. MCCARTHY. And they are still feeling the effects of it out there now.

I just want to put that in the record. I think we should bear some of these things in mind.

MAYOR PRICE. The point is well taken, Mr. Congressman.

Certainly I would say that addresses itself to poor administration and lack of foresight in planning, rather than any particular basic fault in the framework or foundation of the program that we are discussing here today. You can mess up anything.

MR. CRAMER. Do I understand your area is still an unemployment area?

MAYOR PRICE. Still classified—in 1964, it had 9.9 chronic unemployment; but we believe that, give us 5 years and continuation of the progress we have made in the past 10, we will be very happily off of it.

MR. CRAMER. Now, 9.9 percent unemployed. How much Federal investment has there been in that area under ARA and APW?

MAYOR PRICE. I think, Mr. Congressman, that is contained in my statement.

MR. CRAMER. How much was that figure?

MAYOR PRICE. Just let me check here a moment. The figures go around and I want to be accurate.

MR. CRAMER. I did not see the figure related to Federal—

MAYOR PRICE. Federal investment under the ARA, \$325,000. It is at the top—the third full paragraph beginning with the word “Fourth,” on page 3 of my statement:

With a commercial loan from the Area Redevelopment Administration in the amount of \$325,000, together with \$175,000 from local government and private sources.

Mr. CRAMER. How much was APW?

Mayor PRICE. APW project was—that is also contained in this statement, bottom of page 2, last paragraph: \$1,200,000 was the total project cost, of which, if I am not mistaken, about 45 percent of that was APW grant.

Mr. WRIGHT. You have referred in this category to the example of one ARA loan in the amount of \$325,000. That is a repayable loan?

Mayor PRICE. Yes.

Mr. WRIGHT. Grants to your city for public works in this accelerated public works program amounted to approximately—how much did you say?

Mayor PRICE. Approximately 45 percent of the \$1,200,000 figure, which you see at the bottom of page 2, Mr. Chairman.

Mr. WRIGHT. Yes.

Mayor PRICE. That was for the purpose of constructing water transmission lines and a 750,000-gallon elevated water storage for our city, which, without that tank, we would not have four of the industries we have in Springfield.

Mr. WRIGHT. You have listed here, on page 3, \$174,000 as an accelerated public works grant, which you matched with \$183,000 of local funds for the water storage facilities.

Additionally you have purchased several sites with local funds at a cost of \$120,000, and you have a controversial question of revenue bonds. I believe you quoted a figure of some \$2,400,000 of revenue bonds that you have floated locally. So that the total of the Federal investment in both loans and grants is really a rather small part of the total amount of money and effort that has been contributed to this growth?

Mayor PRICE. That is correct.

Let me first correct myself.

This \$1,200,000, Mr. Cramer, which I answered you—the bottom of page 2—is a bond issue direct. That is revenue bonds tied to revenues from my public utilities.

The figures which the chairman spoke of, the \$174,000 and \$183,000, that is the APW figure in Springfield.

Compared to the total investments which we have made, it is very fractional, Mr. Chairman.

Mr. CRAMER. Are you saying you could not have included in your bond issue enough money to provide storage and service facilities to the new industry?

Mayor PRICE. We could not at that time, Mr. Cramer, because our debt service figure was close enough to hitting in the red part of the dial and we would have had to defer this for several years. The benefits to our community was expediting the facilities, rather than the fact that we could not have gotten them without. We could have; but we would have had to wait until our debt service—we would have had to wait until the time we could wisely finance additional borrowings.

Mr. CRAMER. Unemployment in 1964 was 9.9. What was it before this Federal assistance?

Mayor PRICE. It has been pretty close to that. It is only a fraction of a percent off of that, Mr. Cramer, has been for the last 10 years.

Mr. CRAMER. So actually, then, it did not result in a reduction of unemployment in percentage?

Mayor PRICE. It has not as yet. And the reason why it has not is because, as I mentioned in the statement here too, we have been losing agricultural jobs steadily due to the constant cutback in tobacco quota.

We are the heart of the dark smoke-cured fired tobacco region. Dark smoke-cured fired tobacco is going to be part of the past in America in a decade. The loss of agricultural jobs has been running apace and our increase in industrial jobs has been just barely keeping up, in spite of the heroic efforts we have made.

We also have, and I think it is not inappropriate to mention here, we have a right serious problem in terms of technical schools and re-training. We have a large number of people who are erstwhile tenant farmers who have little or no education. The problem of finding employment for them in industry must wait until they have been retrained.

Mr. CRAMER. Do you think it is basically sound to artificially keep people in a given area where the type of employment they are accustomed to has diminished and thus prevent them from moving elsewhere to find a job, rather than using the approach of keeping them artificially in your town rather than letting them go ahead and seek new jobs in the labor market someplace else?

Is that a sound Federal policy, do you think?

Mayor PRICE. I think it is sound policy for all levels of government, Mr. Cramer, to provide opportunities for the people in America where they live, so that they may be free to make the choice as to whether they stay or go.

Mr. CRAMER. If you have money enough to do it. If you have money enough to do that with, you mean?

Mayor PRICE. If we do. That is correct, sir.

Mr. CRAMER. If you artificially keep them in an area, somebody is going to have to provide that stimulus money.

Mayor PRICE. Yes, sir. But I think the problem resolves itself to this, too, we go back to the old law school concept of the duality of citizenship.

As I sit here, I am a citizen of four governmental entities. Each of those four governmental entities owes me something as a citizen in the same way I owe those four governmental entities something as a citizen.

The question is just to what extent. And this new burgeoning concept of intergovernmental relationships is the proper part for each government to play in that pattern.

I do not think the Federal Government or the State government or local government in any sense of the word has a right to sit aloof and say, "Well, now, that's a problem that I should not get involved in."

Mr. WRIGHT. Will the gentleman yield?

Mr. CRAMER. Yes.

Mr. WRIGHT. We have been asking Mayor Price some questions relating to a very broad philosophy. I think he is a competent and qualified witness to give us his viewpoints. I am not certain we can settle all of these problems in regard to these basic philosophies. But I am sure that one of the fundamental philosophies involved in this legislation and its approach to the problems of America is that relating to the question of the continuing growth of the big cities and the diminishment of the small cities of America.

I, for one, am fully prepared to say that I think it ought to be the policy of the Government, where it is feasible, to try to assist the small cities to remain.

I do not know that we ought to expostulate in great detail at this particular point, but I think we do have a problem and an urbanization, the impersonalization of life. I think when people move to big cities, they have less a feeling of belonging. They have less integration into the responsibilities of citizenship. And perhaps I am nostalgic and old fashioned, but I do think it is a very worthwhile undertaking of the Federal Government to try to retain wherein we can the basic structure of the small towns of America.

MAYOR PRICE. May I say a fervent amen, Mr. Chairman.

MR. CRAMER. May I just suggest to the gentleman, if we want to put Federal money into ski slides, swimming pools, and golf courses to keep our people from coming to Florida where we have natural resources to attract them, I do not know that it is a sound Federal policy. [Laughter.]

MAYOR PRICE. Mr. Chairman, I could probably give you an amen to that, too, with qualifications.

MR. CLEVELAND. Will the gentleman from Texas yield for just one moment while we are talking about philosophy of government?

MR. WRIGHT. Mr. Cleveland.

MR. CLEVELAND. Coming from the eastern seaboard, I want to remind him that had these type of freezing programs in the Federal Government frozen and gone into effect 150 years ago, the great State of Texas might never have been settled. [Laughter.]

MR. WRIGHT. Off the record.

(Discussion off the record.)

MR. WRIGHT. Thank you very much, Mayor Price.

MAYOR PRICE. Mr. Chairman and gentlemen, it has been a pleasure. I have enjoyed this session very much.

MR. WRIGHT. I wonder if I could get some agreement from the committee with respect to these next two witnesses?

Mr. Edward W. Kiley, a rural areas development specialist of the National Rural Electric Cooperative Association, and Mr. Robert L. Williams, of the American Institute of Planners, have been here throughout the morning awaiting the opportunity to testify.

Are those two gentlemen here?

Mr. Kiley and Mr. Williams, what would be your disposition? Will you like to submit a statement for the record or, considering the lateness of the time, would you like to come back tomorrow morning and be heard?

Approximately how long do you feel it might take in each instance to be heard in this matter?

MR. KILEY. Mr. Chairman, I am Edward Kiley, and I will be glad to submit testimony for the record.

I would be glad to come back tomorrow morning if that is the committee's disposition—or whatever the committee would choose.

MR. WRIGHT. And you, Mr. Williams?

MR. WILLIAMS. Robert L. Williams, of AIP, Mr. Chairman.

The same situation; we have written testimony, and I am prepared to summarize it or come back tomorrow.

MR. WRIGHT. Off the record.

(Discussion off the record.)

Mr. WRIGHT. Gentlemen, if you would, then, with your indulgence, the committee will be happy to have your statements at this time for incorporation in the record of today's proceedings, and then if the two of you would like to be here tomorrow morning, the committee would be more than happy to hear you in summarization of your formal statements and subject you to such questions as the members of the committee might feel inclined to offer, if that is agreeable to the two of you.

(The statement of Messrs. Williams and Kiley follow:)

STATEMENT OF ROBERT L. WILLIAMS, EXECUTIVE DIRECTOR, AMERICAN
INSTITUTE OF PLANNERS

Mr. Chairman and distinguished members of the committee, I am here representing the American Institute of Planners. The 3,900 members of the Institute provide professional planning services and are active on the local, metropolitan, and State levels of government throughout the United States.

Planners have been deeply involved in economic development activities. Many of the overall economic development programs submitted by redevelopment areas to qualify under the Area Redevelopment Administration were prepared by local planning staffs. Economic projections and plans for future growth are the basic elements of comprehensive plans that local planning boards and commissions are required to prepare. We, as planners, are quite interested in the legislation under consideration.

Indeed, a good deal of attention was devoted to the subject at our recent government relations planning policy conference here in Washington last January. I would like permission to have a background paper prepared for this Conference by Malcolm and Goldie Rivkin inserted in the record, as well as an article on the subject from the November 1964 Journal of the American Institute of Planners by Dr. Robert L. Wrigley. Both these papers make constructive suggestions for Federal aid to local development efforts.

Title I, grants for public works and development facilities, would appear to be an improvement over section 8 of the Area Redevelopment Act. It is a proven fact that many communities have not been able to provide the necessary local share of basic facilities necessary for economic growth, and the new program of supplementary grants to assist local shares of other Federal grant programs will be of assistance to hard-hit areas. We can attest that the accelerated public work program of 1962 had beneficial results across the country, and it should be revived and expanded. Title I is a step in this direction.

Expanded technical assistance, research and information under title III is, in our opinion—and based on our experience with operation of these programs across the country—a most crucial phase of the entire effort to mitigate unemployment and raise incomes. It is undeniable that each redevelopment area has learned considerably from the self-analysis connected with a realistic appraisal of its own economic potential. ARA, if anything, has been somewhat remiss in not insisting on sound, factual development programs. In some cases, local redevelopment areas have considered overall economic development programs as a mere pro forma exercise necessary to secure financial assistance. Lacking such a sound program, many communities have found their projects have been uncoordinated and unfeasible. Federal funds—and more importantly, scarce local funds—have been wasted. To correct these situations, and to insure long-range, continuous development planning, the technical assistance phases of this title are essential.

And here a most significant point needs to be made. The Federal Government will never be able to do, nor does it intend to do, the entire job of local economic development. To a large extent, ARA has not devoted sufficient attention to assisting established State and local planning and development staffs, commissions, and boards. More should be done.

Helping State and local personnel is important for another reason. Local officials on the scene and grappling with day-to-day problems, provide continuity and coordination for the many Federal aid programs. Success of these programs depends on effective utilization by people in the field.

We would therefore favor allocating a large share of the \$20 million annual appropriations authorized for this section to assist State and local officials.

We commend the administration and your committee for the new emphasis on combining small redevelopment areas with little prospect for economic improvement, into "economic development districts" with "growth centers." Financial incentives to cooperation on a regional basis, as provided in section 403(a) (4), are consistent with incentives in other Federal grant programs. The open space program administered by the Housing and Home Finance Agency, in which the Federal share of acquiring parks is increased by 10 percent if the project serves regional needs, is one example.

We do foresee a real problem, though, if the proposed economic development districts, and their district overall economic development programs, are not tied directly into the local political decisionmaking process.

To assure that the new Federal program does not conflict with an already functioning local economic planning program, we favor adding another criterion for establishing new districts as section 403(a) (E): "the proposed district conforms to a regional planning and development district or region established and adopted by the State government as part of a comprehensive State planning and development effort, provided it also conforms to the other criteria for district eligibility described above."

Many States have officially adopted these districts, and in the future, many other States will be designating these areas, many of them with the aid of Federal funds under the urban planning assistance program (sec. 701) of the Housing and Home Finance Agency. Indeed, defining logical development districts is a normal first step in the statewide comprehensive planning and development process. Massachusetts, for instance, has designated 13 districts under the provisions of section 40b of State statutes. Connecticut recently abolished counties and replaced them with regional planning and development districts largely following river basin and economic district lines. The Planning Advisory Committee of California has recently created 10 State development regions. New York has established 14 districts for regional development. In these States, and in many more, these are working districts, are or will be professionally staffed, with well-defined development programs. In order to maximize State cooperation in the new Federal Economic Development Administration effort, and to provide continuity with existing efforts, due recognition should be given to already effective programs.

There is another significant reason for tying into existing programs. The very essence of economic development to alleviate unemployment across the country under this act—and under the recently enacted Appalachian Regional Commission—is programming public works investments to assure maximum economic impact. These existing State-created planning and development districts are directly related to elected officials who actually make the decisions on highways, parks, streets, water lines, and the other "infrastructure" so crucial to economic development.

Title V, authorizing interstate regional action planning and development commissions, also has implications for existing State economic improvement efforts, and development programs of the Federal Government particularly in the field of river basin planning.

Section 501 provides for State initiation of districts, and for Federal assistance for preparation of development plans. This is in line with the basic Federal structure of Government established in the Constitution, and embodied in the new Appalachian program.

It is obvious that this multistate development program relates directly to expanding State planning efforts. Indeed, it is interesting that the State representatives to the Appalachian Regional Commission—those staff persons designated by the Governor to develop and implement the regional action program, are in nearly every case personnel from the State planning agencies, or persons with a planning experience now working directly for the Governor. This is as it should be.

There will be obvious interaction between multistate regional action planning commissions authorized by S. 1648, and multistate river basin commissions authorized by S. 21 and H.R. 1111 and administered by the Secretary of the Interior. The Governors will appoint representatives to both multistate commissions, but we would hope the Federal Government would issue regulations to assure coordination of the two efforts. For it is an axiom of economic development that planning cannot be divorced from action, that development of water resources

and of river basins is the most important component of comprehensive economic development.

We can envision a national system of development regions, tying together into a single significant program all elements affecting economic growth. But this effort will be ineffective if there is a proliferation of Federal-State action commissions. To assure that this does not happen, we would favor using the river basin as the basic unit of organization for multistate development planning in most areas of the country, to the greatest extent possible, and applying the general principles enunciated in Senate Document 97. Thus, multistate districts under S. 1648 would be components of river basin development commissions. In the long run, this is the rational pattern that will most benefit the Nation's economic planning.

Mr. Chairman, we appreciate this opportunity to present our views on this important subject. The modifications in the ARA program suggested by your committee are definite improvements and, in our opinion, will contribute to the Nation's economic vitality.

STATEMENT OF EDWARD W. KILEY, RURAL AREAS DEVELOPMENT SPECIALISTS,
NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

Mr. Chairman and gentlemen of the committee, I am Edward W. Kiley, rural areas development specialist of the National Rural Electric Cooperative Association. NRECA is a national service organization for almost 1,000 rural electric cooperatives, in 46 States, which serve almost 20 million people with electricity in 2,700 of the 3,100 counties in the United States. Of the rural depressed counties designated by the Area Redevelopment Act, most were served, at least in part, by rural electric cooperatives.

As early as 1956, the rural electric cooperatives joined in the efforts to organize the rural areas into a constructive force through the then pilot project called rural areas development. In January 1961, NRECA testified in support of the pending ARA legislation; and in 1963, we also testified in support of S. 1163, which contained amendments to the Area Redevelopment Act. Rural electric cooperatives have been consistent in their total support of this type of legislation.

I am attaching to this testimony resolutions passed at the annual meetings of our association in 1961, 1962, 1963, 1964, and 1965. With the chairman's permission, I would like to insert these into the record at this point.

We, therefore, deeply appreciate the opportunity to testify before this committee on H.R. 6991, the Public Works and Economic Development Act of 1965. We believe that there is an urgent need to redevelop rural America, as is provided for in this bill.

The history of rural America during the last 20 years is one of a steady downward spiral. Fewer and fewer farms are providing the major share of the Nation's food and fiber, leaving an ever-increasing number of farms uneconomic. Unemployment today in the nonmetropolitan areas of our great land approaches 2 million. This is equivalent to two-thirds of city unemployment, and this 2-million figure is from roughly only one-third of our total population.

In a recent survey sent out to NRECA member systems, rural electric cooperatives have reported the lack of job opportunities in their service areas as one of their most pressing problems. Over one-half of the rural electric systems reported job opportunities in their service area as inadequate, and almost 7 percent reported no job opportunities at all.

We realize that the head of the household in rural America, with primarily an agricultural background, is not well equipped with factory skills, and must be retrained. But in our survey we find over 30 percent of the rural electric systems report no adult job training programs are available in their service areas; and over 37 percent of these systems consider such training programs inadequate in their service areas.

Other results from our survey demonstrate the lack of public facilities available to the almost 5 million families on rural electric lines. These figures indicate needs which can be alleviated by this new legislation. Over one-third of the systems reported water and sewage facilities inadequate; 6.8 percent reported such facilities not available. In almost 20 percent of the returns rural electric cooperatives considered hospital facilities inadequate and in over 5 percent they were not available to the service areas.

The problem of a lack of credit is another major handicap in rural American life. In our survey which was directed toward credit for rural housing, almost 25 percent of the rural electric cooperatives considered such credit inadequate, and more than 7 percent considered no credit available whatsoever. This is indicative that the low income rural areas cannot produce the necessary capital for stimulating their economies. Lacking such resources, they must have these direct Government loans to establish rural industry.

If we are to stem the persistent outmigration to the urban centers and retain a healthful balanced economy in this country we must provide the necessary tools to overcome these inequities.

With the passage of the Area Redevelopment Act in 1961, rural electric cooperatives went to work with this valuable tool. Since 1961, they have been directly involved in developing almost 1,500 projects of which 138 were ARA projects. These 1,500 projects resulted in 135,000 jobs and a total investment in excess of one-half billion dollars. Over 90 percent of this money has come from private sources. This certainly indicates that in the areas rural electric systems serve, ARA has fulfilled its mission of furnishing "seed" money to redevelop distressed areas.

These projects included every type of industrial development. For example, less than 2 years ago, the members of the Caddo Electric Co-op in Binger, Okla., started work with the Area Redevelopment Administration and local leaders to develop industry that would give work to unemployed Indians, some of whom had never had jobs lasting longer than 3 months.

The first result was a carpet mill in Anadarko, Okla., that today has a \$650,000 annual payroll, employs 153 people, and is the area's third largest employer, with more expansion to take place in the next 90 days.

The success of this venture led to the establishment, with the help of Harmon County Electric Association, a rural electric, of a gypsum plant in the nearby town of Duke, Okla. Soon the gypsum company will employ 200 people with an annual payroll of more than \$1,200,000.

When the Graham Manufacturing Co. plant burned to the ground in Auburn, Ky., the REA electric cooperative manager applied for an ARA loan to help reconstruct the plant. Local funds were raised by the business community. These loans, together with capital supplied by the Graham Co., made possible the construction of a new larger and more efficient operation. The new plant opened in April 1963, and now has a bigger payroll than the original plant.

Among the more than 70 new businesses and industries which rural electric cooperatives have helped to launch in North Carolina, the Lumbee River Electric Cooperative in Red Springs assisted in establishing a new chicken processing plant, financed in part by ARA funds, which created 150 new jobs.

In Pennsylvania, Perry Wilson serves as president of the Bedford Development Council, as well as manager of the Bedford Rural Electric Cooperative. At least 5 new industries have resulted from his work. ARA funds helped in extending a water main to the industrial park for a million-dollar plant to build in that area. Two more new projects have come through within the last month.

Just last month Ed Purtzer, manager of the Southern Indiana Rural Electric Cooperative announced, after 3 long years of hard work, that ARA had given final approval for a proposed fiberboard plant to be built near Tell City.

Examples such as these could be written from almost every State where rural electric cooperatives are serving.

In each of these areas, a serious economic recession was arrested and positive steps taken for redevelopment.

When the Area Redevelopment Act first began operation, most people expected the even division of appropriations to be a handicap. It was expected that the urban centers would far outstrip the surrounding rural countryside in applications, as has been the case with virtually every other national program. Actually the exact opposite has been true. The first two loans to be made by ARA were made in rural areas, and over 300 of the 548 ARA projects were in rural areas.

In the early summer of 1964, all moneys for 5b (largely rural) areas was exhausted. In the fall of that year, an \$85 million backlog in applications developed for these areas. Not until just recently did the agency run out of money for 5a areas. These facts are indicative of the need that exists in rural America for these direct loans, which have been unavailable since the summer of 1964.

I might add that one of the reasons why rural America is taking such an active part in this program is the partnership which was initiated between the Depart-

ment of Commerce and the Department of Agriculture. This partnership was greatly enhanced by a delegation of authority and transfer of funds from the Department of Commerce to the Department of Agriculture. The Department of Agriculture was delegated the responsibility to provide organizational and educational leadership in rural areas, develop the data to designate "redevelopment" areas, to assist in development and certification of OEDP's, and certifying all projects in rural areas.

We recommend that the same procedure be followed in this new law so the excellent work of the past 4 years can be continued. We believe this might be spelled out in the act. If it is not feasible to write this into the statute, legislative background should be developed so that this delegation will be renewed.

We would also recommend that existing structures and organizations in rural America which have proved their quality be utilized by this new act, with a minimum of restructuring.

Our reactions to the economic district concept when it was first proposed were that the rural areas might be squeezed out of this program. While we cannot qualify as experts in this field, we think that the district structure as outlined in section 403 of this bill is acceptable. I cannot emphasize enough, however, the need of these districts to be developed to serve the furthest reaches, and that Congress should make sure we do not develop structures which would allow funds to only "trickle down" to the open country.

We feel the criteria which cover the designation of redevelopment areas under section 401 are adequate to produce maximum benefit to all parts of the country. Regional planning commissions for the purpose of formulating regional programs under sections 501 through 503 will be effective if the studies and resulting plan is objective and comprehensive. Grants for public works and development facilities under section 101 will go a long way toward providing the necessary public facilities to bring about a parity of opportunity that President Johnson has called for in rural America.

Under section 202 of the act, the provision for concurrent repayment of semi-public moneys will, we feel, enable small communities to accomplish much more than was possible under the old act. Also we support the working capital guarantee which, we feel, will bring about fewer failures and more successes than was possible under the old act.

We are particularly interested in title III, which provides technical assistance grants for staffing in an economic development center. This is a must for rural areas where adequate staffing has never been available. This will help to provide this valuable service for the rural areas.

We also strongly support the public facilities portion of the act, section 201, which allows grants for public facilities to be built either as a direct or indirect stimulation for new enterprises. This will allow communities to develop industrial centers for future growth and will also eliminate the need for communities to tie to an industry, perhaps not conducive to long-term economic improvement, simply to qualify for a public facilities grant.

To summarize this statement, rural electric cooperatives realize the need for public facilities and economic development that exists in their service areas. They have taken the fullest advantage of the expiring Area Redevelopment Act. They support wholeheartedly this new more broadly based program as a vital set of tools to rejuvenate the lagging economies in the depressed areas of this great country.

Thank you.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION
19TH ANNUAL MEETING, FEBRUARY 13-16, 1961

RURAL COMMUNITY IMPROVEMENT

Whereas the rural electric systems serve most of the rural areas of this Nation that are identified as areas of underemployment and low incomes, and are heavily engaged in rural development work to improve rural incomes and rural living conditions; and

Whereas many of these areas are burdened with economic and related problems which exceed local means for dealing effectively with them, despite their inherent capability for natural resources and rural industrial development; and

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Whereas the decline of population in these areas has resulted in large and still growing numbers of idle services, threatening the ability of many rural electricies to deliver low-cost dependable area coverage service and to repay REA loans; and

Whereas we have great faith in the ability of rural people to create new opportunities for themselves which will revitalize their communities if the tools for doing the task are made available; and

Whereas we believe that this age of international perils makes it imperative that the United States have, among all her citizens, the dynamic strength and economic and social health which underlie her supremacy among nations; and

Whereas the Rural Electrification Administration has established a record of more than 25 years, unmatched by any lending institution, public or private, in administering a loans program to help rural people help themselves; and

Whereas Senator Douglas of Illinois and others have introduced in the Senate, and Representative Flood of Pennsylvania and others have introduced in the House, bills which provide area redevelopment loans, grants, and technical and retraining assistance for rural as well as urban areas which we deem vital to the success of the rural development work we have underway; and these bills are currently under consideration by the Committees on Banking and Currency of the Senate and of the House of Representatives: Now, therefore, be it

Resolved, That the President of the United States, the Secretary of Agriculture, the Administrator of the Rural Electrification Administration, and the members of the Committees on Banking and Currency for the Senate and for the House of Representatives be advised that we strongly endorse the position that assistance to rural areas, such as is provided by the bills introduced by Senator Douglas and Representative Flood and others, is vital to the welfare of low-income rural areas and of the Nation as a whole; and be it further

Resolved, That all of these persons be advised that we urge that primary responsibility for leadership of area redevelopment assistance to rural areas be placed upon the Rural Electrification Administration; and be it further

Resolved, That we urge each cooperative to take steps to make an appropriate survey in its area and make plans to set up the organizing machinery necessary to aid in implementing the rural community improvement program.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION 20TH ANNUAL MEETING, MARCH 5-7, 1962

ADMINISTRATION RURAL AREAS DEVELOPMENT PROGRAM

Whereas rural electric systems, dependent as they are upon the economic health of the communities they serve, have a vital stake in an efficiently operated rural areas development program; and

Whereas many rural communities are experiencing considerable difficulty in effectively advancing their area development activities because of the cumbersome committee-coordination administrative structure within the Department of Agriculture and widespread splintering of the program responsibilities among the various agencies of the Government: Now, therefore, be it

Resolved, That we urge the Secretary of Agriculture to streamline the administration of the rural areas development work within the Department of Agriculture and to concentrate the organization responsibilities in the action agencies with an official of high level assigned the necessary authority to accomplish the needed job.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION 20TH ANNUAL MEETING, MARCH 5-7, 1962

RURAL AREAS DEVELOPMENT

Whereas rural electric systems have always been in the forefront of the struggle to improve conditions in rural America; and

Whereas more than half the poverty in America is to be found among rural residents, although they make up less than one-third of the Nation's population; and

Whereas a massive assault is required before any permanent improvement in the economic and social conditions in many low-income rural areas can be expected; and

Whereas the interests of rural electric systems are inseparable from those of rural America; and

Whereas rural electric systems are already actively supporting present Government programs to help rural areas improve their economies: Now, therefore, be it

Resolved, That we urge Congress to support these provisions of the Food and Agriculture Act of 1962, which would implement the comprehensive, closely coordinated rural renewal approach to revitalizing rural America as recommended in President Kennedy's recent farm message and by Secretary of Agriculture Freeman, and, in addition, would strengthen and expand existing USDA rural area development programs.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION 21ST ANNUAL MEETING, JANUARY 14-17, 1963

RURAL AREAS DEVELOPMENT

Be it resolved, That we reaffirm our endorsement of rural areas development programs being carried on in cooperation with Government agencies; and be it further

Resolved, That we direct our national service organization, NRECA, to support legislation and administrative programs which will help further the objectives of rural development, and we urge our member systems to enlist the support of their minutemen by having regular RAD-minutemen meetings to set forth the purpose, potential, and plans for an effective RAD program when applicable.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION'S 22D ANNUAL MEETING, MARCH 9-12, 1964

RURAL AREAS DEVELOPMENT

Whereas rural electric systems are dedicated to the improvement of economic and social opportunities in their service areas; and

Whereas they are playing a major role in helping to revitalize rural areas having assisted in launching projects which are creating 60,000 new jobs and another 40,000 indirectly; and

Whereas rural electric recognize that even more extensive efforts on their part and the part of others including both private and public agencies are needed to bolster the economies of rural areas and to solve serious and persistent socio-economic problems which are causing widespread deterioration in rural America: Now, therefore, be it

Resolved, That we direct our national service organization, NRECA, to continue to support legislative and administrative programs, such as Rural Area Development, Area Redevelopment Act, and accelerated public works, which help to further the objectives of rural development: and be it further

Resolved, That we urge the administration to take action to reduce to a minimum the redtape, delay, and confusion which too often impedes the progress of rural development, and to this end we urge the President to appoint a staff assistant whose function it would be to foster closer and more effective cooperation among the many agencies involved in rural areas development.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION 23D ANNUAL MEETING, JANUARY 25-28, 1965

RURAL AREAS DEVELOPMENT

Whereas every rural electric system, being the service organization of its member-owners who are farmers and rural people has a special concern in the welfare of its community, and in the development of its rural areas; and

Whereas millions of rural Americans and their families have moved to metropolitan areas seeking employment, thereby creating a serious economic problem in America: Now, therefore, be it

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Resolved. That we reaffirm our support of area development and programs authorized by the new Economic Opportunity Act in revitalizing rural America; and be it further

Resolved. That we urge the administration to organize the rural community development program under one existing agency to eliminate waste and use these moneys and talents in giving our rural people and farmers equal parity of income and opportunities, the main cause of rural migration to our cities.

NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION,

Washington, D.C., May 12, 1965.

Mr. EDWARD J. MCNEAL,
*Staff Director, Committee on Public Works,
House of Representatives, Washington, D.C.*

DEAR MR. MCNEAL: Because of time, I was unable to testify before the House Committee on Public Works either Tuesday, May 11, or Wednesday, May 12.

I submitted my written testimony on May 11, and I would like to add a few remarks to that testimony.

Yesterday the Honorable J. Travis Price, mayor of Springfield, Tenn., and president of the Tennessee Municipal Association, testified before your committee. In answer to a question from Congressman Cramer, of Florida, he stated that since he was in TVA area and did not have the valuable services of private utilities who are leaders in other parts of the country in promoting industry to their area, the burden fell on him.

While I do not presume to speak for TVA, on my return to the office yesterday afternoon, I had on my desk the advanced text of a story to be included in the June Rural Electrification magazine which covers some of the work being done in cooperation with the Tennessee Valley Authority in Tennessee. This particular story deals with the Elk River Development Association and, as I understand it, there are 11 other such associations in Tennessee. Therefore, I would like to submit this story for the record.

I agree with Mr. Price that private power companies have indeed been instrumental in promoting industry into their service area, and they have been very effective. The rural electric systems, as I have indicated in my testimony have also been extremely active in the work in rural America.

As an example, in Tennessee, rural electric cooperatives have been involved in some 131 projects, involving approximately \$150 million investment, and creating 20,000 new jobs. In addition to this, 23 new projects are in process at this time.

I would also bring to the committee's attention the fact that the rural electric cooperatives in the State of Florida have also been active in promoting their service area. Sixty-seven projects, involving an investment of about \$20 million, and creating over 3,000 jobs, have been helped by rural electric cooperatives of Florida. And at this time five more new projects are in the works.

Thank you for the opportunity to add these remarks to my submitted testimony.

Sincerely,

EDWARD W. KILEY,
Rural Areas Development Specialist.

Mr. WRIGHT. I should like to apologize for having kept you waiting so long without having called you today.

Mr. WILLIAMS. Perfectly agreeable.

Mr. WRIGHT. We have had a stimulating discussion.

Thank you for being here.

The committee is adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 12:40 p.m., the committee recessed, to reconvene at 10 a.m., Wednesday, May 12, 1965.)

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

WEDNESDAY, MAY 12, 1965

**HOUSE OF REPRESENTATIVES,
COMMITTEE ON PUBLIC WORKS,
*Washington, D.C.***

The committee met, pursuant to adjournment, at 11 a.m., in room 2167, Rayburn House Office Building, Hon. John C. Kluczynski presiding.

Mr. KLUCZYNSKI. The committee will come to order.

We will resume the hearings on H.R. 6991 and this morning we have the pleasure of hearing as a witness before this committee our very good friend, the Honorable William A. Egan, Governor of Alaska.

Mr. CLAUSEN. Will the chairman yield?

Mr. KLUCZYNSKI. I will yield to the gentleman from California.

Mr. CLAUSEN. I just want to take this opportunity to welcome the Governor of Alaska to this committee. We have much in common. As many of the members, I am sure, will recall, when the tidal wave from Alaska started, it ended up wiping out my home community in Crescent City. This brought the Governor and me together before the special subcommittee over on the Senate side.

I want to welcome you, sir, before this committee today.

STATEMENT OF HON. WILLIAM A. EGAN, GOVERNOR OF THE STATE OF ALASKA

Governor EGAN. Thank you, Mr. Clausen. It is certainly a pleasure to see you again.

Mr. Chairman, I am very appreciative of this opportunity you have given me to appear here today in support of H.R. 6991, the Public Works and Economic Development Act of 1965.

The State of Alaska endorses this legislation and urges its enactment at an early time.

The Area Redevelopment Act of 1961, the predecessor of the measure we have before us, resulted in a great step forward in our Nation's commitment to the economic development of all regions. The State of Alaska has made significant progress in its economic development and in its effort to create year-round jobs for its people. The problems of high transportation costs, our distance from large U.S. markets, and very limited investment capital are acute.

One big forward step is our Alaska Marine Highway system, a State-owned ferry system which connects all the communities of southeastern Alaska and carries goods and passengers from town to town on regular daily schedules. Until this ferry system was inaugurated, our

only means of transportation between southeastern towns was by air or by ships which come only once a week or once a month.

Another ferry system has now been started, which links Kodiak Island with southeastern Alaska and the Alaskan mainland north of the Gulf of Alaska.

We have also made a limited beginning to increase the supply of investment capital in the State by the creation of the Alaska State Development Corp. However, a great deal more needs to be done before we can reduce our high seasonal unemployment, develop our storehouses of human and natural resources, and make our full economic contribution to the growth of the United States.

When you consider Alaska's geographic area of 586,000 square miles containing therein 460,000 people, you can well understand our need for Federal development assistance of the kind proposed in the legislation now before you.

The bill will give essential continuity to the programs already initiated and planned in Alaska by the Area Redevelopment Administration.

We are particularly pleased, for example, that certain features of H.R. 6991 would greatly facilitate financing of new industry in the State of Alaska and in other States of the American Union.

The shortage of investment capital is a serious obstacle for development of our 49th State, and particularly is reflected by high interest rates, short maturities, and the kind of terms banks can make available to any given project.

It is for this reason that we strongly support the provision for a guarantee of working capital loans and the continuation of Federal loans to commercial and industrial enterprises.

We believe that this will provide the needed spur for more active exploitation of Alaska's resources, such as its minerals, timber, and fisheries. The general lack of economic development throughout our State and lack of cash resources have frequently prevented local interests for taking full advantage of the provisions of the Area Redevelopment Act.

In the past communities were required to contribute 10 percent of the total cost of proposed projects. This represented a major difficulty because many of our small communities simply could not raise the required sums. We are pleased therefore, to see that the new act requires communities to contribute only 5 percent of the project cost, and that in some instances, the Secretary of Commerce would be authorized on the basis of economic distress to waive this requirement.

In this connection, Mr. Chairman, two provisions of H.R. 6991 may cause difficulty with reference to Alaska's peculiar problems. The first of these is clause 2, subsection (a) of section 4 of title IV.

This clause would enable the Secretary of Commerce to designate as redevelopment areas, areas in which it is found that the median family income is not in excess of 40 percent of the national median family income. I presume that these areas would be those in which the rate of unemployment may fall below the standard specified in parts (a) and (b) of clause 1 of the same subsection.

In Alaska, an area could very well have an unemployment rate below the 6-percent level because of small total population, and yet have

within it families living in dire poverty, even with incomes above 40 percent of the national median.

As the Congress is aware, of course, the salaries in Alaska are higher necessarily than elsewhere in order to meet higher living costs. Flat comparison of Alaska's wages and other costs of living with such costs elsewhere in the United States simply do not present a true picture of the problems there.

Basic living costs are distorted within Alaska itself. The cost of goods and services in our urban areas, for example, although much higher than in other States, are a good deal less than they are in our remote rural areas, such as up in the far Arctic.

A family income of \$6,000 or \$7,000 in one of our small villages in far west Alaska would be equivalent to approximately half that income in another State.

I hope your committee will familiarize itself thoroughly with this situation and provide equitable adjustment in this particular section of H.R. 6991, so that those in Alaska, particularly those in far off, remote areas who need the benefits of this measure in order to develop their communities as much as any other group of our great Nation, will be able to take advantage of it.

The second cause of concern is the definition of region, the word "region" in subsection (b) of section 501, title V.

This portion of the bill which provides for the establishment of regional action planning commissions and authorizes the President to appoint a Federal member or members to that commission. As the bill is presently written, a region is any area within the United States which includes two or more designated areas in two or more contiguous States. Neither Alaska nor Hawaii would qualify under this definition. I would like to see the committee give consideration to making an exception to the definition for Alaska and Hawaii, because of their geographic locations, so that these two States might also benefit from joint Federal-State planning.

I want to state at this time that I approve and endorse the concept of regional planning which crosses State boundaries. Even though my State joins no other, I do not have some acquaintance with the vexing problems in this area with respect to other States of our great American Union. Alaska borders on Canada, and many of the problems with which we have to deal do not confine themselves within the borders of either nation.

I need not dwell on the complexities of this situation. The point I wish to make, however, is that title V of H.R. 6991 is the only portion of the bill which deals with Federal-State planning. Title V establishes a precedent for joint Federal-State planning, and I am distressed by language which specifically excludes 2 of our 50 States. Alaska and Hawaii should be considered as regions unto themselves. They have developed along these lines and will continue to do so until the many problems of transportation and communications are solved. Until that day arrives, Mr. Chairman, these two States should be able to take advantage of the provisions of title V when problems arise involving two or more regions within either of these States.

The Area Redevelopment Administration has helped Alaska with a number of technical assistance studies. Thus, for example, we believe that its recently published study on the market for Alaska bottom fish

is a major contribution to the development of this resource along Alaska's coastline. Our waters contain all kinds of fish and edible sea creatures that are not fully utilized.

The expanded use of these resources can provide many new jobs and increase exports to foreign countries as well. To accomplish this will require additional study. We have extensive timber stands that are not now being utilized. However, careful studies are needed to learn how to log these lands profitably and how best to manufacture the logs.

We are gratified to see that the new legislation proposes also an increase for technical assistance studies. The legislation now before you recognizes that in many areas of the United States, economic development requires major investment in public facilities. This is true in Alaska. We are trying to expand our present trade and our manufacturing plants and to help establish new plants.

However, to do so, our towns must build new docks, seawalls, cold storage plants, and water systems to serve the new plants and, in some cases, to retain those we already have. For example, one of our cities in southeastern Alaska has only one small dock which must serve two canneries, one warehouse, all of the fishing vessels, the State ferry vessels, its passenger and cargo vessels which pick up freight. More dock space is an absolute necessity, and eventually this particular city will have to construct additional facilities.

Without development assistance, it will take a long time. With help, the expansion can go forward now and the benefits economically to both Alaska and the Nation itself will be more fully realized.

The proposal of H.R. 6991 to provide loans and grants for development facilities will help Alaskan cities to plan their industrial and commercial expansion and provide means for carrying out those plans.

Mr. Chairman, let me once again state the strong support that Alaskans and the State of Alaska offer in behalf of H.R. 6991. The benefits which Alaska has received under the Area Redevelopment Act have contributed significantly in providing the beginning of a strong economic base for continuing development. Provision of the Public Works and Economic Development Act of 1965 will facilitate this development and make it more sound.

The changes contemplated in H.R. 6991 will permit many more people throughout the State of Alaska, as well as throughout the other States of the American Union, to take advantage of the benefits offered.

Additionally, I believe this bill will give great incentive to private enterprise to utilize their own financial resources for development of new industry.

Mr. Chairman, again let me say that I certainly appreciate the consideration you and your committee have given in permitting my attendance here this morning.

Thank you very much.

Mr. KLUCZYNSKI. Thank you, Governor, for your statement, I think it is helpful to the committee.

Could you tell me how effective the ARA is in Alaska?

Governor EGAN. Well, Mr. Chairman, there have been quite a number of development projects that have come into being because of the Area Redevelopment Administration in Alaska. Several projects in the seafood industry that would have been many years off have actually begun contributing to the economic advantage of Alaska.

and in providing seafoods that are shipped to other States of the Union and elsewhere have contributed also to the economic benefits of the United States as well.

In other projects, localized in areas where certain development projects have resulted in small manufacturing industries where two or three people are now producing things made of the timber resources that are abundant in Alaska, and there are numerous other projects that came into being because of the assistance of the Area Redevelopment Act, that never would have come into being for years in the future, had it not been for this particular legislation that has been active since 1961.

In the remote areas of Alaska, particularly, we are very pleased—those of us in State government—that in these areas a number of the projects have given American natives of those areas the incentive and the ability to get into certain businesses that have contributed and will continue to contribute immensely to the welfare of those areas as well.

There remains much to be done in development that can be accomplished and be of lasting benefit in far-off, remote regions of Alaska in the continuance of this program as envisaged in H.R. 6991.

Mr. KLUCZYNSKI. Some years ago this committee passed legislation for your ferry systems. Will you tell us how that worked out?

Governor EGAN. Well, Mr. Chairman, your committee considered legislation, I believe, Mr. Chairman, but it was not possible to put that system under the Interstate Highway System, so we went ahead and the people of Alaska bonded themselves—I think there was a total of \$8 million. We built three modern vessels for the southeast system. Now, I might explain that to have constructed a highway down the southeast coast would run into a sum up to \$700 million which is out of the picture entirely, but there was a missing link in Alaska's transportation system.

History has proven that until you have a transportation system, a circuit route transportation system, that to speak of the development of your resources and development generally is almost an impossibility; and those of us who fought for this ferry system—we call it the Alaskan Marine Highway System—the people voted general obligation bonds in the amount of \$18 million; \$15 million of these bonds were utilized in constructing three vessels and building the terminals for these vessels. These vessels carry up to 500 passengers and up to 109 cars. There are a certain number of staterooms on each vessel, but they are really modern, really little luxury liners, so to speak, and they are doing exceptionally well. They are paying off, and the contribution, transportationwise, to the development of not only the southeastern part of Alaska, but to the acceleration of traffic to the area north of the Gulf of Alaska, has exceeded our hopes for the early years of this system.

Now, you might be referring to the fact that a portion of the ferry shipped—there may have been legislation that permitted, under the Federal Aid Highway Act, the assistance under that act for a portion of a parking area where we constructed these docks, but I do want to say that that system is paying off, not only for the State of Alaska, but in providing a circuit route method of transportation for visitors who come to Alaska.

Mr. KLUCZYNSKI. Governor, before the members ask questions, I have an announcement to make. You know at the start of this session we had several new members on this committee added to this fine committee. One was a lady from Illinois. The Republicans found it very nice to have a representative on this committee by appointing Mrs. Reid to this committee, and we have the pleasure this morning of having Charlotte's mother, Mrs. Edward C. Thompson.

Will you please rise, Mrs. Thompson?

(Mrs. Edward C. Thompson rose.)

(Applause.)

Mr. KLUCZYNSKI. Mr. Blatnik, questions?

Mr. BLATNIK. Governor Egan, I appreciate the special effort you made on rather short notice to be here with us and I appreciate your very persuasive and impressive statement. We also have keen interest from several other governors, many of whom had hoped to be here and expressed the wish to be here at the time the hearings were scheduled; but as usual, the demands of State responsibilities in their respective States prevented many of them from appearing during this week.

Mr. Chairman, I have here wires in support of legislation from Governor Grant Sawyer of the State of Nevada, Governor Otto Kerner, Governor of the State of Illinois; also letters from Governors Otto Kerner, of Illinois, J. Millard Tawes, of Maryland, and Edmund G. Brown, of California.

There is also a letter from Governor Edward T. Breathitt, Governor of the State of Kentucky, and a letter from Governor Hulett C. Smith, Governor of the State of West Virginia.

I ask unanimous consent that these letters and wires appear in the record at this point following your testimony.

(The letters and telegrams follow:)

SPRINGFIELD, ILL., May 5, 1965.

Representative GEORGE H. FALLON,
Chairman, Committee of Public Works,
1337 New House Office Building, Washington, D.C.:

S. 1648 is a very important bill to Illinois under the preceding legislation. We are able to both train and provide jobs for many of our unemployed in our redevelopment areas. We are very interested in its passage and urge your favorable consideration.

OTTO KERNER,
Governor, State of Illinois.

CARSON CITY, NEV., May 5, 1965.

Representative GEORGE H. FALLON,
Chairman, House Public Works Committee,
House Office Building, Washington, D.C.:

I warmly endorse the proposals contained in the Public Works and Economic Opportunity Act of 1965 for long-range development of the human resources and the economic potential of our 50 States. I believe this legislation can open the door to new job opportunities and increased social stature for a large segment of our national population.

GOVERNOR GRANT SAWYER.

STATE OF WEST VIRGINIA,
OFFICE OF THE GOVERNOR,
Charleston, W. Va., May 3, 1965.

HON. GEORGE H. FALLON,
Committee on Public Works,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN FALLON: We in West Virginia favor wholeheartedly the Public Works and Economic Development Act of 1965 introduced by you in the House of Representatives on March 31. I offer this letter as an official statement of our support.

While economic progress in our State during the last 4½ years has been of record proportions, unemployment still is too high and we have many difficult problems which this proposed legislation would help immeasurably to relieve. It would be extremely advantageous in a number of ways to our counties and communities, most of which simply do not have the financial resources required for the attainment of desirable and essential public improvements.

For the benefit of your committee, I would like to review briefly how West Virginia has been aided by the accelerated public works and area redevelopment programs.

Under APW, 115 communities have been strengthened by 215 projects totaling \$37,568,396. Under ARA, 80 communities have been able to move ahead as a result of 112 projects (11 of them on a statewide basis) totaling \$42,111,000.

Information as to the exact number of jobs created by APW activity is not available, although much employment at good wages has been provided by this fine program. Under ARA, it is estimated a total of 4,835 jobs have been created in this State.

It is my hope the Public Works and Development Act of 1965 will be carried to a successful conclusion at the earliest possible date.

Be assured your own interest in, and commendable work for, this vital bill is appreciated deeply.

With warm good wishes.

HULETT C. SMITH, *Governor.*

OFFICE OF THE GOVERNOR,
Frankfort, Ky., May 3, 1965.

HON. GEORGE H. FALLON,
Chairman, House Public Works Committee,
The House of Representatives,
Washington, D.C.

DEAR MR. FALLON: This is my unqualified endorsement of the objectives of the "Public Works and Economic Development Act of 1965" which is now before your committee. This legislation will materially assist economic growth in the underdeveloped areas of Kentucky.

Kentucky's redevelopment areas have received significant amounts of dollars for growth from the Area Redevelopment Administration and the accelerated public works program. This new legislation, in my opinion, has been made more effective to meet the needs of such areas by combining the best features of ARA and APW, plus the addition of new and liberalized programs.

We see definite improvements in the light of Kentucky's needs, such as:

1. More realistic provisions for grants for development facilities both as to purpose and matching formula.
2. The ability to make loans for the purchase or development of land and facilities for industrial or commercial usage within redevelopment areas.
3. The authority to guarantee loans for working capital.
4. Encouragement of greater utilization of private capital in redevelopment projects.

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5. Reducing the local participation in industrial and commercial loans from 10 to 5 percent and allowance of concurrent repayment.

6. Authorization of a more flexible organizational structure for development planning and action.

Be assured of the cooperation of this office and all departments of Kentucky government in regard to the "Public Works and Economic Development Act of 1965."

Sincerely,

EDWARD T. BREATHITT.

OFFICE OF THE GOVERNOR,
Springfield, Ill., May 5, 1965.

Representative GEORGE H. FALLON,
*Chairman, Committee on Public Works,
New House Office Building, Washington, D.C.*

DEAR REPRESENTATIVE FALLON: On behalf of the State of Illinois I wish to urge your favorable consideration of House Bill No. 6991, the Public Works and Economic Development Act of 1965.

The Area Redevelopment Act, although rather limited in scope, showed that new jobs and increased individual opportunities could be created in distressed areas. The Public Works Act will greatly strengthen our efforts to enhance the economic potential of areas in Illinois which have not kept pace with the economic growth of other areas.

As Governor of Illinois, I wish to lend my sincere support to House Bill No. 6991. This bill will provide an opportunity for us, in cooperation with the Federal and local governments, to increase the educational and economic level of our citizens.

Thank you for your consideration of this letter.

Sincerely,

OTTO KERNER, *Governor.*

EXECUTIVE DEPARTMENT,
Annapolis, Md., May 11, 1965.

Hon. GEORGE H. FALLON,
*Chairman, House Public Works Committee,
Washington, D.C.*

DEAR GEORGE: The purpose of this letter is to let you know of my interest in H.R. 6991, the Public Works and Economic Development Act of 1965, which is now before your committee for consideration, I understand.

As you are well aware, this legislation proposes a new Federal program to replace—and, in certain aspects, to strengthen—the Area Redevelopment Administration. As you also know, the ARA has been very beneficial to us in those Maryland areas covered by it, most notably in Cambridge, where ARA assistance was a key factor not only in several industrial projects, but in constructing the new port. It is my opinion that the new program called for in H.R. 6991 will prove even more useful to us in effectively combating the hard-core problems of some of our economically underprivileged areas.

This subject is particularly close to my heart for reasons you are familiar with—my own home county is classified as a "depressed area." If I read the signs rightly, all of the work done over the years on the Federal, State, and local level is about to yield tangible results in Somerset County in the form of new industries and new jobs. But our being on the threshold of success makes it doubly important that we continue to have available a Federal program we can rely on to help us take full advantage of these opportunities as they arise.

It would be presumptuous of me to urge you to support H.R. 6991, for I know you will do that. However, I wanted you to know how I felt about it, and also to assure you that I stand ready to do anything you think might be helpful to insure its passage.

With warm personal regards, I am,

Sincerely yours,

J. MILLARD TAWES, *Governor.*

STATE OF CALIFORNIA,
GOVERNOR'S OFFICE,
Sacramento, May 26, 1965.

HON. GEORGE H. FALLON,
Chairman, Committee on Public Works,
House Office Building,
Washington, D.C.

MY DEAR CONGRESSMAN: I have reviewed H.R. 6991, the proposed Public Works and Economic Development Act of 1965, and the companion bill, S. 1648, and am most favorably impressed with this legislation.

Titles I, II, and III of the Public Works and Economic Development Act—dealing with public facility loans and grants, public loans to private enterprise, and technical assistance—replace the corresponding provisions in the Area Redevelopment Act (Public Law 87-27), and I believe them to be beneficial improvements. While the area redevelopment program provided significant assistance to the 12 designated areas in California, this bill provides a continuing but improved vehicle for aid to the affected areas.

The State of California has continuously supported the area redevelopment program and the job it undertook to do. During the 4 years that this program has been in existence, our State has reviewed and certified 47 applications for ARA loan and grant requests in the 12 designated areas. These applications represent ARA loan and grant funds of \$18,602,805 and a potential 3,427 new jobs within the 12 areas.

I believe these are most significant accomplishments. However, most of California's ARA counties are resource oriented and the problems besetting them transcend county and even State lines, and require regional treatment. As you know, the Area Redevelopment Administration previously designated areas on an individual county or labor market basis. Each area was required to prepare an individual overall economic development program (OEDP).

Section 403 of the Public Works and Economic Development Act authorizes the Secretary of Commerce to designate multicounty economic development districts with the concurrence of the counties affected. To encourage areas to engage in multicounty economic development activities, the Secretary of Commerce is authorized to increase development facility grants for projects in the area by an amount equal to 10 percent of the cost of the project assisted. These provisions enable the designated areas to review their problems within the proper regional framework, and I believe this will be a great stimulant to regional planning and cooperation among the various jurisdictions involved.

We in California are vitally concerned with planning on a regional basis. I feel the Public Works and Economic Development Act will assist the States in promoting long-range, comprehensive development programs at the local level, and I therefore urge you to give it favorable consideration.

Sincerely,

EDMUND G. BROWN, *Governor.*

Governor EGAN. Thank you, Mr. Chairman.
(At this point, Mr. Blatnik assumed the chair.)

Mr. BLATNIK. Mr. Baldwin of California.

Governor EGAN. Yes, Mr. Baldwin?

Mr. BALDWIN. I was interested in your comments dealing with title IV dealing with the definition of what would qualify a redevelopment area. Your comments were addressed to the section on page 21 which says:

Those additional areas which have a median family income not in excess of 40 per centum of the national median, as determined by the most recent available statistics for such areas.

Now, if I recall your phrasing of this, you mentioned you had some areas in Alaska that apparently would not meet the basic definition under (B) (i)—

50 per centum above the national average for 3 of the preceding 4 calendar years, or (ii) 75 per centum above the national average for 2 of the preceding 3 calendar years, or (iii) 100 per centum above the national average for 1 of the preceding 2 calendar years.

You mentioned there might not even be 6 percent current unemployment in the area, but you still might have individual cases where there would be serious problems. Of course, this would be true in any community, that though a community might not have even a 6 percent current employment, there might be an individual case of dire poverty, but yet we have the problem of endeavoring to set some overall standards for areas redevelopment; and certainly we cannot very well apply it en masse to the whole country because this, like many other things, provides for certain limitations as to the funds available, and if we did not endeavor to use a certain amount of rightful approach, to give priority to certain areas that qualified to a greater extent than others, we would lose the purpose of the act.

Governor EGAN. Yes, Mr. Baldwin, and might I say in this respect our thinking goes way up on the Arctic coast on the north slope where there are scores of village areas. Now, we are making a contribution there from the standpoint of direct appropriations by the State annually now with little progress in these villages where the people themselves select the man who is to do the particular project which they feel most advantageous to their community.

We have appropriated some \$2,450,000 annually beginning in 1961, and these projects have really paid off in that they have given these people tremendous confidence in their abilities to do carpentry and other construction work, to build things they never have had despite the history of the Bureau of Indian Affairs in the area, an agency that has done a considerable job over the years, but we have been trying to prove that the people can lift themselves up by their bootstraps.

Now, in some of these villages you have a total population of, say, 100 or 75 people, 100, 150 people—there may be 25 of those people who are unemployed or 12 people who are breadwinners of the families who are unemployed, for no good reason of their own, but they constitute, because of the scarcity of the population, when you add up all of the villages that are in that category, you would have several thousand people.

We are not thinking in this respect in our thinking of huge projects, but projects that could teach these people how to herd and handle reindeer, for example, and how to have a small canning project for canning meat under the supervision of our State department of agriculture—this sort of thing.

Mr. BALDWIN. If I might interject at that point, if I understand you correctly, the Manpower Retraining Act as passed by Congress applies throughout the United States without limitation on unemployment areas, and therefore we have another bill that specifically would enable the retraining programs of that type to be given anywhere, but this bill has as its objective to give priority to areas of excessive and long-lasting unemployment.

Governor EGAN. Yes; well, this is true, sir, and we are making good use of the Manpower Development Training Act in Alaska. It has been a wonderful thing, but in the Area Redevelopment Administration, or—I forget what we call them—under this 1965 proposed statute, that working in conjunction and providing the investment capital that could utilize the retrainees in these remote areas, so that they can become productive in those areas and remain in the areas, the two programs working together in Alaska—it is very difficult, un-

less you have been up in that northern area and know the unwillingness of these people who have been there for generations, a large majority of them, to leave their village areas and go elsewhere.

This unwillingness makes retraining programs of little avail unless you can get the investment capital in there to provide the facilities where they can create industry of their own within their own areas. But there is a tie-in there. I think this is a little different situation than you have almost anywhere else in the United States.

Mr. BALDWIN. I understand that there may be different problems in Alaska, but the point I was driving at basically is since this is designed to cover primarily areas in which excessive long-lasting unemployment obtains, we have to set some standards so the funds that are authorized can be concentrated on those areas. Without those standards, we would lose the significance and the purpose of the act.

Governor EGAN. Yes; but that being true, nevertheless, Mr. Baldwin—now I grant that between the Midwest and the eastern seaboard or the Midwest and western seaboard, there is considerable variance in the cost of living factors, but then you compare that with Alaska, and because of our natural geographic position and the cost of transportation, cost of freight and all of these things in Alaska, the salaries and wages and other costs are so much higher in comparison in many aspects than you find between, say, the Southern States or the Midwestern States and the coastal areas that generally, discounting the far, remote areas, you do have a problem and a situation there that under a rigid interpretation of the formula, where you actually have a greater need for participation under the act, where you would be left out in the cold, so to speak, because of that severe variance.

Mr. BALDWIN. Well, I understand the point you are making about a variance, but I would hazard a guess that there is as much a variance between, say, the State of New York or the State of California and the State of Mississippi as there is variance between Alaska and the State of New York or the State of California; and so if we were to accept your premise there should be some different measurement for Alaska, as compared to the State of New York or the State of California, then we should also accept a premise that the State of New York and the State of California should be given some priority as to the average income, as compared to the State of Mississippi. Then we would be drawing a different formula for practically every one of the 50 States.

Governor EGAN. Well, but then, Mr. Baldwin, this is compounded when you get to Alaska. I recognize there is within contiguous States this problem, but it is just that much more exaggerated when you get to Alaska because of the tremendous additional distance that there is between Alaska and the other States.

Now the costs between New York and California would be, I would say, generally speaking, essentially the same—there might be some variance, cost of living.

Mr. BALDWIN. I would say there is as much variation between the average cost of living in New York and California as compared to Mississippi, as there is variance between Alaska and New York and California. Therefore, if we were to accept your premise that you should have special treatment, in comparison with California and New York, then we should have to establish some means so that they could get some special treatments as compared with Mississippi.

Governor EGAN. Well, you know, perhaps it might be that the Congress should look at this overall problem, Mr. Baldwin. I have never made a study of this, but I make the point that you do have that variance, say, between Mississippi, Texas, or whatever State it might be, and New York and California.

But then, when you get to Alaska, it is compounded that much worse and the problem is just that much more exaggerated than it is between Mississippi and the State of New York or the State of California. But I do not know that it would be wrong to give some consideration to States such as Mississippi and other States in the area, along the same line. It has not been done in the past, but every citizen knows that there is a great variance, but the point I was trying to make is that between that difference, or against the differential between Mississippi, say, and New York, it is just compounded and exaggerated that much more in the State of Alaska because of its far northern geographic location.

Mr. BALDWIN. Thank you, Mr. Chairman. I will give back my time.

Mr. BLATNIK. I know that you will understand and the chairman apologizes at the outset to the Governor and the other three witnesses who traveled some distance because of the delay which was beyond our control. We got boxed in by a caucus this morning and we have a committee bill in the House this afternoon which will be included in the afternoon session, so we may have to rather discipline ourselves a little and deprive ourselves of questioning which is, of course, necessary.

We appreciate your cooperation and hope we may be able to complete the remaining three witnesses by 12:30, or before the quorum bell calls us back to the floor.

Mr. Cramer, the gentleman from Florida.

Mr. CRAMER. Mr. Chairman, I will keep it as short as possible.

In your opinion, how many areas in Alaska would be included in the new definition?

Governor EGAN. Mr. Cramer, you mean in—

Mr. CRAMER. What would be the effect of the provision?

Governor EGAN. Well, it would, as I understand it—and I want to say that I was not too well prepared—I prepared this rather quickly and I came here to testify originally on another matter, a fisheries matter, yesterday; and I drafted this presentation and I have contacted the people in area redevelopment in Alaska, and I called down to the area redevelopment offices here and got a copy of the bill and went through it.

But I believe that other than one area up in the far north, the Wade Hampton District, this would under the Area Redevelopment Act, and that particular feature of it, it would practically eliminate our participation, the continuity of our participation.

Mr. CRAMER. I have a map here dated April 24, 1965, which shows all of Alaska included, with the exception of district 4.

Governor EGAN. Were there not two districts, Mr. Cramer?

Mr. CRAMER. Well, almost the whole State.

Governor EGAN. So, as I understand it, Mr. Cramer and Mr. Baldwin, I think that this would practically eliminate the continuity of

our participation under the plans we have had with respect to area redevelopment—capital investment support.

Mr. CRAMER. Well, I am sorry. The map I am looking at indicates eligible redevelopment areas under S. 1648, same as the bill before us, and shows all but one election district as qualified. I have this map in my hand.

Governor EGAN. Well, it may be. I was thinking there were two election districts that did not qualify. That may have been changed. That map is undoubtedly correct, Mr. Cramer.

Mr. CRAMER. I just want to try to get the record straight because your opinion appears to be in variance with the opinion of those who drafted the bill.

Governor EGAN. You mean in the new bill, Mr. Cramer, they would qualify?

Mr. CRAMER. I am only looking at the map from ARA, eligible areas under S. 1648, April 24, 1965.

Governor EGAN. Yes, well that is as it is now under the present Area Redevelopment Act of 1961, but under this new provision it is my understanding that perhaps only the Wade Hampton District, one of the districts in the far north, would qualify under this particular—

Mr. BALDWIN. The counsel will show you the map. See the designation. The heading is "Area Redevelopment Administration, 1648."

(The committee counsel handed a document to the witness.)

Mr. CRAMER. As I understand it, that was submitted on the request of Mr. Cleveland, so that the committee would know what the effect of the new formula would be.

Governor EGAN. Well, now, Mr. Cramer, yesterday I was informed that in this particular provision—now, there might be other sections of the bill that we would qualify under, but under this particular provision that Mr. Baldwin is speaking of, that it would practically eliminate participation other than possibly in one election district.

Mr. CRAMER. Well, you are talking about the 5(b) section?

Governor EGAN. Yes.

Mr. CRAMER. Under which practically all of Alaska is presently included.

Governor EGAN. Yes.

Mr. CRAMER. Which is being amended?

Governor EGAN. Yes.

Mr. CRAMER. The map is at variance with the information given to you and perhaps evidences pretty well the confusion confounded about this formula.

Governor EGAN. Well, it might.

Mr. BALDWIN. Will the gentleman yield? I am just wondering—there is a provision in this bill, as I understand it, that areas that currently qualify under the existing area development law would be brought in under this law until a 1-year survey is made. Now, it may be that this map prepared by the Area Redevelopment Administration has therefore listed on the map all of those areas that currently qualify under the existing area redevelopment bill as well as those which qualify under the specific terms of the new bill, even though after 1 year some of those which now qualify under the existing area redevelopment legislation may no longer qualify.

Governor EGAN. Mr. Baldwin, I think that is undoubtedly where the confusion lies, that when that 1-year period is passed that it would be likely that only one of the election districts would qualify in Alaska.

Mr. CRAMER. I have just one other question, Governor. It relates to your suggestion concerning an area and regional planning commission which is supposed to be interstate.

Governor EGAN. Yes.

Mr. CRAMER. And you are suggesting that it be made applicable to Alaska. What regional planning is there between Alaska and other States to qualify?

Governor EGAN. Mr. Cramer, in the planning programs within Alaska, in our own planning programs, and in the planning we have already conducted under the Area Redevelopment Administration's grants, it involves planning from one area, between maybe the southeastern area and the upper area, the northern or western areas of Alaska. Alaska is so large—586,000 square miles—that you have this situation there where within the State itself you have various regional problems that are entirely different, and much of our planning effort has approached this particular problem.

Mr. CRAMER. Well, the point I am making is that title IV, section 401, part (a), makes available redevelopment area programs within the State. This section under title V relates to interstate commissions. As I understood your request, it was to try to make that in some way applicable to Alaska?

Governor EGAN. Yes, because we do not have any contiguous—

Mr. CRAMER. Well, you already have a provision in the bill under title IV that would take care of any development areas in Alaska or a combination of them?

Governor EGAN. But we might have a situation where between the Yukon Territory in Canada, where we might have a joint endeavor, that is, a mutual advantage, thought to be of mutual advantage to the Yukon and to Alaska, because of its—

Mr. CRAMER. Now you are talking about international commissions?

Governor EGAN. Yes.

Mr. CRAMER. You see, Alaska is not a foreign country.

Governor EGAN. But we have a relationship there in that respect that is unique also.

Mr. CRAMER. But you are proposing establishment of international commissions?

Governor EGAN. Yes.

Mr. CRAMER. Well, that is a bucket of worms.

Governor EGAN. Yes. Well, it might be an extension of it beyond—yes, I can see that.

Mr. CRAMER. That is all, Mr. Chairman.

Mr. BLATNIK. Thank you very much, Governor.

Mr. JONES. Mr. Chairman, may I proceed out of order for just a moment?

Mr. BLATNIK. Mr. Jones.

Mr. JONES. I want to inform the members of the committee that we received information just a few minutes ago that the caucus bill, it seems, is not controversial, and we will have a meeting. We will have a meeting this afternoon.

Mr. BLATNIK. It will be essential that all members of the committee be on the floor to support this very important piece of legislation.

We will move as expeditiously as we can.

Our next witness is Mr. Donald J. Greve, chairman of the board, Sequoyah Carpet Mills, Anadarko, Okla.

Please be seated, Mr. Greve.

We appreciate your being here and apologize for rushing you, which is beyond our control. We do hope you understand the situation.

Mr. Jones?

Mr. JONES. Mr. Chairman, I would like to introduce Mr. Greve. He is an outstanding and accomplished industrialist, chairman of the board of Sequoyah Carpet Mills, Anadarko, Okla.

He has made quite a success of the venture of carpet manufacturing. Not only that, Mr. Chairman, but he has made a supreme contribution to the welfare of the community. I am quite sure all of us are proud of the fact that he played a part in the national program in making opportunities available for people like Donald and his associates.

So it is a refreshing thing for us, and a source of great satisfaction, to have you before the committee to relate to us your experiences with an agency of the Federal Government, and how you, as a recipient, participated in this program.

STATEMENT OF DONALD J. GREVE, CHAIRMAN OF THE BOARD, SEQUOYAH CARPET MILLS, ANADARKO, OKLA.

Mr. GREVE. Thank you.

Mr. JONES. I say that on behalf of the committee, I assure you.

(At this point, Mr. Wright assumed the chair.)

Mr. WRIGHT. It is nice to have you with us.

Mr. GREVE. Mr. Chairman and members of the committee, we will move as rapidly as possible, but I would like to go into the background of our Sequoyah Carpet Mills for a moment, if I might.

In 1941 to 1943, I lived with my mother in a sheet metal chicken-house in Oklahoma City. There were no inside walls except for the sheet metal, but it did have a concrete floor and the chicken roosts had been removed. We never did accept any public welfare grants, though there were times when meals were a little scarce and the clothes that I wore to school and the things we were able to do were different than the majority of the children with whom I went to school.

My mother impressed on me that in the United States of America, if any individual, regardless of his wealth or birth, desires to achieve something, they could; and I grew up fully believing—and I still believe—that it would be possible for any individual to become the President of this great country.

We were very fortunate. God blessed us. And by the time we had reached 27 years of age, my wife and I stopped and reflected on the long hours of work we had put in and the five businesses that we owned and operated, and I decided that I would retire from working and spend more time with my family and also participate more in the work of the Methodist Church with which I have been an active supply pastor since I was 17.

I started doing this, I made a trip just 60 miles from Oklahoma City with a friend of mine who was working in the Methodist Indian mis-

sion field, and I saw in the community of Anadarko, abject poverty. It was perhaps no greater poverty than I had experienced as a youngster myself, but there was one big difference. This big difference was that these people did not have a mother that told their son or their children they could accomplish anything they wanted to.

They were second or third generation people that had been helped by handouts, but they had never had an opportunity really to help themselves. This seemed wrong, and I talked with the people, and I went into their homes and my heart bled.

I went back after several such trips, talked with my wife, and came to a conclusion about the Scripture, the passage from Scripture that had been keeping me awake at nights, that we are our brother's keeper. Certainly it was a message not only for me but any individual who might be placed in a position of opportunity to help these people to help themselves.

So we started liquidating a few of our assets and getting in a more liquid position; contacted some friends who had some money; and we asked if they might be interested in joining with us in an industrial venture that we hoped would bring employment to these people and give them an opportunity to work.

We found some friends who had confidence in us and looked at it from a financial standpoint. They thought they might earn some money, and I must admit that they were not at all concerned with the viewpoint of helping human beings who needed help.

We put together \$150,000 in cash and had decided after considerable research that we would go into the carpet manufacturing business, a business that had never been conducted in the State of Oklahoma.

We concluded we would do it in a rural community that did not have the financial ability to help us with our plant site or building, and Anadarko, which had 6,200 people, the same population that it had in 1940, was the place we chose.

We further declared that we would hire people and give preference in our employment to people who had never had a job before in their lives, of any duration, people who were on public welfare rolls, people who were looking to others now for their living and not really making a contribution to our society as a whole.

Well, this sounded very good from the pulpit and in church, but it did not sound very good to bankers. They smiled, listened politely, and said, "No, we would not be interested," and so we went from place to place trying to find help in financing this.

Finally, someone suggested the Area Redevelopment Agency, and I must admit I said, "No. Too much Government red tape. Too many problems in getting something started. Why? It would be ages before this project would ever get off the ground with their help," and I passed by ARA on three occasions.

Finally, I came to the point where I was absolutely certain there was no other way to establish this manufacturing concern to give these people an opportunity to work, except through ARA.

We went to ARA and they had a rather large list of requirements to meet to make an application; but I found each and every one of these questions and things that they wanted me to provide was something we had already done in making our survey as to whether this business would be feasible or not. I found all of their requests 100 percent rea-

sonable. And I also found that people we had to deal with were dedicated and sincere. They were concerned about wasting or losing the taxpayers' money. They were concerned about making sure that each dollar that they invested here actually went into the project in such a manner that it would cause people to have jobs, people who otherwise would not have a job. I was very amazed to find how dedicated these ARA people were.

After having been in an ARA project now for a period of a year and a half and having had the opportunity of meeting many people from the Department, whether they be from the top of the Department down to the lowest staff member, I have yet to find someone who was not dedicated, and I am very, very much impressed from this standpoint.

One of the ARA requirements that was a little bit hard to meet at first was that a percentage of the project must be supplied by a broad base of community participation. This has been proven invaluable to us, because we have 122 people in Anadarko who are leaders in the community, who have their money invested and cannot receive repayment on their money until such time as all other borrowed funds are repaid.

But in getting these people to put up their hard-earned money to bring this manufacturing project to their community, I had to make a commitment to them. The commitment was this: They said, "Don, we think that you have a noble idea here, but we don't think it will work, because we don't think these people who have not had a job before are employable. We do not think they are the type of people that you can tell to be at work at a certain time and do a certain job and do it well. And we also know from experience with the Indians that come payday, it will be another 3 days before they show up, because they will take their money and get drunk." And I smiled and said, "I have no facts that I can argue with you on this, except one thing: I will not allow your money or any of the Government's money to be lost if my ideas do not work."

So we hired these people. Of our first 55 employees, 51 of them had never had a job of 6 months' duration in their life.

At the present time, we have 162 employees. They are being paid at a rate in excess of \$750,000 a year, which is a rather large payroll for this small community.

Our absenteeism is less than one-half of 1 percent. Our turnover has been negligible. And we have a more dedicated work force than I think any manufacturing concern in the whole country, because these people have changed.

When we first hired the 55 employees, the majority of them would not look you square in the eye and talk to you; rather they looked at the floor. They had been down at the public welfare office so many times and the unemployment office so often, they had gone to the commodity center week after week receiving free commodities, that they had lost the self-respect and human dignity that a person must have in order to be a useful citizen.

We started immediately to sell them on being useful citizens. We found that only 5 percent of our employees were registered voters. We found that most of them had never attended PTA or such civic functions as this.

At the present time 100 percent of our employees are registered voters. We have members on every civic club in the area, and they constantly attend PTA and other local functions.

These people look you square in the eye now and they are proud. They are prouder than of any other single fact that they are able to make a living themselves.

A little story that came out on the day we opened our plant—and we had employed the people for approximately 3 months before we started producing while they put the equipment together and learned how it operated—a man who had eight children, who had been on public welfare, who had received free commodities, was doing one of the most menial tasks in the plant. We had 3,000 people going through our plant on opening day and we were trying to operate by roping off the work areas. A little boy, who is the same age as my son, who at that time was 5, darted underneath one of the ropes and there, in front of a U.S. Senator and 3,000 people, pointed at his father and he said, “That’s my daddy,” as though his daddy was head of the whole plant. He was prouder than my son was, because his father was no longer down in the commodity line. And this youngster had learned the self-respect already, at age 5, that comes from his father making a living himself and contributing rather than receiving. ARA was the only answer.

We had communities contact us that would have been glad to have provided a building for our manufacturing concern. They would have been glad to do it. But they were in the large areas that were close to distribution and they did not have this large hard-core unemployed group of people that we wanted to reach. ARA is the only answer for the smaller communities with hard-core unemployment.

It is a strange thing, we were not interested at all in making money except we realized the primary concern of an industry is to make money and that we must make money in order to provide secure employment for our people.

Our first full year of operation, we are paying in the neighborhood of \$250,000 in Federal income tax. Our direct loan received from ARA was \$390,000, and there was no grant involved; it was strictly a loan that we are to pay back and we have started making payments on this, plus our interest that is paid regularly.

In addition to this, our employees are paying at the present time at an annual rate of approximately \$100,000 in Federal income tax.

Over and above that, estimates have ranged anywhere from \$50,000 annually to \$120,000 annually as far as the amount of savings to the Federal Government is concerned on public assistance and—maybe I am not using the proper terminology here, but the handouts, or the doles that these people, who did not have a job, received month in and month out with no thought or chance of a change.

In addition to that, for our second full year of operation, and we are on the road to seeing that our goals are successfully met, our earnings will be approximately \$1 million; those are net earnings before Federal income tax. So that our Federal income tax after investment credits will be in the neighborhood of \$400,000.

This is something that will go on year after year. As a taxpayer, as an individual who is very concerned about how the Federal dollar is spent, at the same time being an individual who firmly believes that

the Declaration of Independence goes to the heart of the matter, that man has intrinsic values, that he has inalienable rights, and I think both of these things must be considered. I sincerely believe the ARA loan to Sequoyah Mills is an excellent investment.

I think that it is wonderful that the Members of Congress look carefully at the expenditure of every dollar of public funds. At the same time, the value in terms of human life and human personality changed and converted; changed from a dependent citizen, changed from an individual who would be very susceptible to a political philosophy that might offer him a chance or an opportunity. A change from this individual to a voting, taxpaying, self-sustaining citizen is one of the greatest things that I think any of us can have an opportunity of doing.

At the present time we are expanding our plant, doubling it for the second time since we started.

By the end of this year we will have over 300 employees and our annual payroll rate will be in excess of \$1.5 million per year.

We thank the ARA for helping us and we urge you gentlemen to continue this program, continue it because there are many areas like Anadarko, poor and forgotten by a lot of our society. But the strength of America still lies with all of its people, and the benefits from programs are not measured in dollars or by statistics. The benefits of programs get down to the human level in human personality, and I urge your favorable consideration of this.

Thank you.

Mr. WRIGHT. I think that is one of the most inspiring stories I have ever heard.

Mr. GREVE. Thank you, sir.

Mr. WRIGHT. The Indians, your employees, are mostly American Indians?

Mr. GREVE. Approximately 50 percent Indian, 35 percent white and 15 percent colored.

Mr. WRIGHT. I know Anadarko a little bit. Were these Indians educated at public schools there or are they reservation Indians?

Mr. GREVE. We have no reservations in Oklahoma. They were educated in public schools.

Mr. WRIGHT. But they just did not have any hope?

Mr. GREVE. They had no hope and no opportunity. Many of them have been moved to Chicago to work in industries there, but it was too far from home and the way they lived there was too foreign to the way they have been reared, and they did not adjust to it well and the majority of them came back.

One interesting side story, one of our men, a direct descendant of Geronimo, a full-blooded Apache Indian called Elmer Jay, we made a foreman. Elmer had never had a job in his life that lasted more than 3 months. We made him the foreman of shipping and receiving. About our third or fourth month of operation, he came in, and I was in the front office, and he approached me and said, "Don, I just received a call from home. He said it as calmly as I am. "My house is burning up."

I looked at him and smiled, and I thought, "he has got some joke here, because he is too calm for this to be true." I said, "Elmer, I understand most buildings do not burn up; they burn down."

He said, "Up or down, my house is burning." He said, "I can't go home."

I offered him my keys and said, "Borrow my car," because I knew he drove an old junk heap that would not make it home in a hurry. He said, "This isn't my problem; my car is out here and it is fine. But I don't have my shipping out and my assistant is off today because his wife is having a baby."

I said, "Let someone else do it."

He said, "No one else knows how to do it, and I have three truckloads to ship. You know how important it is that shipments be made the same day I get them."

I said, "Elmer, it is just as important as it ever was, but I will make your shipments for you." And only after someone had accepted his responsibility would he leave his job and go home—and this from a man who had never had a job of 3 months' duration, and that type of faithfulness and loyalty is a rare commodity—these people have it.

We gave them an opportunity to select their profit-sharing program, because we share our profits with our employees. We said, "Take one of three methods. The first method is that you receive all of your percentage of profit at the end of each year in cash. The second would be that you receive part in cash and part at retirement time, so you will never have to be dependent on your children to take care of you when you quit working. The third would be you receive it all at retirement time."

We pointed out the fact that they can save more money more rapidly and it can draw more interest if it is in the last method, because they do not have to pay Federal income tax on it until they draw it out, as long as it is not in excess of 15 percent of their salary.

They voted unanimously to accept the third method. This is not too remarkable, it is the best choice; but it is remarkable when you consider that over 80 percent of these people had never had a job before in their life and they were used to someone else taking care of them. To me it meant they were tired of having someone else taking care of them. They never wanted to go back to it again in their whole life.

Mr. WRIGHT. You say this is the first time someone really had shown some faith in them?

Mr. GREVE. This would be generally true as far as our individual employees are concerned.

It would not be true with the Indians as a whole, because many people are interested in them, and they have responded to this. I think that is the big thing, that the Federal Government is interested, the State is interested, the local community is interested, and someone in industry is interested.

Mr. WRIGHT. Are there comments or questions on my right?

Mr. JONES. Mr. Chairman, as I said earlier in introducing Don, I was quite sure he would give us a profound statement. Certainly that is what it has amounted to.

I know that this has been a refreshing moment for our committee to have you.

Mr. GREVE. Thank you.

Mr. WRIGHT. The whole country, for that matter.

Mr. GREVE. Thank you, sir.

Mr. KEE. Mr. Chairman.

Mr. WRIGHT. Mr. Kee.

Mr. KEE. Mr. Chairman, I certainly enthusiastically join you and the distinguished gentleman from Alabama, Mr. Jones, in highly commending Mr. Greve—

Mr. GREVE. Thank you.

Mr. KEE. For a most stirring, factual report.

In particular, I think that the job that you have done in describing so vividly the effective help of the Area Redevelopment Administration is one of the finest things that has happened before this committee. I certainly, as one member of this committee, want to thank you from the bottom of my heart, sir.

Mr. GREVE. Thank you, sir.

A lot of people criticize some of ARA's actions. However, I do not know of a banker—and I have several good friends who are bankers—that make perfect loans all the time. The fact is they would not have any charge-offs in banks if they did not make a mistake sometime.

ARA has made some mistakes and will continue to make some mistakes; but the good they have done cannot be measured in any other way than in human personality.

Mr. KEE. Thank you, sir.

Mr. WRIGHT. The Chair recognizes Mr. Tuten. I will recognize everybody on the committee who desires to comment.

Mr. TUTEN. Mr. Chairman, I just wanted to say, had there been any question in my mind about this bill, I believe I would have to vote for it now.

This is the most amazing statement I have listened to. I think really all we need to make all these projects tremendous successes is the inspiration of a man like this, because certainly with him as a leader, I do not believe they could fail to meet their responsibility.

Mr. GREVE. Thank you, sir.

Mr. TUTEN. I just am sorry that all of our committee members could not have been here and heard this statement.

Mr. GREVE. Thank you.

Mr. WRIGHT. Mr. Kunkel.

Mr. KUNKEL. I just wanted to ask Mr. Greve if he had a prepared statement or an outline of these little incidents and the history you have given us here this morning?

Mr. GREVE. I am sorry, sir, I did not.

The reason I did not is because I felt that if I spoke without prepared notes, that the committee would know that I was speaking from my heart, and so I did not prepare a statement.

However, I would be glad to prepare any facts that you would like to have and send you a letter on it.

Mr. KUNKEL. I think it was much better to present this the way you did, much more effective. That was not what I had in mind. But it has been such an impressive statement and I think the finest statement we have had so far—or within my memory on any other legislation—

Mr. GREVE. Thank you, sir.

Mr. KUNKEL. And I thought if you could prepare it, it would be well worth while putting in the Congressional Record.

Mr. WRIGHT. Excuse me. May I make a suggestion in this connection?

Mr. KUNKEL. Yes.

Mr. WRIGHT. The transcript has been made of Mr. Greve's remarks this morning, and I think it would be a wise procedure to make a copy of that available to him first, so that he might review it and add whatever he feels he might have left out or that which might not have been recorded the way he wanted it done. Then I would be glad to undertake to have a copy of that be given to you, Mr. Kunkel, if you would like to insert it in the Record. And in addition to that, I would like to have some copies made up so that I could send them to all members of our committee with a little special note calling their attention to it.

Mr. KUNKEL. I think that is a much better idea than mine, Mr. Chairman.

Mr. WRIGHT. But your idea is an excellent one.

If you would like to do so, I think we could——

Mr. KUNKEL. This is much more practical and actually I thought of it right after I stopped speaking, but you are the one that really brought it out.

Mr. WRIGHT. I would like for you to have the opportunity to put it in the Record if you would enjoy doing it.

Mr. KUNKEL. I would.

Mr. WRIGHT. Since it was your suggestion.

Don.

Mr. CLAUSEN. Thank you, Mr. Chairman.

I certainly want to join you, Mr. Wright and Mr. Tuten, in saying this is certainly one of the finest testimonies that I have heard from any witness before this committee.

Mr. GREVE. Thank you.

Mr. CLAUSEN. And you, Mr. Greve, are certainly to be complimented on the fact that you were able to deliver your message, as you say, from your heart. Certainly it has left a great impression I am sure on me as well as other members of the committee.

But while you have been very generous in your comments on behalf of ARA, I would think also that the members of this committee might say that ARA certainly did not carry through the program. It took a man of genius, which you apparently seem to have here, to lead the pack. Because I am sure that if you were to have the entire story, you would probably find there were many, many hours on your part and probably on the part of your wife that motivated a number of these people to self-sufficiency and kept their spirit up, I imagine.

Mr. GREVE. Yes, sir. However, no matter how hard we would have wanted to try to do this, we would have found it impossible without ARA help. It took a team.

Mr. CLAUSEN. Quite frankly, I would like to use this story as a means of prodding some of these bankers into doing a part of the job in their own environment, because it seems to me all you have done here is see an opportunity and the ARA themselves came forward with a program.

Now, this again is to the credit of the ARA. But nevertheless I think that some of the bankers might be prodded just a little bit by this particular success story and this would be to the advantage of the entire country.

Mr. GREVE. Yes, sir.

Mr. WRIGHT. Mr. Cleveland.

Mr. CLEVELAND. I was very impressed with your statement and certainly it was a fine statement. I would like to congratulate you not only for the statement, but for the success of your business.

Mr. GREVE. Thank you.

Mr. CLEVELAND. You spoke about having gone to other sources prior to the ARA.

Mr. GREVE. Yes, sir.

Mr. CLEVELAND. And having bypassed ARA and having come back to ARA as the only source of funds.

Mr. GREVE. Yes, sir.

Mr. CLEVELAND. Did you consult the Small Business Administration about this problem?

Mr. GREVE. Yes, sir; we did, and the type of financing that they had available was not adequate for our size project. Their maximum is \$350,000, and they were not in a position to take a second position on the mortgage. On the equipment, ARA took a first mortgage, but on the building itself, they took a second position. So this program would help us where the Small Business Administration program was not quite adequate to help us.

Mr. CLEVELAND. Thank you.

Mr. GREVE. Yes, sir.

Mr. WRIGHT. Mr. Sweeney.

Mr. SWEENEY. Mr. Greve, I am more than delighted to have had the opportunity to be here this morning to hear your comments.

Mr. GREVE. Thank you.

Mr. SWEENEY. I want to join with the other members of the committee in enthusiastic congratulations for a job well done.

Mr. GREVE. Thank you.

Mr. SWEENEY. Not only for your own community and people affected, but for the effect you are having here in Washington to encourage the Government in a continuation of this fine program.

Like my colleague, Mr. Clausen, I sometimes wonder what effect upon the banking in your local community there might be with regard to the success that you have had with ARA support. Have you gotten reaction from your local bankers on this score?

Mr. GREVE. We have two local banks in Anadarko, and my home being in Oklahoma City and having good Oklahoma banking contacts, they just were not good enough to finance our original project. And really in the realm of banking, it went a little beyond their ability, because we needed a longer payout period. We could not know for certain that we would make the type of profits that we have. In order to make certain that we did not start and then fizzle, we needed a longer period of time to pay out and ARA could give these terms that the bankers were not in a position to offer—plus the sizable sum of money on a new venture would be a little beyond what most bankers do. However, we have been interested to find out that the largest banks in Oklahoma have invited me to eat lunch with them on occasions and

I find I have some very good friends now I did not know I had a year and a half ago.

Mr. SWEENEY. I am delighted to hear that.

I am sure you would be an interesting guest speaker at the International Bankers Association convention. You positively reinstate confidence in the worth of the individual as a security for a loan. I think you are doing a tremendous job and deserve a great deal of credit.

Mr. GREVE. Thank you. Thank you.

Mr. SWEENEY. One further question. Do you plan an expansion of your facilities in Oklahoma?

Mr. GREVE. Yes, sir. We expanded the first time about 6 months ago, and we are presently doubling again. And we had this, all the engineering completed and ground will be broken this week on this next expansion.

Mr. SWEENEY. Is this expansion under an existing program?

Mr. GREVE. Yes, sir. This will be our existing plant.

We hope to be able to within a year and a half add another plant, which will employ 300 people.

Our present thought is to put it about 2 miles from our existing plant, because we will reach peak efficiency with the size that we will come to in the next 90 days, when the present work is completed. And the new plant will bring employment up to a total of 600 people and make it possible with a \$3 million payroll to go a long way toward wiping out the problem of unemployment in that area.

Mr. SWEENEY. That is marvelous.

Mr. GREVE. It is a very small area. We do not win a war with one battle, but we can make a little dent there.

Mr. KUNKEL. Would the gentleman yield?

Mr. SWEENEY. Yes.

Mr. KUNKEL. I was wondering, when you were doubling the plant, were you still making use of ARA assistance or is it now a going concern which you are financing out of earnings?

Mr. GREVE. The first expansion we financed ourselves. The second expansion, which is a million-dollar expansion, the Anadarko Industrial Foundation is supplying the building for us and equipment we are financing ourselves.

The Anadarko Industrial Foundation, in order to raise all the money they need to provide the building facility, which we are leasing back from them over a 15-year payout, contracted the 502 SBA people and were able to receive a SBA loan for \$350,000.

Mr. KUNKEL. But you never had any contact with ARA since you got started?

Mr. GREVE. No, sir; as far as borrowing money, we have had no contact. However, they have an industrial guidance team and they have been in constant contact with us. They review our financial statements for each 90-day period.

The first time we commented rather freely about the various things we thought needed improving in our first 90 days, because we did lose money over the first 90-day period with the new industry. Most people thought we would lose money for the first year and a half, but the fourth month we broke into the black and have been there ever since. But they have been a big help to us and the local people are sincere and dedicated.

If we come up with something that maybe we just need to talk over, I go to—we placed a banker on our board in an advisory position. He has no stock in the company, but we felt that it would be good for him to be there to help advise us as we grew. And everything we do basically we will talk over with the local ARA people, because they do not charge us anything for it and we get some real good advice.

Mr. KUNKEL. Thank you.

Mr. WRIGHT. Mr. McCarthy.

Mr. McCARTHY. I just wanted to add my second to the comments of my colleagues and say that your experience is very heartening to me and strikes me as a happy marriage of two concepts that I believe very strongly in: Private enterprise and progressive and humane governmental programs.

Mr. GREVE. Thank you.

Mr. McCARTHY. Thank you, Mr. Greve.

Mr. GREVE. Thank you, sir.

Mr. WRIGHT. Mr. Greve, we appreciate your being with us and sharing this experience with us. I would not be surprised but you might receive some invitations to make some speeches.

Mr. GREVE. We would be happy to.

Mr. WRIGHT. Thank you very much.

We have some other witnesses on the list and some have waited since yesterday. But as the members know, we have a quorum call and caucus. Since this afternoon's session is devoted to one of the bills of this committee, among other things, it would be inadvisable I think to come back in this afternoon. So I would say the committee will be adjourned, subject to the call of the chair, or absent such call, until 10 o'clock tomorrow morning.

(Whereupon, at 12:28 p.m., the committee was recessed, to reconvene at 10 a.m., Thursday, May 13, 1965.)

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

THURSDAY, MAY 13, 1965

**HOUSE OF REPRESENTATIVES,
COMMITTEE ON PUBLIC WORKS,
*Washington, D.C.***

The committee met, pursuant to adjournment, at 10:14 a.m., in room 2167, Rayburn House Office Building, Hon. John A. Blatnik presiding.

Mr. BLATNIK. The House Public Works Committee will please come to order.

We continue public hearings on legislation relating to the Public Works and Economic Development Act of 1965, H.R. 6991, by Mr. Fallon, and related bills.

We are very pleased to have our colleague from upper State New York, Hon. Samuel S. Stratton.

Congressman Stratton is one of the foremost advocates of assisting these areas that have been bypassed by the general economic upsurge throughout the country and those areas which have been afflicted by some economic distress, such as exhaustion of natural resources, or pirating of existing industry or technology.

Congressman, we welcome you, and proceed with whatever statement you have prepared for your presentation.

STATEMENT OF HON. SAMUEL S. STRATTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. STRATTON. Thank you very much, Mr. Chairman and members of the committee. I appreciate the opportunity to appear here this morning in support of H.R. 6991.

I had the honor and privilege, Mr. Chairman, as you know, to be one of the coauthors of the original so-called distressed area bill, the Area Redevelopment Administration legislation.

When I was first elected to Congress in 1958 in upstate New York, three of the five counties I had the honor to represent were in the seriously economically distressed category suffering from heavy levels of unemployment, a little bit discouraged with the future, faced with industries moving out of the State to other locations. In some cases, the level of unemployment was as high or higher than it was in any other section of the country. This kind of legislation was the thing that had been designed to try to meet that need.

As a matter of fact, Mr. Chairman, I think undoubtedly the fact that I fully supported this legislation—it was, as you know, vetoed by the President in 1958—the fact that I fully supported it and pledged

myself to work for its enactment I think was one of the reasons that I came to Congress from a district that had not previously elected a member of my party for some 42 years.

Since that time, there have been some changes made as the result of redistricting in New York State, and so during the time that I have had the honor to serve here I have represented two different districts. There were a total of five counties, Mr. Chairman, in this upstate New York area that were eligible for help under the area redevelopment bill. I am happy to report to you that at the present time of those five counties, all but two have been completely eliminated from the list of distressed areas, I think largely because of the assistance provided by this bill. It met a critical need. Only one of those counties do I still have the honor to represent, Montgomery County, centered around the city of Amsterdam. Gloversville and Johnstown, in Fulton County, I believe are still on the list, but they are no longer in my district. But I think the achievements of the ARA in connection with this serious problem in upstate New York are in themselves enough to justify its continuation and its extension, as this legislation would do.

In addition to this, all of these counties, plus five others, were eligible for assistance under the Accelerated Public Works program, and all of those counties have now improved their situation so dramatically that they are off the list. Therefore, the appeal of this particular bill, as far as my own district is concerned, Mr. Chairman, is now reduced to a single county; but it is still an important county. It happens to be my home county. I think that not only am I interested in having a program continued for what it can do to this county, but I think the results in upstate New York are a very dramatic demonstration of what this legislation can do, what it has done, and I think a refutation of some of the accusations that have been made against this program in the past.

We all know, of course, that we were unsuccessful in getting this program continued through efforts in the previous Congress, although we fought hard to get it continued. I am glad that now, Mr. Chairman, the committee has turned its attention to this program again, that we have the support of the administration, and I am hopeful that we can extend it. Because I am convinced, on the basis of my dealings with the Area Redevelopment Administration and my experience in the operation of this program, that this is tremendously effective, that it is well administered—I suppose no program in the executive branch of the government is ever perfectly administered, there are mistakes everywhere of course, and we recognize this. But the fact of the matter is that the results have shown that the program can work and the people who have been making it work under the leadership of Mr. Batt have been dedicated persons.

Let me just give you an example or a few examples, Mr. Chairman, if I may, of how this has worked in my congressional district. For example, in the city of Auburn, one of the very seriously distressed areas in the State where business was moving out and people were facing an uncertain future, the Area Redevelopment Administration approved a grant for the relocation of a railroad siding adjacent to the building of the American Locomotive Co., up there, the Alco Prod-

ucts Co. As a result of that relocation, Alco Products, which had previously been cramped into a small location and was seriously thinking of concentrating its production in other plants in other areas of the country, decided to make an expansion in Auburn and today, as a result of a relatively modest grant from the Area Redevelopment Administration, the employment at Alco Products has gone up somewhere from about 500 to something in the neighborhood of 1,500 or 1,800 people.

A second grant in this same area was given, again a rather modest grant—not an industrial grant, just a technical feasibility grant—to determine whether a sugarbeet industry could feasibly and economically be developed in upstate New York. We always think of sugarbeets as related to the southern and western part of the country, but our people in upstate New York have a real green hand when it comes to agriculture, and they decided they would take a look at the sugarbeet industry. They felt they could do the job, but they needed some sort of technical support for their contention.

ARA produced the money. It was a modest amount—roughly \$100,000, for a study and also for a trial planting. As a result of this study, their belief was confirmed. We now have a sugarbeet allocation and I visited the site of the new plant just the other day, Mr. Chairman; there is a new \$20 million sugarbeet factory going up in the outskirts of Auburn under the Pepsi-Cola Bottling Co., and frankly it is a thrilling sight to see for somebody who is representing an area that just a few years ago was labeled as distressed. This building looks like an atomic reactor. I never realized that sugarbeet plants were so big. And the economic prospects of the area are now booming.

So again, relatively modest help from this agency has produced tremendous results.

In Montgomery County, in Fort Plain, for example, where our dairy farmers have been hard pressed with the problem of what to do with their surplus milk, the Area Redevelopment Administration came in with a loan which made it possible for a group of farmers to get together and to build their own milk manufacturing plant, so that if they had surplus milk that might depress their market, they could process it into butter or into powdered milk and thus keep the price of milk up and prevent them from facing the economic distress.

One other example, a new plant has just been completed in the city of Amsterdam giving additional employment to a substantial number of people in the city, an expansion of an existing industry, the Mohawk Furniture Polish Co., again with the help of an ARA loan.

In addition to that, we have had throughout this area manpower training and development grants that have made it possible for people to qualify for the jobs that are available but which required training.

So these are just some examples from one area of the country, Mr. Chairman, of what this program has done, and I certainly think that these speak very highly for the continuation of this particular program.

I have not had a chance to study this bill in detail. I would like the opportunity to submit further comments to supplement my remarks for the record. But I would like to comment on just one thing; that is, I am delighted to see that this program that you have recommended, Mr. Chairman, includes also funds for what we have known as the

Accelerated Public Works program. The qualifications for being eligible for this, of course, were not quite as stiff as ARA, but I have rarely found a program that has been more helpful, more beneficial, more easily administered than the APW program and, wherefore, it has come into my district, it has put people to work. It has met urgent community needs.

Although, as I say, I represent a district of people who traditionally have been regarded as rather conservative when it comes to seeking Federal help and rather conservative in politics, the support for this at the local level has been overwhelming.

So I think that you have got a good bill here, Mr. Chairman, and I urge the committee to report it out favorably.

Mr. BLATNIK. Congressman, thank you for a very, very inspiring, certainly encouraging statement, a capsule summary of record upon the establishment of these programs. It is commendable, most encouraging, that four or five of your counties are off the distressed area list. We appreciate not only your interest in the program, but the really effective leadership that you have given us.

We look forward to your assistance.

Mr. STRATTON. Thank you very much.

Mr. BLATNIK. Are there any questions of the committee?

Thank you very much, Congressman.

Mr. STRATTON. Thank you, Mr. Chairman.

Mr. BLATNIK. Next witness, Mr. F. W. Bechtold, branch manager of the Bellaire State Bank, Central Lake, Mich.

Mr. Bechtold, you were scheduled to be on yesterday. You were on hand waiting to testify and have returned today at the convenience of the committee. Due to circumstances beyond our control, it was unavoidable that your testimony was held over until today and we are happy to have you. Let me express our appreciation for your arranging your schedule and staying over another day to be available as a witness.

STATEMENT OF FRED W. BECHTOLD, BRANCH MANAGER, BELLAIRE STATE BANK, CENTRAL LAKE, MICH.

Mr. BECHTOLD. Thank you, Mr. Chairman and gentlemen.

It is a pleasure to be here to testify on behalf of the Antrim County in Bellaire, Mich.

As a banker in Antrim County for the past 18 years, I have seen a lot of changes and improvements, but none that have happened so great as in the past 2 or 3 years through the approval of an ARA loan to Shanty Creek, which is a resort, a ski area.

Now, our particular area in northern Michigan is primarily resort and small industry. We more or less have been stationary. We have not moved ahead too far because we were limited up there. We are far away from the big industry. But we feel what has happened to us now has put us on a good road to recovery and I have been a good witness to this being in the banking business.

Now, the Shanty Creek, as a result of an ARA loan, employed approximately 100 to 150 persons during their peak season, and the activities that have taken place in the general area are as follows here: The average increase in sales in the village of Bellaire has been about

20 percent, and during the construction year of Shanty Creek, our local Chevrolet dealer there, Hainstock Chevrolet Sales—these are his figures—sold 19 news cars to individuals that were on the project itself. And Dingman's Supermarket, which is a relatively new store, is now enlarging the store area and reports a 35-percent increase in business during 1964. They have been in business approximately 3 years and due to their increase in business—they had a small SBA loan and they have had to increase their room because of needed space.

Now, the Gulf, Sinclair, and Sunoco gasoline stations have remodeled their businesses and Tony St. Cyr, he is owner of a Sunoco station there, he had to increase his grocery space, and last year he grossed over \$100,000 in sales. He gives credit to the influx of business that has resulted from the tourists coming into our area and Shanty Creek, of course, is one of the big prime reasons.

Our bank itself has outgrown its facilities and we have had to obtain new property for the construction of a new building. We are going to build a building in the professional center. This project will be started this fall. We have had to increase employment.

Now, Glacier Hills Ski Resort is a small resort west of Bellaire, and on a much smaller scale, and they have added a new Poma-Lift, which is due to the increase in business.

Lamina-Bronze Products plant, that is one of our largest plants there that employs about 135 men, they added on a building at the cost of \$150,000.

We have a new plant in Bellaire, Circuit Control, Inc., which employs some 45 to 55 persons. This is a new plant which was put in our area primarily due to the Shanty Creek. They liked our area and they needed people for employment, this is what they wanted so they came in and they are very fortunate.

Now, our neighbors to the north, Central Lake, have under construction two new factories that will be in operation in the fall. Due to the increase in business in this area, Brownwood Acres in Central Lake has added a year-round restaurant and cocktail lounge. Torch Lake Yacht Club is planning an addition to their facilities.

A new 18-hole golf course is being built in Bellaire at Shanty Creek. This will be a big boost for Bellaire and the surrounding area. The one golf course now in this area, owned by Don and Lillian Sitch, last year grossed over \$120,000. This was a 25-percent increase in business over the previous year. This year they have added a watering system to better their facilities.

Two local restaurants, the Coffee Cup and Bud's Grill and Dining Room, have both improved their facilities and have remodeled their buildings. This has encouraged people to bring their facilities up to date, because of the influx in business. And of course we attribute this to Shanty Creek in our area.

We have new homes coming in our area. We were kind of more or less stagnant there. We were losing our young people out of the area, which we did not want to do. And due to more employment, we are retaining these people, and there is a dire need for housing. We have a new subdivision installed within the building limits for new housing, and they have all facilities installed.

The Bellaire school system shows an increase of nearly 50 students this year. We have a new \$630,000 junior-senior high school that is being constructed and will be ready for occupancy in the fall.

The village of Bellaire, the school system, and its residents are on the move we feel, because of the general increase in the economy in the area, and a complete city water system has been designed along with sewage.

Now, on this sewage, we feel that it is a very important item and our village has applied to the Accelerated Public Works Economic Development Act for assistance in completing this sewage system.

Now, I might add here, gentlemen, that we feel we have a beautiful area. I know if you have not been there, it is hard to realize, but we have Torch Lake, Lake Bellaire—these lakes are pure, clear, and we are very desirous of keeping them this way. The only way we can feel it can be done is by proper sewage, and so forth, for the control project.

The Antrim County Airport, located in Bellaire, has reported an increase in their volume of traffic by 80 percent. They have more than tripled their gas pumpage. They have a new 16-aircraft hangar building that has been completed at a cost of \$20,000. They are in the process of building a new hangar now to house three more planes.

Mr. Ritt, manager of the airport, has said it is not uncommon to see at least 20 to 30 planes tied up at the airport on a Monday morning. They look for 100 planes a weekend starting this summer.

They also have started a public instrument approach, which is quite unusual for this small-size airport. We hope to complete plans for paving runways.

Due to the relief of the welfare load in Antrim County, we went to our board of supervisors and approached them and they have now made application to the Department of Aeronautics for hard-surface runways, which we hope will be completed in 1966 or 1967.

Now, this came about from our supervisors. They made application. We feel that our welfare load has been lightened considerably up there due to employment being available. This we of course attribute to Shanty Creek, because this class of people who were unemployed do have employment there on the grounds, a lot of them taking waitress and waiter training as a result of this Government loan. We feel that this has been a big asset and is taking a lot off from the welfare load up there.

To quote further here, the Mills Construction Supply Co. has increased their business about \$100,000. This reflects over 2,000 barrels of cement. And with what Shanty Creek and other businessmen have in mind for this area, it will mean an increase of another 2,000 barrels for this year.

Central Lake, to our north, of course is also building a new school at the present time, using Transit Mix, and so on, from the Mills Construction Supply Co.

The first of April, another new business was opened in Bellaire; it is a Chandler Discount Store, and Mr. Walker reports that business is much better than anticipated.

The economic development of Bellaire and Antrim County has come a very long way in the past few years, and we hope it will continue. The area is full of recreational resources. It is a wonderland

of outdoor living, with boating, skiing, swimming, and fishing all to be had on many, many lakes, rivers, and streams.

Fisherman's Paradise, which is right below Shanty Creek, directly on Lake Bellaire—

Mr. HALLECK. Mr. Chairman.

Mr. BLATNIK. Mr. Halleck.

Mr. HALLECK. Possibly I should ask, what is Shanty Creek?

Mr. BECHTOLD. Sorry, sir. It is a resort lodge in Antrim County, situated on 1,600 acres. It is mostly skiing and a convention place. They have golfing, tennis—it is a recreational resort which has been built there through—

Mr. HALLECK. Was that all built with ARA funds?

Mr. BECHTOLD. Not all. There is a loan of \$890,000. He had well over—I am not exactly sure, but he had about \$1 million of his own in this. When completed, it will be close to a \$3 million project.

They have included in employment for the people living in the area, but it will also give employment to college students.

Now, Fisherman's Paradise, they are contemplating an improved, upgrading of their facilities, and this will take a loan of approximately one-half million dollars.

Now, this is not adjacent to Shanty Creek; it is down below. It is directly on the lake.

We feel with these two resort areas, resort places, that we will have some of the finest facilities in the North to which people can go to relax and it will create lots of employment.

We have many college students who, after they are out in the spring, come up and work parttime, and this gives them funds to help return to school. We feel that it is a real shot in the arm to the people in the area plus the students at school.

Now, the public utilities must keep pace. Expansion has been formulated for our area. Consolidated Gas is now laying lines between Bellaire and Central Lake, so we will have gas service by mid-summer.

But this has all come about and was made possible through the ARA, which has done a wonderful job in helping the economic growth. We sincerely hope that this program will continue.

I am certain that Fisherman's Paradise could be another boom to the whole area in the same manner as Shanty Creek.

Now, on several occasions, I have talked to the bankers at Mancelona, Elk Rapids, Alden, and Traverse City, and they have expressed their approval of the Public Works and Economic Development Act of 1965. I realize, listening to the testimony yesterday, that bankers are maybe a little cool to some of these governmental loans; but I, as one, feel ARA is strictly on the right track. We have had nothing but encouraging results. The people that we are trying to obtain these type of loans for do have facilities to pay this back with interest. I am sure that they will do such.

Now, we feel that in order to continue, we have to improve the economy of the area by encouraging and promoting the development of new activities as well as expanding existing enterprises, in order to diversify the economic base to provide, within limitations, high employment on a permanent basis—that is what we are interested in, to be self-sustaining.

We also wish to improve the physical conditions of the area through land use and transportation planning, urban and rural renewal projects, and development of necessary public facilities, which will make the area more attractive to new enterprises and a pleasant place in which to work, live, and play.

We feel that through the ARA, this is well on the way to becoming a reality. And as I say, we are primarily a resort area. We do have light industry, which is needed, but we feel that if we can continue as we have, that we will be self-sustaining, our unemployment will be down, and we will have people to work on a permanent basis.

Thank you.

Mr. BLATNIK. Thank you very much for a most interesting and informative statement, giving specific illustrations of how loans to private industries have helped to develop and utilize the natural assets you have and natural resources in your area.

Any questions from the committee?

Mr. BALDWIN. Mr. Chairman, I have one.

Mr. BLATNIK. Mr. Baldwin.

Mr. BALDWIN. Mr. Bechtold, I am not sure from your statement as to this fact: Is the loan or investment that ARA made to your county the loan to the Shanty Creek resort, or have there been others as well?

Mr. BECHTOLD. The only one that we have is Shanty Creek right now. There have been other applications. I think there was one in process that was approved for the Foss Food Canning Co., in Central Lake, that was another ARA loan.

Mr. BALDWIN. You say that is in process?

Mr. BECHTOLD. Right.

Mr. BALDWIN. The only one that actually has been made as of now is this at Shanty Creek resort?

Mr. BECHTOLD. Yes, sir.

Mr. BALDWIN. Does the resort operate on a permanent all-year-round basis?

Mr. BECHTOLD. Yes, it is. It is a year-round resort.

Mr. BALDWIN. But its peak season is during the ski season?

Mr. BECHTOLD. The ski season and right now—I happened to have had a look at the summer schedule, and it looks very encouraging for the summer. They have many conventions planned, because of the new golf facilities, and it looks very encouraging. It has increased considerably from the year before in the summer. So it is going to be, I believe, just as busy maybe, if not more, in the summer than it was in the winter.

Mr. BALDWIN. Thank you.

Mr. BLATNIK. Thank you, Mr. Bechtold.

The next witness I take special pride in presenting; a personal friend of mine; I call on my very, very dear friend from boyhood days, Mr. Robert S. Nickoloff.

Off the record.

(Discussion off the record.)

Mr. BLATNIK. Bob, we are real thrilled to see you here and work with you and continue to work for years with you. It is a pleasure for me to present you to the members of this committee: Mr. Robert S. Nickoloff, special assistant attorney general for area redevelopment, State of Minnesota.

**STATEMENT OF ROBERT S. NICKOLOFF, SPECIAL ASSISTANT
ATTORNEY GENERAL FOR AREA REDEVELOPMENT, STATE OF
MINNESOTA**

Mr. NICKOLOFF. Thank you very much, Mr. Chairman. I certainly appreciate those kind words.

As the chairman has stated, I am a special assistant attorney general for area redevelopment for the State of Minnesota on an as-needed basis. I am also president and counsel of First Federal Savings & Loan Association of Hibbing, and in such capacity I am closely associated with economic and financial matters of northeastern Minnesota.

First of all, let me state that we in Minnesota are most appreciative of the fact that you gentlemen in the Congress recognized that a substantial effort had to be made to diversify industry and create new job opportunities in the labor surplus areas of our State and Nation. As a result of such Federal legislation as the Area Redevelopment Act of 1961, the Accelerated Public Works Act, and the Manpower Development and Training Act, you have given us the initial stimulus and machinery we needed in our attempt to conquer our labor surplus problem. I might add that we in northeastern Minnesota are very proud of our beloved Congressman John Blatnik who, as you know, has played such a vital role in the legislative history of these matters.

In the overall, we feel H.R. 6991 is a most interesting and forward-looking proposal to give us the tools with which to provide and promote economic development in the labor surplus areas of our Nation. There definitely is not an easy, rapid solution to the problem. I believe we have learned it is absolutely necessary that we make a continuing effort to solve the problem. I make the following comments on H.R. 6991 as an individual who has been closely associated for the past 4 years with the execution of the Area Redevelopment Act of 1961.

The provisions for public facility grants and loans in H.R. 6991 are excellent and are vitally important for the economic development of labor surplus areas. Loans and grants under this section of the bill can go to provide such vitally needed economic development tools as industrial parks and industrial water lines and resources, etc.

One of the greatest weaknesses that we have found in working with the area redevelopment program is the long delay in loan application processing. This probably is the most frustrating experience to individuals administering the program as well as to applicants applying for ARA loan funds. It is our opinion the problem of application processing can be substantially solved by giving more authority to regional offices to approve loan applications; eliminating the necessity of having several different agencies review the loan application; and establishing in the act the fact that the program is a risk-lending program and thereby give more leeway to the Government personnel reviewing the loan applications. We believe that the 2-percent interest differential proposed under section 202(a) (3) of H.R. 6991 is good and will probably attract aggressive financial institutions in the program. This can do a great deal to upgrade the quality of the loan applications.

Another problem we have had in the execution of the Area Redevelopment Act is the requirement that local development corporations, which must provide 10 percent of the funds for a proposed project, have to be placed in a last out position and cannot be repaid until the

Federal loan has been repaid. In H.R. 6991 the local participation requirement has been reduced to 5 percent and the local funds can be paid off concurrently with the Federal loan funds. We think this reduction to 5 percent and the allowance for concurrent payout is excellent.

Lack of availability of sufficient funds for working capital has been a severe handicap to new industries locating in labor surplus areas. Section 202(a) (2) of H.R. 6991 provides for the guarantee of working capital loans, and we think this is a very important provision of the bill.

Technical assistance has proven to be a vital tool in our efforts to bring about economic growth and diversification in labor surplus areas. This is done by providing expert consultation to local development groups and by making authoritative investigations of local resources and their industrial possibilities. We strongly endorse the provisions of section 301, 302, and 303 of the bill.

The concept of regional multicounty development areas set forth in the bill is most encouraging. One of the significant trends in economic development work today is the increasing emphasis being accorded to the natural economic area as opposed to strict confinement of activity to within local municipal limits. There is a distinct advantage in several interdependent communities combining forces to advance mutual objectives in economic growth: A multicounty organization can be run by a full-time paid staff. If the multicounty regional concept is properly promoted, there will be more industrial prospects for all communities within the region. A multicounty regional development council can provide more service to existing industry and seek out better industrial prospects.

Multistate regional action planning commissions can provide the formula for establishing broad economic growth. The establishment of an Upper Great Lakes Regional Commission for Minnesota, Wisconsin, and Michigan will aid us in such matters as highway planning, tourist, and recreation development, and overall natural resource development. We also strongly support the section of the bill which contains the method and procedure for establishing multistate regional action planning commissions.

In Minnesota we have made solid gains under the Federal area redevelopment program, coupled with our State area redevelopment program. Our executive council up to the present time has approved 22 loans, amounting to an investment of \$869,000 in State funds in industries either expanding or locating in the labor surplus areas of our State. The Federal ARA has provided \$2.9 million in loans for these projects, with local and private funds amounting to \$702,000. The projects when in full operation will provide 670 new jobs, plus substantial indirect employment. In addition to these approved loans, there are presently 14 applications requesting \$3,707,000 in Federal funds, \$1,224,000 in State funds, and local funds amounting to \$837,000 to establish industrial plants in the labor surplus areas of Minnesota involving approximately 700 jobs. We have presently in the field development state six ARA applications requesting approximately \$1.5 million in Federal, State, and local funds, and if finally approved, will involve an additional 100 new job opportunities to the unemployed in Minnesota.

One example of our projects in Minnesota which we thought would be of particular interest to you, because of a balance-of-payments matter involved, is an ARA loan which was made to the Mesabi Cores Division of L & M Radiator, Inc., of Hibbing, Minn. The firm markets in the United States, Canada, and South America a radiator core which is manufactured in England. A descriptive brochure showing the product is attached hereto. The radiator core was previously imported from England by L & M Radiator. Last year, for instance, L & M Radiator paid over \$100,000 to the English firm that manufactures the core. The English firm could not keep their production up to the sales demand of L & M Radiator for the cores so they agreed to license production of the radiator core to Mesabi Cores, Inc., which is a division of L & M Radiator. The State of Minnesota loaned Mesabi Cores \$20,000, the Federal ARA \$65,000, and the Hibbing Development Corp. put in \$10,000. A Minneapolis firm is now building the machine to produce the radiator core. Mesabi Cores will only pay the English firm about \$1,500 a year in licensing fees instead of over \$100,000 annually. Also, we will have 15 to 20 more jobs in Minnesota instead of indirectly providing the same in a foreign country.

In conclusion, we in Minnesota feel that substantial inroads have been made in the economic development of our labor surplus areas as a result of the Area Redevelopment Act of 1961. It is not an easy task to start such a national program as called for under the act. Economic development cannot be achieved overnight. We have learned a great deal in the past 4 years. In the field of public works and economic development for areas of substantial chronic unemployment and underemployment, we have learned that we must have streamlined programs which can be executed with a minimum of redtape. We believe H.R. 6991 provides the machinery to accomplish the long-range needs of the several labor surplus areas of our Nation.

We strongly urge the passage of this bill.

Mr. BLATNIK. Mr. Nickoloff obviously has spent a great deal of thought in evaluating the record performance of the program since its inception and has given us this evaluation and specific major provisions of the current legislation before us in H.R. 6991.

So I want to congratulate you. I am proud of you. It is a splendid statement.

I have one question of you, Mr. Nickoloff. You do not refer—I can understand why—to the Accelerated Public Works record. I think you will agree the record should show that the Accelerated Public Works program has also been a great factor on a short-term basis to help the small communities that were strapped for funds to build facilities?

Mr. NICKOLOFF. Very much so.

Mr. BLATNIK. I believe the dollar figure would be about \$8 million for in the neighborhood of about 32 projects in the entire area. And also currently underway is a project for Universal Fiberglass Co., northeast of Duluth, Minn. It is one of the largest in the world. Two years ago, in one fell swoop, on a Friday in the wintertime, an announcement came that large office would close and apparently close permanently. Here were these skilled workers isolated in an economic trap—they were stunned when it happened. The ARA program gave

them a little hope, tremendous vitality and enthusiasm which flowed to the people, business, and they joined together to rebuild the community and get this new industry going.

Thank you, Mr. Nickoloff.

Any questions from the Committee?

Mr. DORN. Mr. Chairman, I just want to say that we share your pride here in Congress in having your distinguished Congressman on our committee and one who is presiding.

I might say one of the views since I have been here 16½ years, I have forgotten the controversial bill that went through 329 to 0. I hope this bill will be as successful.

Mr. NICKOLOFF. Yes, sir. I happened to be here the day that bill passed, Mr. Dorn, and it certainly was wonderful.

Mr. BALDWIN. Mr. Chairman.

Mr. BLATNIK. Mr. Baldwin.

Mr. BALDWIN. Mr. Nicholas, there is something that has been bothering me about the relationship of this bill to the Appalachian bill.

When we considered the Appalachian bill, there was a great deal of discussion of the fact there were some other areas in the country, including the area of northern Minnesota, northern Michigan, and southern Wisconsin, which actually had just as much depressed area in it as Appalachia did, and more in some portions of the area defined, I believe. Because of that fact, some of us felt if anything were to be done, instead of using the approach in the Appalachian bill which, as far as that bill was concerned, was just concerned with the Appalachian region, that equivalent areas in the same situation in the country should be handled on an equal basis.

Well, despite these views, the Appalachian bill was passed. Now we have this bill before us and this bill would apply equally to your area, northern Minnesota, northern Michigan, as it will to the Appalachian area.

Now, the thing that bothers me is it seems to me that, in effect, therefore, we are piling up twice as many benefits for Appalachia as, once again, the equivalent areas of equivalent unemployment. That is, there are certain portions of northern Minnesota or northern Michigan that do have unemployment equivalent or greater than Appalachia, but the areas in Appalachia that are no more depressed than the areas of northern Michigan now have not only the Appalachian bill to provide something in excess of \$1 million for use in that area, but also would qualify on an equivalent basis under this bill. For some reason, this combination does not seem to me to be quite fair.

This is why in the case of the Appalachian bill, I took the position that anything we were going to do should have been done on an equivalent basis for all areas of similar unemployment.

But now we are piling up these special programs for Appalachia so that if we have an exactly comparable labor surplus area in Appalachia as you do in northern Minnesota, the Appalachia area now can take advantage of two programs, whereas the Minnesota area, if this bill is passed, can take advantage of one program.

I would appreciate your comments as to what is fair about that between your area, say, and an equivalent area in Appalachia.

(At this point, Mr. Wright assumed the chair.)

Mr. NICKOLOFF. Well, of course the present bill does provide some funds in the machinery for other areas in the United States to proceed along the Appalachia line. There are 15 million for multistate regional development commissions. I believe these will be financed, these multistate regional commissions will be initially financed by Federal funds and the States must pick them up.

Now, as far as a duplication of the Appalachia project then coming under this bill, I would imagine that Appalachia will not be coming in under this bill in a very substantial degree, and this would eliminate the unfairness that you are talking about.

I would look at the bill—this bill, of course, does—Appalachia will fit; many areas in Appalachia will fit and qualify under this bill. There is no question about that. But it would appear to me that these areas in Appalachia will be following the Appalachia program and bill and will not be coming in to the degree that you fear under this bill.

Mr. BALDWIN. Well, what you say is an assumption that you have drawn on your part. There is nothing in this bill that indicates the areas in Appalachia will not be coming in to the same degree, and there is no assurance whatsoever, no wording, they would not come in to the same degree?

Mr. NICKOLOFF. No, that is correct. They qualify under the bill the way it is worded.

Mr. BALDWIN. Thank you.

Mr. NICKOLOFF. Yes.

Mr. BALDWIN. That is all.

Mr. ROBERTS. Will the gentleman from California yield?

Mr. BALDWIN. Yes.

Mr. ROBERTS. You have touched on a point exactly like the one I tried to bring out, and did not do it very well, yesterday. As a matter of fact, 80 of the counties of the 205 in Appalachia are covered under this bill.

Mr. BALDWIN. This bothers me a good deal. I feel that somewhere there is not a fair equivalent in this to areas outside of Appalachia.

Mr. ROBERTS. Thank you, gentlemen.

Mr. WRIGHT. Thank you very much, Mr. Nickoloff.

Mr. NICKOLOFF. Thank you.

Mr. WRIGHT. Our next witness is Mr. Eugene Graves, who is director of the Board of Economic Development, State of Illinois.

Mr. Graves, the committee is pleased to have you with us today. We welcome you to these hearings.

STATEMENT OF EUGENE GRAVES, DIRECTOR, BOARD OF ECONOMIC DEVELOPMENT, STATE OF ILLINOIS, SPRINGFIELD, ILL.

Mr. GRAVES. Thank you, Mr. Chairman and members of the committee.

My name is Gene Graves and I am executive director of the Illinois Board of Economic Development, the State agency responsible for coordinating and administering Federal and State development programs. I am here at the request of Governor Otto Kerner, who is unable to be present but asked me to present testimony in his behalf.

I am here to testify in favor of the Public Works and Economic Development Act of 1965. The State of Illinois has benefited greatly from the assistance given as a result of the Area Redevelopment Act and the Accelerated Public Works Act. As a matter of fact, of the 32 counties which were originally classed as redevelopment areas and, consequently, eligible for funds, 18 have since been removed from the eligibility list due to increased employment. This was due in no small measure to the Federal assistance received from the aforementioned programs. Although Illinois has had and still has an unemployment lower than the national average and lower than that of any industrial State, there were and are pockets of severe unemployment throughout the State, particularly in southern Illinois. The Federal agency created to deal with this problem along with the creation of a State agency given similar responsibility has paid untold dividends to the State. Prudent investment of public funds has brought about the multiplier effect to the general economy. Population losses have leveled in this region of our State, but problems of health conditions, employment, and population loss have yet to be eliminated. Sound public works installations and improvements are necessary if our smaller local municipalities are to remain permanent and viable. This, in turn, adds to the growing national economy.

I would like to comment now on the philosophy and spirit of the Area Redevelopment Act and the Public Works Acceleration Act and how they have manifested themselves in practical application. I think we will all agree that a principal aim of these acts was to provide for the first time instruments to focus all the resources of the Federal Government on the problems of those areas of the country which were suffering from substantial and persistent unemployment and underemployment. The concept of coordination between Government agencies is so generally advocated and has been for such a long time that it is almost a cliché of political thought. Yet all those who have had experience in Government operations know the tremendous difficulties which coordination efforts encounter.

The coordination job assigned to the Area Redevelopment Administration was a monumental one. We, in the State of Illinois, have found that an excellent job has been done to a degree far beyond our expectations. We can report with great pleasure that an entirely new spirit of cooperation and communication between Federal agencies exists in the redevelopment areas of the State of Illinois. There is no question in our minds that the role of the Area Redevelopment Administration in bringing about this new spirit has been a paramount one. However, just as we in the State are revamping and expanding the responsibility of our State development agency, we agree that the same thing is worthwhile at the Federal level. The combining of the responsibilities in the public works area with those of the Area Redevelopment Administration is sound. We also believe very strongly that the regional approach is much more preferable than using counties as a base from which to work. Growth centers supplying jobs for people often have been dedesignated to the detriment of the entire program. We believe the new thinking evidenced in the language of this bill is highly proper.

I have included in my testimony for your perusal the number of grants along with project costs from both of the acts mentioned. I think these are significant. These are from the Area Redevelopment

Act under the industrial loan section, 10 industrial loans, project costs \$3,357,844. ARA's portion of this was \$2,200,169; 1,080 direct jobs were developed as a result of these industrial loans.

Under the public facility section, public facility loans and grants totaled \$644,500. Estimated direct jobs developed, 5,150.

Under the technical assistance grants, \$644,400. Although no job estimates are available here, we are confident that many have been developed.

Under the training and retraining section, \$4,175,570. Total trainees under this program were 7,799, of which 96 percent or less—the last time we checked on this survey—are now working and are taxpayers.

Pending projects, \$1,215,475.

Under the accelerated public works, 251 approved projects were under this program, involving \$40,243,000. These produced 20,175 man-months of employment. APW costs on these were \$21,452,000. There are 91 proposals pending whose total projects costs would be \$28,851,568, and the APW or Federal share of this being \$14,993,222.

With reference to the APW projects, I would like to mention that the smaller towns, particularly in southern Illinois, are supporting more than their tax base warrants in physical plant because of out-migration after the revolution and evolution in the mining industry, which is the principal reason that the area became a redevelopment area in the first place.

In conclusion, I would like to quote briefly from a 215-page report on unemployment in Illinois completed by the Governor's Committee on Unemployment, a group of business, labor, Government, and academic leaders who spent 18 months studying the problem. I quote from the report:

If unemployment were simply a matter of economics, it would not be a subject of much greater public interest than, for example, the waste and pollution of our national resources whose spoilage costs may be even higher than those of unemployment, or of accidents whose total costs may not be much lower. It is the effect of unemployment on the individual that causes the added concern—the unfortunate results on family life, the corroding effects on standards of public and private behavior. Unemployment probably more than any other element affecting modern man operates to cut the person affected off from society around him. In a country that has always guarded the rights of individuals, the lack of economic opportunity that results from unemployment must be a matter of continuing public and private concern.

Thank you for the opportunity of presenting these views.

I will be happy to try to answer any questions.

Mr. WRIGHT. Mr. Graves, we appreciate your testimony. We hope that you will extend the good wishes of our committee to your very fine Governor.

Mr. GRAVES. Thank you.

Mr. WRIGHT. I notice there is one very interesting item in your testimony, that of 32 counties which were originally classified as redevelopment areas in your State, 18 of these since have been removed from the eligibility list due to increased employment.

Mr. GRAVES. That is right.

Mr. WRIGHT. I think this is the goal for which we would strive. If this were a result throughout the country, I would certainly say that this program undoubtedly had worked with great success.

Do you feel your situation in Illinois is different in some respects from that prevailing throughout the country with respect to employment increases, or do you think it is fairly typical?

Mr. GRAVES. Well, I would say that in some ways, it is different, principally because we have the natural resources available and, as I mentioned before, the primary reasons for 22 of these counties being classified as redevelopment areas in the first instance was the transition in the coal mining industry. The southern part of our State was a one-industry economy and after the coal mining industry did make this transition, there was quite an extended period where the people were literally lost. They were trained strictly for the coal mining industry.

As a result of the heavy unionization in the coal mining area, some of the newer plants were reticent to move into the area. However, the manpower, the skills, and the natural resources were still available in the area.

We are now in the second and third generation from that time. There has been leadership given at both the State level and at the university level. The Illinois University is located in this particular part of the State and has been very active in area redevelopment programs. I think this combination of factors made it easier for us to improve our situation than possibly some areas of the country have had.

However, as I said in the testimony, one of the primary reasons that the people have been able to improve their situation has been the difference in their outlook as a result of having area redevelopment loans and public works acceleration loans made available to them.

There is a defeatist complex that prevails in the area to some extent. Once they saw that they did have a way to go and improvement was possible, it listed—the whole psychological tenor of the area was changed, completely, and they began to try to work to do something for themselves to a much greater degree than they had in the past. I attribute this to a great extent to the Federal programs made available.

Mr. WRIGHT. Thank you very much.

Are there questions on my right?

Mr. CRAMER. I just have one question, Mr. Chairman.

I notice at the bottom of page 3 that you indicated that for APW, there were 251 approved projects, involving \$40 million, producing 20,000 man-months of employment, and the Federal cost, APW, is \$21 million. Is that correct?

Mr. GRAVES. That is correct.

Mr. CRAMER. If my figures are correct, that means that it costs about \$2,000 per man-month for the additional employment, or \$24,000 a year for each new employee; is that correct?

Mr. GRAVES. Well, I had not multiplied that out. It possibly is. I could not argue the point.

Mr. CRAMER. Yes. Of which the Federal cost was approximately half of that, or \$12,000 per individual employed per year?

Mr. GRAVES. I think the total cost here includes equipment. That is not just payment of salaries.

Mr. CRAMER. I understand that. But what I am directing my question toward is how much are these new jobs costing? It appears that under APW, of the 251 projects, the cost was approximately \$20,000 more per new employee per year, of which half was borne by the Federal Government, a little more than half under APW, \$21,000, or a little over \$12,000 per new employee.

Now, could I ask you this question: You said there are 91 proposals costing \$28 million; the APW, or Federal, share would be \$15 million. What is the anticipated increase for new employment resulting from that expenditure, do you have that figure?

Mr. GRAVES. No; I do not. However, I would like to again say that I do not have the breakout on this. But these are total project costs.

Now, the number of people that actually worked on these projects, they were paid the prevailing wage rates in the area, and sometimes below. The majority, most of the cost was in equipment. This was a new sewerline, new water system, and things of this nature. This does not relate to the amount of money paid to the individuals except in a very—

Mr. CRAMER. Well, the only reason I make the point is there has been some criticism of APW on the basis, No. 1, the employment that results from APW is often temporary.

Mr. GRAVES. That is correct.

Mr. CRAMER. And, No. 2, that the cost of increased employment is rather high in terms of what the cost per new employee per year is.

As a matter of fact, as I recall the figure, the average cost overall was something like \$14,000 per new employee per year for the whole program, and I think that this pretty well illustrates it.

Would you provide for the record the number—which of course you would have to provide to APW—in your proposal, the number of new employees contemplated under the 91 new proposals at the cost of \$15 million Federal share? Can you provide that?

Could I ask that be made a part of the record.

(See letter on p. 146.)

Mr. CRAMER. That is all, Mr. Chairman.

Mr. BALDWIN. Mr. Chairman.

Mr. WRIGHT. Yes?

I think the lady asked to be recognized. May I recognize her first? Then I will come to you next.

Mr. BALDWIN. Yes.

Mrs. REID. Thank you, Mr. Chairman.

I would just like to thank Mr. Graves, from my home State of Illinois, for his statement today.

I was wondering if it would be possible for me to obtain the list of the 32 counties which were originally classified as redevelopment areas, and also the 18 which have since been removed?

Mr. GRAVES. Certainly.

Mrs. REID. And also in your statement, where you say that 1,080 direct jobs were developed as a result of these industrial loans.

Mr. GRAVES. That is correct.

Mrs. REID. The area in which those jobs were developed, is that the overall area of Illinois?

Mr. GRAVES. That includes all the direct jobs that were developed.

Mrs. REID. Direct.

Mr. GRAVES. Of course, of the 32 counties that were originally classified as redevelopment areas, 26 of those constituted the lower part of the State. There were four upstate and some of these jobs were developed in the northwest corner, Jo Daviess County.

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Mrs. REID. And also the 5,150 jobs, direct jobs developed from the public facility loans and grants, that would be in the overall area?

Mr. GRAVES. Yes.

Mrs. REID. Would you have a list?

I am particularly, of course, interested in my own area of Illinois.

Mr. GRAVES. You are very fortunate in your area; your area did not come under this redevelopment.

Mrs. REID. No; but in northern Illinois.

Mr. GRAVES. I would be happy to explore that.

Mrs. REID. I would appreciate that.

Mr. GRAVES. The companies and their employment.

Mr. WRIGHT. If you would supply that for the record, we would insert it in the record of our hearings at this point, Mr. Graves.

(The information follows:)

STATE OF ILLINOIS,
BOARD OF ECONOMIC DEVELOPMENT,
Springfield, Ill., May 26, 1965.

HON. GEORGE H. FALLON,
U.S. Congressman, Chairman, Committee on Public Works,
New House Office Building,
Washington, D.C.

DEAR REPRESENTATIVE FALLON: In response to your recent request, listed below are the Illinois counties originally designated by ARA as being eligible for ARA programs:

1. Alexander	13. Hardin	25. Perry
2. Bond	14. Jackson	26. Pope
3. Calhoun	15. Jefferson	27. Pulaski
4. Carroll	16. Jersey	28. Randolph
5. Christian	17. Johnson	29. Richland
6. Clinton	18. Macoupin	30. Saline
7. Coles	19. Marion	31. Shelby
8. Cumberland	20. Marshall	32. Union
9. Edwards	21. Massac	33. Wabash
10. Franklin	22. Monroe	34. Wayne
11. Gallatin	23. Montgomery	35. White
12. Hamilton	24. Moultrie	36. Williamson

Through improved employment opportunities, the following of those original 36 counties have been dedesignated:

County:	Date of designation
1. Carroll-----	May 17, 1965
2. Christian-----	Do.
3. Clinton-----	Do.
4. Coles-----	Do.
5. Cumberland-----	Do.
6. Edwards-----	June 23, 1965
7. Jackson-----	June 1, 1964
8. Marshall-----	May 17, 1965
9. Marion-----	Do.
10. Monroe-----	Do.
11. Montgomery-----	Do.
12. Moultrie-----	Oct. 13, 1963
13. Randolph-----	Aug. 13, 1964
14. Richland-----	June 1964
15. Shelby-----	June 15, 1964
16. Wabash-----	Apr. 25, 1965
17. Wayne-----	May 17, 1965
18. White-----	Do.

The investments made by ARA and APW programs in southern Illinois during the last 4 years have been instrumental in its continuing elevation from a hard-core depressed area into a more viable economy.

The ARA investment of \$8,524,095 in Illinois provided more than 6,000 jobs. The \$644,000 in technical assistance grants to the Rend Lake project certainly accelerated this most-needed project, which, as a result, will begin construction next month and will ultimately mean 5,000 new jobs to the people of southern Illinois.

Illinois realized 251 approved APW projects with a total Federal-local investment of \$40 million. These communities could not have realized these most-needed projects through any other program.

While much has been done to relieve the economic distress of southern Illinois through the above programs, much more remains to be accomplished. Many counties in this area still have major unemployment problems—ranging as high as 10 and 14 percent. Southern Illinois does have potential for economic revitalization; available labor supply, good transportation, improving water supply, and proximity to major midwestern markets. Job retraining and new job opportunities under ARA have helped breathe a new spirit of hope and determination in these long-neglected citizens—but they still need a helping hand. We urge the passage of the Public Works and Economic Development Act of 1965 to help these people who are already doing so much to help themselves.

Sincerely,

GENE GRAVES.

Mr. GRAVES. I might say, Mr. Chairman, this relates to a question earlier, that the multiplier effect I think is the important thing to consider, what we have found to be the most important long-term advantage in these loans.

In the case of the APW projects, these have very often been followed by private investment of capital as a result of having the sewer system and the water systems available, which before this time had prohibited the community from having industrial development of any sort, simply because they were not there. Either the sewage systems were not adequate or did not exist at all, and the water systems in the same category.

I can think of one instance where in Sparta, Ill., where I think as I recall the total amount of investment by both APW and ARA amounted to something like \$210,000, as a result of that, we only provided 50 new jobs, but we saved 506, the reason being that we had a critical water supply problem and unless we got new lines in to supply this additional water, they were going to close the plant. We even have gone so far as purchasing property in the other part of the State to do so.

Had this happened—the county was just coming off the unemployment rolls—they would have been back on immediately. This is the reason why the area concept makes so much more sense than county, working from a county base.

I thank you very much for the opportunity of being here.

Mr. WRIGHT. Mr. Baldwin.

Mr. BALDWIN. Mr. Graves, I notice you testified on this area concept, and I noticed on page 3 of your testimony you have stated, beginning on line 2 of page 3:

We also believe very strongly that the regional approach is much more preferable than using counties as a base from which to work. Growth centers supplying jobs for people often have been dedesignated to the detriment of the entire program. We believe the new thinking evidenced in the language of this bill is highly proper.

The position that you are referring to in the bill is part B of title 4, economic development districts.

Now we seem to be sort of pressed from both sides on this issue. The General Accounting Office has rendered 16 reports to date on the area redevelopment program. In each one of these 16 reports, the two things that have been repeated most frequently are overstatements of employment and that the office of the GAO has accumulated considerable evidence of cases where the ARA has carried through and made grants or loans to areas at a date substantially after those areas have actually been removed from the grouping of areas that properly are defined under the present Area Redevelopment Act as qualifying areas. As much as 13 months, in some cases, from the date they have been taken off that category, the ARA has approved loans or grants. And the General Accounting Office has criticized this very strenuously as being in opposition to the intent of the original act.

Now, the specific point I want to raise once again is the issue of fairness. We, of course, have communities all over the country and when one community sees another community eligible or qualifying for things that the first community cannot get, it of course complains to its Congressman and says, "We are being treated unfairly."

The thing that bothers me is under the language of this new bill, on these so-called growth centers, that in many other areas where we can have a similar community with perhaps greater unemployment than a so-called growth center, maybe the growth center itself will not have 3 percent unemployment, whereas in another area there will be a city of comparable size but with 5 percent unemployment, or maybe even a 7- or 8-percent unemployment rate which will not qualify, because this bill defines long-range unemployment as the standard.

If a community does not meet the test of long-range unemployment, it does not qualify. But this bill actually sets these growth centers—it is a more rigid bill than the accelerated public works bill. As soon as an area hits 6 percent under accelerated public works, the area would qualify; but under this bill, under title 4, section (a) of title 4, the standards are more rigorous and you either have to have 50 percent above the national average for 3 preceding calendar years, or 75 percent above the national average for 2 of the preceding 3 calendar years, or 100 percent above the national average for 1 of the 3 preceding calendar years. But then we have this loophole, which is a broad loophole, about these economic development centers, or growth centers.

So suppose, for example, in some other communities, there is right now 8 percent unemployment, but it has not lasted long enough to meet the test under title 4, section (a); it may not qualify under this bill therefore. Yet somewhere else in the country, there can be a community of similar size with only 3 percent unemployment that will be looped in under this economic development center and qualify for all the conditional economic grants and loans under this act.

Once again, it seems to me that we have the issue of fairness. I find it very difficult to reconcile in my own mind how a person would answer the contention by the area that has 8 percent unemployment currently as to why they cannot qualify, where this other area that has only 3 percent unemployment can come in under all of these grants.

Mr. GRAVES. Would you like for me to comment on that?

Mr. BALDWIN. Yes.

Mr. GRAVES. Well, obviously you have a point. The 4½ years prior to coming with the State agency I spent campusing and did as much of a study on this as I could in my spare time; and I think one thing is evident, that using the counties as a basis in which to work has not been the most—the best way to do the job; and the growth concept, although I find much fault with it, seems to be not the answer but preferable to the county situation.

Without presuming to have all the answers by any stretch of the imagination, I think this—if it is to be changed, the concept should remain the same, but the community pattern should be taken into account from the areas that you are talking about as they relate to the growth centers. The reason for this being that the growth—and we have numerous examples of this where industry will locate, it is much more desirable to locate in a community that may only be 10 or 12 miles away from the center of high unemployment.

However, the people that live in those areas are very accessible to the jobs. So, in the long run you are accomplishing the same thing; and although you may wound the pride of the local chamber of commerce for a certain period of time, in the long run they are much better off for having to change their attitudes about what their community can be.

Maybe they should be a dormitory community and supply the workers to the growth center, and we are going to have to couple this with a redirection of attitudes and thinking on the part of some of the local areas. I am not sure that we are ever going to bring this to the point where they will accept it in all cases, but I think we have to be realistic on what we can do; and the alternatives to having the growth centers that I have studied don't seem to be acceptable.

Mr. BALDWIN. You are making the argument from the standpoint of the so-called growth centers, but what argument would you make to the other area that has 8 percent unemployment currently as to why it is barred from the program when an equivalent community of the same size somewhere else with 3 percent unemployment can come in and get these special benefits?

Mr. GRAVES. Well, they aren't barred from the program—just the growth center part of it. The argument that you would make in the—the one that we use and it is almost standard is that if you—we haven't been confronted with the growth concept, but the people that come in and say why can't we get this or why can't we get that, primarily industry, we evaluate their situation and tell them in no uncertain terms that there are certain things they are going to have to do, and in 90 percent of the cases it requires work at the local level—they haven't prepared themselves for industry in other words.

They haven't done their planning. They haven't taken care of their zoning and ordinances, and a whole number of things that they need to do; and we try to get them involved in a self-help program, a community development program financed, initiated, and controlled at the local level, to get them to study their own situation and see how they relate to the areas that have been successful. With this awareness, you will usually find that the local leadership that will evolve will carry on these programs, and they will prepare themselves; and we

have had many instances where they have been extremely successful as a result of this.

We try as much as possible to negotiate action at the community level, to get them to help themselves. We don't see any Federal program as a panacea, but we do see it as a very necessary tool that we can use; and if used properly by both the State and the local community, can add greatly to the economic base, and I think this paper demonstrates the effect that it has had in our area. It has been extremely successful.

Mr. BALDWIN. That is all.

Mr. WRIGHT. Mr. Cleveland?

Mr. CLEVELAND. Mr. Graves, your job as executive director of the Illinois Board of Economic Development—is this the State agency that is primarily concerned with bringing new industries into Illinois?

Mr. GRAVES. That is correct.

Mr. CLEVELAND. And rendering assistance to those you already have?

Mr. GRAVES. That is correct.

Mr. CLEVELAND. Let us assume for a moment that you are now appearing before the Illinois Legislature and vindicating what you have done in the past year for the good of the cause, how many jobs and new industry would you be able to point to, with some pride of course, that your agency has created?

Mr. GRAVES. Well, I am glad you asked that particular question. We just after 2 years of hard work located the Jones & Laughlin Steel Co. which will represent a total expenditure, capital expenditure of more than \$600 million. It is the largest industrial development project in the Midwest in the last 50 years.

Mr. CLEVELAND. How many jobs?

Mr. GRAVES. 6,000. These are direct jobs. We know that many satellite industries are going to locate as a result of this. We have located in the past 3 years more than 86 new plants. These are new plants coming into the area. There have been many expansions. As a matter of fact, during the first quarter of this year—I should clarify that and say this was up until the beginning of the year, January 1, during the first quarter of this year we have had 106 new locations and/or expansions.

Mr. CLEVELAND. Do you have the job total on that?

Mr. GRAVES. No, I do not. I have it, but I do not have it with me.

Mr. CLEVELAND. It would be significant I am sure. How much of a budget do you operate on? What is the total budget for your agency?

Mr. GRAVES. Well, as I mentioned in this paper, Illinois was late getting into this business of helping themselves. My department was only formed in 1961. We operated on the first 4 years on a budget of \$244,000 a year. However, as a result of our success and the recognition of the need on the part of the State legislature, our budget this year, which I have been assured will pass the legislature still in session, is a million and a half; and this does not include \$769,000 for tourism promotion and all.

Mr. CLEVELAND. Working with you, I suppose you also have a rather imposing arsenal of local development groups and civic groups and chambers of commerce, et cetera.

Mr. GRAVES. Right.

Mr. CLEVELAND. Using a wide variety of names, but working directly with you and cooperating with you?

Mr. GRAVES. Yes.

Mr. CLEVELAND. Would you care to just give us an off-the-cuff guess as to how much the total commitment on a monetary basis would be by those groups—do you have any idea? Have you ever wondered how much it was?

Mr. GRAVES. Not including donated time and this sort of thing, I really could not say. It is a monumental amount of money.

Mr. CLEVELAND. Is it the kind of thing you could find out in the next week or so and inform the committee?

Mr. GRAVES. I could give you, I think, some fairly accurate projections. The actual sums would not be available.

Mr. CLEVELAND. But it is true, is it not—what I want to establish is this, that your State development agency which you are the head of in working with local development agencies in the last several years have created 106 new industrial locations in the State of Illinois.

Mr. GRAVES. Eighty-six up until the first of the year. These were new plants coming in.

Mr. CLEVELAND. What was the 106 figure?

Mr. GRAVES. The 106 is since the first of the year. We have 106 either new locations or expansions. Our reporting system on this has been very bad, and we have just now got to the point where we can better tell what we are doing and what is happening.

Mr. CLEVELAND. Does the State of Illinois have any programs to render assistance to communities in this effort other than through your office and the budget that up until this date has been around a half million dollars and you are now asking for a million dollars?

Mr. GRAVES. Do you mean in terms of inducements?

Mr. CLEVELAND. Yes. Low-interest loans or through a State agency or assistance with plant construction?

Mr. GRAVES. No.

Mr. CLEVELAND. Have you assisted in building roads to an area?

Mr. GRAVES. We do do this. I might give you an example, which might be of interest to the committee. The Chrysler plant which represents a \$50 million investment came in as of last year. It was located in Belvidere. The commitment by the State, and we had to make this commitment otherwise we would lose the plant, was \$4½ million in new road building. We did do a study on this, and when the plant is in operation it will take a little less than 8 months for the State of Illinois to recapture this \$4½ million in direct taxes. We consider from an industrial standpoint we will not build a road into a small plant that cannot be justified.

Mr. CLEVELAND. In the State of Illinois do you operate under any directives that ask your office to especially help with some of these counties that would be designated as depressed areas? Do you have any specific instructions on that point?

Mr. GRAVES. No. I have two men on my staff who are specialists in this area, and they work strictly with the Federal program. It is their job to be the experts in these programs and can give assistance to the local communities.

Mr. CLEVELAND. There is one general question I would like to ask you because of your being an expert in this general area of economic

and industrial development which is of great interest to me. Have you found that one of the problems with these Federal programs is that sometimes those towns that have a little more spirit, a little more organizational ability, perhaps better situated and better informed get down to where you have to get the money and they get it first; and by the time the really poor communities get in the line, the funds are exhausted? Have you run into this problem?

Mr. GRAVES. I think there is no question about it, but I think that if the State agency is doing the job that they should they would lend their assistance to the lowest sophisticated communities that have the most need.

Mr. CLEVELAND. Have you done this?

Mr. GRAVES. Oh, yes; definitely.

Mr. CLEVELAND. That is all.

Mr. WRIGHT. Mr. Dorn?

Mr. DORN. I would just like to ask Mr. Graves to what extent that your board in the State of Illinois induced industries to locate through taxes—the flowing of tax-exempt bonds?

Mr. GRAVES. We don't have that privilege. I wish we did.

Mr. DORN. How many States—I think it is 38 States that have that?

Mr. GRAVES. I think you may have a later figure—I think 26 have it now and there are some 12 more pending—or establishing the constitutionality is pending—it is in the State of Illinois.

Mr. DORN. Would you have any suggestions to the committee about whether or not in writing this legislation we should consider this aspect of industrial development in the various States or of accomplishing industry—either one?

Mr. GRAVES. I have only a personal opinion about this. I know that the American Bankers Association and the UAW and CIO for the first time in history are on the same side of the table of this issue, for a very good reason. I think the industrial revenue bonds—the problem there is the possibility that it could destroy the entire municipal bond market if something isn't done about it. However, that isn't our primary worry.

I think for the purposes of the Area Redevelopment Act and for the Federal programs that the issuance of the general obligation bonds to attract any industry is a very bad practice. In essence it amounts to buying payrolls, literally buying payrolls, and I hardly see how this could be justified, and Federal money could be added to the top on getting this job done because you have the multiplier effect in reverse.

They are buying plants. They are giving tax moratoriums, and they are going to be back to apply for additional grants to take care of the public facilities that are going to be demanded by the people as a result of better living conditions and so on. I think this is an extremely bad situation.

The Industrial Revenue Bond Act, however—there have been a number of bills introduced, the Griffin bill among others to outlaw this and to my knowledge did not get out of committee and I hardly think they will—I have advocated that all the States employ this so it will be on an equal basis. If we are going to have it, it shouldn't be restricted to the South or any other section of the country.

Mr. DORN. Well, would you suggest that this committee consider getting some language in the bill which would maybe criticize that kind of policy?

Mr. GRAVES. This is in the national interest, I think.

Mr. DORN. Would you also suggest that the committee legislate—or consider putting phraseology in the bill which would prohibit the pirating of industry also?

Mr. GRAVES. No; we would not. We think that the pirating of industry is not a sound economic development. It makes the headlines and the Governors make their sojourns into other States to try to steal industry—in the case of Chicago, we have four States that have permanent offices located in Chicago strictly for that purpose, and we don't agree that this is the type of economic development and the way in which our efforts should be directed.

We think that industry can only be pirated—and the only justification for this is when they are misplaced in the first place, their markets have shifted, their transportation problems become different, or antiquated facilities, a need for additional or new raw material. These are the reasons why industry should relocate. We make ours available to all these industries and we try to sell Illinois in its total aspect, and we certainly do an advertising campaign; but the use of the special inducements to pirate industry, I think it is a bad situation for both the industry and the State involved.

Mr. DORN. Thank you, Mr. Graves. I might add that I think you have done a fine job in Illinois of industrial development.

Mr. GRAVES. Thank you, sir.

Mr. WRIGHT. Mr. McCarthy?

Mr. MCCARTHY. Mr. Graves, I have an observation from my own experience that ties in with Mr. Baldwin's point about the equity of this program and here is the situation. Many of the more prosperous areas in the country, including my State of New York, will be paying a disproportionately large share of the taxes that go into supplement this program. Now, I am personally familiar with a number of instances where States that had ARA assistance provided favorable assessments, who had right-to-work laws, who paid wages lower than what are being paid in New York, have been successful in attracting—and you might say pirating—the industry from the North, and I wonder if you feel that there is an equitable arrangement that the people who are losing the industry should pay for the taxes to set up a situation that will magnetize their own industry to another part of the country?

Mr. GRAVES. Well, from the standpoint that the Federal Government—well I don't see that it makes a great deal of difference, because if you don't pay it this way you are going to pay it in relief costs and welfare costs; and the possibility of developing new industry in the industrial North as a result of the vibrant economy which we have are much greater than in the areas in which these industries are being pirated to, so I think in the long run that the inequity is evident in the first instance, but I think in the long run it is justified.

Mr. MCCARTHY. I see on the map here that many of the States that will be eligible also have right-to-work laws, and from my own experience of other inducements to industry, this is a matter that gives me some concern. Thank you.

Mr. WRIGHT. Mr. Baldwin?

Mr. BALDWIN. Mr. Graves, I am increasingly puzzled by your answers on this question of pirating. If I understand your position

correctly, under the Area Development Act in some cases—in some cases the ARA knows in advance the specific industry that is involved because the loan is based specifically after they determine that an industry is going to come in—either grant funds for sewer construction or road construction or maybe a loan from the industry.

Now, if I understand your position, even if ARA determines specifically that a textile plant up in Mr. Cleveland's district in New Hampshire is the plant that is proposing to make a move down to North Carolina, for example, and is making the application for a loan for that purpose, and there is a grant application in for the construction of the sewer facilities and the road facilities, even if this is the specific case on the record of obvious transfer of jobs just from one State to another, you feel that the Federal Government should put up the funds to make that possible?

Mr. GRAVES. Oh, no. I am sorry—

Mr. BALDWIN. That is what I interpreted because I got the impression that you—

Mr. GRAVES. I didn't mean to give that impression. It wasn't what I meant. In the first place, as I understand the ARA legislation, it strictly prohibits loans.

Mr. BALDWIN. Yes, this is correct, but I was concerned about your testimony because I got the impression that you were not opposed to the principle of pirating.

Mr. GRAVES. No, I was speaking of plants that moved as a result of inducements by the States—such as general obligation bonds, revenue bonds, and tax moratoriums and things of this sort—not Federal programs. I certainly do not believe that Federal money should be involved in relocation. I think it should be a decision of the business plus the State, and I disagree with the general obligation bonds being issued at a State level for this purpose.

Mr. BALDWIN. So you are advocating pirating by the States but not by the Federal Government?

Mr. GRAVES. I don't think—there is no possible way you can stop it by the States, but I don't think that Federal money—I do not think it is justifiable for Federal money to be used for this purpose.

Mr. BALDWIN. Thank you.

Mr. WRIGHT. Mr. Cramer?

Mr. CRAMER. I have a little bit of difficulty distinguishing what might be called primary pirating of the current industry or secondary pirating of an expansion. Now, it seems to me quite obvious that the number of industries that expand—in their expansion compare what they have at the local location to what they might get some place else in determining where and to what extent to expand.

Now, in this program the Federal Government is suggesting that in these area redevelopment locations that there should be these Federally sponsored inducements for plant expansion. What is the difference? I mean how can you distinguish the two? Is there really a distinction?

Mr. GRAVES. By the Federally sponsored inducements, you mean making available loans for an expansion of an existing facility?

Mr. CRAMER. I mean the ARA, APW, public facilities, area redevelopment loans and grants.

Mr. GRAVES. I think the first distinction is whether or not the people in the area of the parent company are going to lose jobs; and the second distinction that is made and I think relates to the whole philosophy of the bill and that is to provide jobs in depressed areas of our country; and if you eliminate this philosophy, then you will eliminate the bill.

However, there are collateral benefits available under APW in particular where the health and welfare of the community involved are at stake and which aren't directly related to industrial development, in the form of new sewer systems and water systems and so on.

In speaking only for the State of Illinois, as I said before, I know that we have the resources, natural resources and the available transportation and all the other things that it takes to make an industrial development area out of a depressed area.

I think your question relates directly to the philosophy of the bill rather than to the secondary pirating.

Mr. CRAMER. That is why I raised the question because it is a policy question. This committee and the Congress would obviously have to consider it. If they are opposed to primary pirating, then where are we on secondary pirating. If an area has a little bit over the percentage of unemployment in the bill or the medium of income formulated in the bill and they are doing their own job, spending their own money, using their own know-how and facilities to develop industry in this area, they are being penalized so far as the expansion of even an existing industry is concerned, let alone competing for a new one as compared to these areas that are designated—isn't that the obvious result?

Mr. GRAVES. I think there is another thing that has to be considered here, and that is that in many cases I think that you would find that you would save your primary industry by giving them an opportunity to put an expansion in another part of the country. We found this to be true in the Midwest.

If they have an existing industry, say, in the East, they would leave that and put an expansion in the Midwest as a result of having these programs together or available; whereas if this were not available, they might move the entire facility.

Mr. CRAMER. I just have one other comment, and that is that generally any industry that is looking for inducements in the local area, in this form, are marginal industries in many instances any way, and maybe they will succeed and maybe they will not.

Mr. GRAVES. Sir, I think you could find many, many, many blue chip industries that are taking the advantage of these programs, both at the State and national level.

Mr. WRIGHT. Thank you very much, Mr. Graves. The committee thanks you for your testimony. We are grateful for your having been with us.

The next witness is Mr. William C. Heyn. Mr. Heyn is the assistant to the president of the New Holland Machine Co., New Holland, Pa., and is representing the National Association of Manufacturers.

It is a division of Sperry Rand.

Mr. HEYN. Yes, sir.

Mr. WRIGHT. We are very happy to have you. I note, Mr. Heyn, that your initial prepared statement, exclusive of the various general data that you have submitted with it, is approximately 12 pages.

Mr. HEYN. Yes, sir.

Mr. WRIGHT. What will be your pleasure? Would you like to present the statement as written or would you care to summarize it?

Mr. HEYN. If I may just pick from it and possibly then the examples that we could omit could be put in the record.

Mr. WRIGHT. I think we would be happy to do that, if that is your pleasure. We will include the testimony as you have prepared it in the record and then permit you to have such latitude as you desire to summarize it or select from it.

STATEMENT OF WILLIAM C. HEYN, ASSISTANT TO THE PRESIDENT, NEW HOLLAND MACHINE CO., NEW HOLLAND, PA., ACCOMPANIED BY DANIEL W. CANNON, POLICY EXECUTIVE OF INDUSTRIAL ENVIRONMENT, DIVISION OF NATIONAL ASSOCIATION OF MANUFACTURERS

(Statement of Mr. Heyn follows:)

TESTIMONY ON BEHALF OF NATIONAL ASSOCIATION OF MANUFACTURERS PRESENTED BY WILLIAM C. HEYN, ASSISTANT TO THE PRESIDENT, NEW HOLLAND MACHINE CO., DIVISION OF SPERRY RAND CORP., NEW HOLLAND, PA., ON H.R. 6991

My name is William C. Heyn. I am assistant to the president, New Holland Machine Co., division of Sperry Rand Corp., New Holland, Pa.

My testimony is presented on behalf of the National Association of Manufacturers, a voluntary association of business enterprises, large, medium, and small, located in every State, which account for the production of approximately 75 percent of the Nation's manufactured goods.

These enterprises are keenly interested in the maintenance of high levels of employment. Therefore, we appreciate this opportunity to comment on proposed legislation dealing with the economic and employment problems of various areas of the Nation.

My business experience has provided me with a background concerning industrial plant location decisions and problems involving the relationships of these decisions to industrial development programs. At the moment, we are completing a study which will result in our building a sizable plant in Grand Island, Nebr. Through a consulting firm, we have carefully studied the special inducements offered by the Area Redevelopment Administration and many localities across the country and have come to the conclusion that our decision should be based on unsubsidized economics rather than on special artificial inducements.

It is on the subject of these artificial industrial location inducements that I have asked to speak before you here today. I have been authorized to discuss section 202 of H.R. 6991, which would, in effect, perpetuate the program of industrial and commercial loans at below market interest rates, which has been carried out under legislation due to expire on June 30, 1965.

Our objections to the perpetuation of this program are:

1. It is unfair to existing industry to use their tax money to subsidize new industry which will compete for their markets.

2. Such a subsidy program will result in an inefficient misallocation of U.S. resources.

3. The resulting higher costs and inefficiencies will hamper our economy in competing with the economies of other Nations.

4. Because such a subsidy program introduces artificial considerations, it will result in unsound and often just temporary industrial stimulation for the communities involved.

5. Since industrial development is a highly competitive activity, it is unfair and discriminatory for the Federal Government to take sides in behalf of some areas, thereby working against other areas to create competition for their products and jobs.

6. There are other, more effective methods to solve employment problems.

UNFAIRNESS OF SUBSIDIZED COMPETITION

Subsidies do not create new markets, so it is inevitable that a new, subsidized industrial plant will compete for existing markets with industrial plants already established at no cost to the taxpayers. (And, it might be added, plants that have capacities to supply the effective demand for any class of goods one can think of.) It is manifestly unfair and unsound to tax existing industrial enterprises with a Federal corporate income tax only now being reduced to a 48-percent level, and then use this tax money to subsidize new competitors.

Where potential markets are available, nonsubsidized industrial enterprises will seek them out without the necessity of tax-supported subsidies. Thus, such a program unnecessarily uses public money to serve purposes which could be fulfilled by enterprises not dependent on subsidy.

The resulting subsidized competition cannot only be economically harmful to existing industrial enterprises located within the particular area but also to enterprises located elsewhere which serve the markets in that particular area. Thus, such projects would seem almost always to be at the expense of some existing industry and existing jobs. This has been the most widespread criticism of this program.

Such a subsidy program could, for example, very well operate to divert steel fabricating industry markets away from the State of Maryland; to divert food processing industry markets and recreation-tourist industry markets away from the State of Minnesota; to divert pulp and paper industry markets away from the State of Alabama; and to divert machine tool industry markets away from the State of Illinois. These moves would be made without subsidy if economically warranted, since like nature, the competitive economy in this country is so aggressive that few vacuums in supply can be found. If the industrial-commercial loan program grows and grows, as Government programs are inclined to do, the result will be an increasing concern in the minds of privately financed plant managements, acting as a depressant to their normal expansionist thinking.

The competitive problem was discussed by Dr. Sar A. Levitan of George Washington University at page 125 of his book, "Federal Aid to Depressed Areas," as follows:

"But the ARA could cause decline in business and reduction in employment among established firms by financing new competitors. Though the business community officially views competition as the 'life blood' of the American economy, potential or imagined victims of ARA loans have complained about the competition generated by the Government. And there has been ample sympathy in Congress for businessmen who complained about ARA loans to potential competitors. The ARA had to face the fact that the usual attitudes concerning the desirability of competition do not extend to a toleration of governmental assistance to one's competitors."

Dr. Levitan refers on page 113 to the fact that "The single largest ARA loan in the wood-products industry—\$1.3 million—was to help finance the building of a particle-board plant, in Sutton, W. Va. The intense competition that prevails in the industry and the existing overcapacity in related products, such as plywood, subjected the ARA to considerable criticism from established producers."

At pages 128 and 129, Dr. Levitan discussed the case of the ARA loan to a coal mining company in Utah. He stated that "an independent observer expressed doubt about this ARA loan and concluded that 'the expansion of employment and production at the Columbine mine would doubtless be offset by declining sales in other mines now serving the truckers.'" Also discussed on page 129 is the highly controversial loan to a paper-tissue mill in Wisconsin. Dr. Levitan concluded on page 247 that "It is difficult to defend Government financing of new capacity when established firms operate below their optimum level because of inadequate demand." Other loans which were highly controversial because of their competitive impact have been reported and commented upon in the popular and business press.

The Committee on Banking and Currency of the U.S. Senate recognized the competitive problem in its report, dated June 13, 1963, on the Area Redevelopment Act Amendments of 1963, and stated at page 14:

"Before extending any aid to any firm, ARA should determine that consumer demand, regional or national, or foreign demand, would be able to absorb new capacity created in the industry within a reasonable period of time."

"In short, ARA should take great care to insure that any production capacity will not be obviously excessive or drive other efficient producers in the industry out of business."

The committee's "cure" for the problem would not be effective. The competitive factor is so inherent in a program of industrial and commercial subsidies that there is no provision which could eliminate this undesirable aspect. The only sound approach is the termination of the program.

To underline our position in this regard, I would like to quote the following excerpt from a policy statement adopted by the board of directors of the National Association of Manufacturers on February 17, 1965:

"It is natural that the President would wish to initiate new programs to meet the challenge of contemporary problems, and our major recommendation is that such programs be financed by reduction in spending under old programs.

"Both in the development of new and the reappraisal of old programs, we urge the Federal Government (1) to concentrate on problems of national character, and to avoid problems which it is reasonable to expect will be handled adequately by State or local governments or private institutions, (2) not to bypass State governments and deal directly with public or private organizations at the community or regional levels, and (3) to avoid the direct promotion or subsidy of business enterprises."

It should be noted that the so-called antipirating provision contained in subsection 202(b) (1) does not at all deal with the problem of subsidized competition. It merely provides that "such financial assistance shall not be extended to assist establishments relocating from one area to another * * *". Thus, it only deals with the situation where an employer intends to shift employment opportunities within his own enterprise from one area to another. Even then, it is still possible to open a new ARA plant and gradually phase out jobs in an existing plant.

Dr. Levitan discussed this possibility at page 26 of his book as follows:

"Moreover, some Congressmen who indicated a general sympathy for the Douglas program feared that established industry in more prosperous communities would relocate in areas favored by the legislation, in order to benefit from Federal aid. [This is the runaway-shop argument. The proponents of this argument sought guarantees that the legislation would not assist the relocation of industry, which they finally succeeded in getting into the bill. (9) Nevertheless, the nature of the legislation made it impossible to extend ironclad guarantees that relocation would be completely avoided. An employer could still establish a branch plant in a depressed area and then transfer his activities slowly to the new community. Such transfers would be difficult to police, particularly if the employer could show that production costs in the new branch were more profitable and economical. *It is hard to evaluate the effectiveness of the whole program on the basis of this possibility.* Nevertheless, those who had reservations about the program solely on the basis of the runaway-shop argument were satisfied by the prohibition of relocation and voted for the program." [Emphasis supplied.]

Obviously, the antipirating provision of subsection 202(b) (1) does not even touch the situation where employment opportunities are transferred from one separate business enterprise to another through subsidized competition.

INEFFICIENT MISALLOCATION OF U.S. RESOURCES

Turning now from the question of subsidized competition, let us examine how such a program affects the allocation of resources. Some serious study in this field has been done by Dr. Thomas P. Bergin, head, department of business organization and management, University of Notre Dame, and by Dr. William F. Eagan, assistant professor, department of business organization and management, University of Notre Dame.

Dr. Bergin discussed some of their findings in an address, entitled "Industrial Development Must Come of Age," presented before the Society of Industrial Realtors regional seminar at Atlantic City, N.J., on October 5, 1962. He outlined one instance where "the citizens of two sparsely settled counties in one of our Southwestern States, were, in fact, so eager to get industry that they voted a \$535,000 bond issue to build a modern plant for a shirt factory. They leased the plant * * * at a price that will not even pay for the building over a 35-year period and raised their own taxes to make up the difference of almost \$90,000." In order to provide a water system for the factory, they ap-

plied for and received a grant from the ARA of \$129,000 and a loan from the ARA of \$31,000. Dr. Bergin commented as follows:

"Now no one will deny this \$1,195,000 investment in the hills of this rural area represents great hope for the citizens in these two sparsely populated counties. However, it does leave unanswered some disturbing questions about the use of Federal, State, and local funds to aid, either directly or indirectly, the low-capital, low-pay and highly unstable industries that are inevitably attracted to some of these areas. One is continually plagued with the question: Are some of the communities offering inducements of this kind the places where industrial expansion 'ought' to occur? In this particular case, I know personally that it is not working out and the citizens of the community would welcome the opportunity to rid themselves of this new obligation."

This is but one illustration of how artificial inducements can cause a subsidized enterprise to locate in an area where it does not belong. While it is not my purpose today to pass judgment on the right of a community to allocate its financial resources in any way it wishes, including subsidies for industrial development, clearly the National Government should not encourage or support such local subsidies because such practices can and have resulted in uneconomic allocation of resources.

Drs. Bergin and Eagan conducted an extensive survey among the management of 6,000 companies that had expanded or relocated within the past 5 years in 10 Southern States. Those participating in the survey were asked, among other things, to list those factors which they believed were the most significant in influencing the location of their new plant. The first four factors in order of importance ranked as follows:

1. Availability of labor.
2. Convenience to markets.
3. Availability of raw materials.
4. Availability of adequate buildings and facilities.

"Financial aid" ranked 15th. This shows very clearly there is no need for financial aid to lure stable industry.

The fact that this subsidy program will tend to attract the less stable type of enterprise into communities is also brought out by Dr. Levitan at page 246 of his book, as follows:

"* * * There is nothing in the act which offers any real incentive to channel blue-chip or established industry to depressed areas. Four percent interest on venture capital is not an effective carrot to dangle before successful corporations * * *. The act in effect prevents successful corporations from receiving ARA financial assistance by restricting ARA loans to corporations which cannot receive credit from conventional lending institutions; * * *. In effect, the law therefore limits ARA assistance to new or marginal firms which cannot obtain credit from private lending institutions."

Another aspect of potential misallocation of resources is brought out by Dr. Levitan at page 251, as follows:

"A realistic and effective depressed-area program must also recognize that not all depressed communities can be 'saved.' The solution for most of the unemployment in depressed areas whose resource base has been depleted may lie in equipping the unemployed with skills which would be marketable elsewhere. Many resource-based depressed communities are located in isolated areas where new economic activity can be introduced only at prohibitive costs. Other depressed areas, particularly rural ones, have never developed an adequate economic base, and the social capital invested in such areas is normally insignificant."

To sum up this portion of my testimony, it is evident that a subsidized industrial and commercial loan program as proposed in H.R. 6991 will result in a misallocation of U.S. resources; the resulting built-in costs and inefficiencies will not provide us with the hard, lean competitive economy we need to vie with the economies of other nations; and, because such a program introduces artificial considerations, it will frequently lead to unsound industrial development for the communities involved. We are all well aware of our balance-of-payments problems. Anything that makes us collectively less efficient works against our ability to compete in world markets and hence is in direct opposition to the ability of this country to help with the gold-payments problem by exporting more U.S. goods.

UNFAIR FOR THE U.S. GOVERNMENT TO TAKE SIDES

Industrial development is a highly competitive activity. Thousands of organizations are working energetically in this field. In addition, it has been estimated that the State governments committed \$40 million to these efforts in one recent year, and the local and regional organizations, both governmental and private, undoubtedly committed even more. We believe that it is manifestly unfair for the U.S. Government to take sides in this competition on behalf of some areas, thereby working against other areas to create competition for their products and jobs. It is easy to imagine the frustration of someone working in the industrial development field when he loses a prospective industrial enterprise to another area because of an ARA loan. Yet this is exactly the overt intent of the program—to channel the future industrial development of the Nation into certain preferred areas.

OTHER, MORE EFFECTIVE METHODS TO SOLVE EMPLOYMENT PROBLEMS

There is a great deal of controversy over the extent to which the industrial-commercial loan program has "created" jobs. The February 1965 issue of "Redevelopment," the monthly publication of the Area Redevelopment Administration stated:

"As of December 31, 1964, 392 industrial and commercial loans amounting to \$171.5 million were made. The loan recipients estimated that their enterprises, when fully operational, will directly employ over 40,000 workers. The employment and payrolls associated with these projects is expected to stimulate further employment of 26,000 in service and related activities, bringing the anticipated total of new jobs to 66,000."

As we have already noted, it is probable that a large number of these jobs were created at the expense of already existing jobs, elsewhere. Even the General Accounting Office has cast considerable doubt on the accuracy involved in estimating the number of jobs created. The Comptroller General of the United States, in a letter of transmittal of a May 1964 report, stated that an examination had found that reports of the Area Redevelopment Administration "contained significant overstatements of the number of jobs estimated to be created by accelerated public works projects * * *." He further stated that "the estimates were overstated by 12,261 man-months or about 128 percent."

It is interesting to note that, during the same period as the operation of the act, the total number of nongovernmental, nonagricultural payroll jobs in this country increased by 3,910,000. This is based on the reports of the Bureau of Labor Statistics showing that total nongovernmental, nonagricultural payroll employment was 44,998,000 in May 1961 and 48,908,000 in March 1965. Obviously there is dynamic job creation taking place without the necessity of subsidized industrial-commercial loans. This process of job creation is taking place within a framework of individual decisionmaking subjected to the full rigors of the marketplace, including the prevailing market price of money. We believe that decisionmaking under such circumstances will lead to sounder industrial development and a sounder economy that decisionmaking subject to being warped by considerations of subsidization.

We further believe that where there are special and difficult employment problems, there are other, more effective methods available than a subsidized industrial-commercial loan program. In an effort to spread knowledge about such methods, the National Association of Manufacturers has launched its STEP program to promote solutions to employment problems. The STEP program collects and publishes case studies analyzing successful solutions to difficult employment problems. The case studies are grouped as follows:

- A. Case studies on company employment problems:
 - 1. Selection.
 - 2. Company-sponsored training.
 - 3. Retraining.
 - 4. Redirecting.
- B. Case studies on community employment problems:
 - 1. Self-development.
 - 2. Community-sponsored training.
 - 3. Job development.
 - 4. Relocation.

Companies or communities having one or more of these employment problems can request case studies outlining how other companies or communities, facing similar problems, worked out satisfactory solutions. The case studies are sufficiently detailed to enable the determination of whether or not a similar program perhaps revised to fit local circumstances, would be helpful. Three such STEP case studies are attached herewith and made a part of this statement. Properly conceived self-help programs might well be given greater public prominence in dealing with such problems and the STEP program is an example of sound effort in that direction.

CONCLUSION

In conclusion, we wish to express our appreciation for this opportunity to present our views which, in summary, are as follows:

1. It is unfair to existing industry to use their tax money to subsidize new industry which will compete for their markets.
2. Such a subsidy program will result in a misallocation of U.S. resources.
3. The resulting higher costs and inefficiencies will hamper our economy in competing with the economies of other nations.
4. Because such a subsidy program introduces artificial considerations, it will result in unsound industrial development for the communities involved.
5. Since industrial development is a highly competitive activity, it is unfair and discriminatory for the Federal Government to take sides in behalf of some areas, thereby working against other areas to create competition for their products and jobs.
6. There are other, more effective methods to solve employment problems.

We, therefore, respectfully urge that this subsidized industrial-commercial loan program not be perpetuated.

NATIONAL ASSOCIATION OF MANUFACTURERS,
New York, N.Y.

A CASE STUDY ON COMPANY-SPONSORED TRAINING

If you have this problem:

A desire to offer employees the opportunity of obtaining a basic grammar school education.

This case study may help you:

A company sponsored in-plant grammar school program.

The Campbell Soup Co. at its Chicago plant established an in-plant warehouse shippers basic education program, in order to overcome the difficulties involved in providing customer-error-free shipments, compounded by a growing list of new products. The program was at the grammar school level, grades 1 to 6 with 24 employees participating and graduating from the course.

The program was so successful that the company has expanded its in-plant education program, offering basic education to all employees and adding an advanced course covering the high school level.

On the basis of its experience with the in-plant education program, the company believes this to be convincing proof that industry can play an important role in the area of adult literacy education, as well as educating employees to meet changing industrial methods and procedures.

Of special importance is that the success of the in-plant education program was dependent upon the close cooperation of three major groups: Campbell Soup Co., management, officials of Union Local 194—Retail, Wholesale and Department Store AFL-CIO, and representatives of the Chicago Board of Education.

A case study of a company sponsored training program to prepare individuals for job openings when and where available.

This particular program involves the establishment of an in-plant basic grammar school program at the Campbell Soup Co., Chicago, Ill.

Company policy on in-plant educational programs

The establishment of a broad educational program at the Campbell Soup Co. reflects management's attitude that a premium must be placed upon the long service and loyalty of its employees. Wherever possible, emphasis is being placed upon the development of current employees rather than the recruitment of new ones. This major policy decision recognizes the need for preparing em-

employees for newer and more complex assignments that are inescapable by-products of the technological change which has been sweeping the food processing industry.

To lessen the chance of failure in this venture and to provide all employees with equal opportunities to qualify for upgrading, a decision was made to implement a developmental plan immediately. This was a forward-looking approach which has enabled the Chicago plant to take action even before many job skills become outdated, making the establishment of specific training programs an absolute necessity for future survival. The reasoning was that before an employee could be properly trained to operate, install, or overhaul complex equipment and machinery, he must have a solid foundation upon which to build—a foundation which is developed through education alone.

Of major significance then was the fact that the mastery of any training program depends upon the ability to read and communicate effectively. The backgrounds of the employees indicated that many were either lacking a sufficient formal education, or else they had become inept at using the basic skills which they had learned while attending school.

Analysis of the situation indicated that, at best, minimal success would result if it became necessary to rush head on into a series of specific training programs. Management decided, and the employees agreed, that long-range success would be greater if education, rather than training were first emphasized.

An experiment—Warehouse shippers' basic education program

With a decision made to educate employees before training them, a program had to be installed which would implement the primary objective of education. Realizing the many difficulties in an undertaking of these proportions, management decided to concentrate upon a specific area of the Chicago plant, the warehouse shipping group. This was done to minimize the problems which would be encountered. With the warehouse shipping department singled out for the pilot project, participants would be able to identify with one another, the hours of work would be identical for each shift, and administrative problems could be discussed with a limited number of supervisors.

Program planning

Management established the following principles as guides for this experimental warehouse shippers' project:

1. Classes would be scheduled on employees' time, prior to or after their work shift.
2. Participation would be voluntary, with the continuity of the program maintained through careful scheduling of work hours for the employees enrolled in the program.

Following this preliminary planning, the Chicago Board of Education was asked for assistance and their cooperation and services were a vital factor in the program.

How the program works

In February 1964 the warehouse shippers' basic education program was instituted and functioned as follows:

1. Classroom facilities, textbooks, and initial school supplies were provided by the company.
2. The course content was of the grade school level, including reading, arithmetic, spelling, English, and social studies.
3. Teachers were provided and compensated by the Chicago Board of Education.
4. Classes were held, prior to or after the employees' work shift, for 2 hours on 2 days of the week.
5. Twenty-six employees volunteered for the program, with a class leader selected from each class to serve as a spokesman for the students, in reviewing problems and ideas with management.
6. At the end of May 1964, 24 students qualified for awards, based on competitive exams.

At a special graduation ceremony, tribute was paid to the students by Campbell Soup Co. management. Chicago Board of Education representatives, and officials of Union Local 194—Retail, Wholesale and Department Store AFL-CIO.

Assessment of the program

In the opinion of all involved with the program, the company, Chicago Board of Education, the union and the employees, it was an unqualified success.

An indication of its success has been the expansion of the inplant educational program to include all employees and an advanced program covering grades 7 to 12.

In this expanded program nearly 10 percent of the hourly work force, 228 employees, have enrolled with 5 classes in the basic curriculum and 3 in the advanced.

The intention of the company is to run the program on a continuing basis and encourage students to participate until they qualify for a high school diploma.

The company considers that their inplant educational program is convincing proof that with the cooperation of educational institutions, industry can play a major role in two areas of major concern: adult literacy education; and the increasing need to educate employees, in preparing them for training programs required to meet technological change.

HOW YOU CAN USE THE CLEARING HOUSE

The Clearing House, a part of STEP, collects and publishes case studies analyzing successful solutions to difficult employment problems. Particular attention is paid to these eight areas of concern:

Case studies on company employment problems

Selection.—The function of determining the qualifications of prospective employees. These programs include methods of determining the individual's attitude, aptitude, skill level, adaptability (for example, to changing methods and processes), etc.

Company-sponsored training.—Company-sponsored programs to prepare individuals for job openings when and where available. These programs include training individuals who are unskilled because of a lack of education or work experience, or whose previous experiences may not fit expected job openings.

Retraining.—The function of preparing employees for job changes. Reasons for retraining programs include the introduction of new processes, elimination of old processes, or other changes in the makeup of the company's work force.

Redirecting.—Programs affecting employees no longer needed. These programs include, for example, early retirement benefits, severance pay, company-sponsored job placement counseling, company-financed private counseling for reemployment.

Case studies on community employment problems

Self development.—Programs which encourage individual efforts in preparing for and seeking employment. These programs include helping individuals understand their job potential, relating individual ability to job opportunity, and counseling individuals in the techniques of applying for a position.

Community-sponsored training.—Community-sponsored programs to prepare individuals for job openings when and where available. These programs include training individuals who are unskilled because of a lack of education or work experience, or whose previous experiences may not fit expected job openings.

Job development.—Programs designed to discover or develop job opportunities within the community. These programs include organizing service industries needed in the community, developing businesses which use local resources (such as raw materials), etc.

Relocation.—Programs to help the unemployed find jobs by relocating to areas having job openings.

If you have one or more of these employment problems, you can request from the Clearing House case studies outlining how other companies or communities, facing similar problems, worked out satisfactory solutions. The case studies are sufficiently detailed to enable you to determine whether or not a similar program, perhaps revised to fit your circumstances, would be helpful to you.

NATIONAL ASSOCIATION OF MANUFACTURERS,
New York, N.Y.

A CASE STUDY ON RETRAINING

If you have this problem:

Employees who must be retrained for difficult duties or released from service with the company.

This case study may help you:

An employee retraining program which supplies the skills required because of technological change.

The Dayton Steel Foundry, Dayton, Ohio, in installing automation in its molding process, experienced difficulty in the maintenance of the equipment. Electrical craft employees of the maintenance department lacked the specialized electrical and electronic training to adequately service the new system.

A retraining program was established which involved courses at the local vocational school. A satisfactory completion of the course for eligibility for the job, as determined by the school, was accepted by the union and the employees involved, as well as the company.

A case study of a retraining program to prepare employees for job changes.

This particular program retrains maintenance employees to meet the skills requirements of technological change at the Dayton Steel Foundry, Dayton, Ohio.

How the program works

When the Dayton Steel Co. automated its molding process, it found that it was faced with a problem of proper maintenance of the equipment.

Maintenance employees lacked the necessary training and skills to service these new electrical and electronic systems and there was not adequate time available for on-the-job training by supervision, to the degree required.

In cooperation with the union, an agreement was reached, which stated that in order for a maintenance employee to be eligible for this type of work, a higher rated job, a retraining program must be completed satisfactorily by the employee.

The local vocational school, Dayton Public Night School, was asked to set up courses in electricity, electronics, blueprint reading, and practical mathematics for the retraining of the maintenance employees.

Courses were held at the school and ran for a period of 32 weeks with classes from September to June. One 3-hour class session per week was held.

The instructor was the supervisor of vocational training for the Dayton Public Night School.

The school issued reports on each individual as to attendance, progress, achievement, and attitude. Satisfactory completion of the course as determined by the school was required for eligibility for advancement, and the school's decision was accepted by both the union and the company.

Assessment of the program

This program resolved a few difficult problems for the company. First, through the retraining program, a worker known to be qualified can be assigned to the job, as opposed to a trial period for an employee whose qualifications might be questioned.

Secondly, the question of what qualifications are required have been definitely established by the program, and accepted by the union as well as the employees.

Thirdly, the supervisor has been relieved of the basic retraining chore and related problems.

The company states the program which has been in operation for a few years has accomplished its purpose.

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NATIONAL ASSOCIATION OF MANUFACTURERS,
New York, N.Y.,

If you have this problem :

Relocating hourly production employees to new facilities in another State, following a plant shutdown.

This case study may help you :

A company program which moved hourly production employees to fill the skilled labor requirements at a new plant location.

The Toms River Chemical Corp., Toms River, N.J., formerly the Cincinnati Chemical Works, Cincinnati, Ohio, a manufacturer of chemical products for industry, in moving from Ohio to New Jersey was faced with the need for a skilled work force, lacking at the new location.

In order to meet this essential requirement, the company established a relocation plan offering to its employees job opportunities at the new facilities.

Through comprehensive communications and company policies covering the many aspects of such a move, the company was able to relocate the necessary number of skilled production employees.

Since the date of the relocation 1960, only 2 of the 47 employees who relocated, have left the company to return to Ohio.

From the company view, the cost of relocating these hourly employees was far outweighed by the ability to start up the new unit with a minimum of problems, training, and production delays.

A case study of a program to relocate hourly production employees

This particular program involved a successful method of relocating hourly production employees from a plant in Ohio to new facilities in New Jersey.

How the program worked

In order to fill the skilled labor requirement at the new location, the company took the following action in the relocation program for hourly production employees.

Moving coordinator

To facilitate the move and the details involved, a moving coordinator was appointed with the responsibility for all arrangements. An assistance coordinator was located at the new plantsite to facilitate the orientation of the employees in the new area.

Communications with employees

Although the plant at Cincinnati, Ohio, was not completely shut down until August 15, 1960, all employees were notified in the fall of 1955 of the plans to move to New Jersey.

During 1957 all employees were interviewed to determine whether or not they would be interested in moving if the company made this request. Some employees who were undecided at first were given a second interview.

This interview, other than the question of whether or not the employee wished to move, was used to gather essential information about the employee's marital status—number in family to move; financial status—concerning home ownership or rental; and school attended by children.

Following the interviews of all employees, the company then established the number of employees in the various job classifications that would be required at the new location. The list of those employees who had indicated an interest in moving to the new location was then reviewed. Department heads and foremen rated their employees at this point and made their recommendations as to which employees the company should invite to relocate.

The employees recommended by the management staff were then interviewed and requested by the company to move to the new plant location.

At this interview more detailed information was compiled concerning the current home status of the employee and his living requirements at the new location.

Company policy on preliminary trips to new location

All employees who accepted the move to the new location were allowed two company-paid trips to New Jersey to: First, become acquainted with the area and, secondly, to arrange for housing.

Time for trip

Employees were paid for 3 workingdays for the trip with the expectation that Saturday and Sunday would be included, giving them a total of 5 days for the trip.

Method of travel

In some cases public transportation was used but most families traveled using their own car. Company allowances covered this expense in either case.

Lodging and food

Lodging and food expenses for the family were paid by the company.

Following these preliminary trips to New Jersey, at which time some employees decided not to move, the company established policies on the major features involved in a permanent move.

Company policy on housing

Disposition of current residence:

1. Company paid real estate commission on sale of home, not to exceed \$2,000, as well as expenses for title transfer and tax stamps.
2. Where applicable, penalties for prepaying the mortgage or canceling a lease, were paid by company.
3. In case of current rental, company reimbursed employee for duplication of rental payment in New Jersey up to a maximum of 1 month.
4. In case of current rental and purchase of home in New Jersey, company paid for any unused portion of a month's rental.

Purchase of a home

1. In some cases the company found that employees interested in purchasing a home in New Jersey were in need of financial assistance. The company established the following policies on such loans:

- (a) Employees who had not completed the sale of their home in Ohio but had sufficient equity in it for a down payment in a new home, following approval by the company, were granted a bank loan guaranteed by the company. The employee was billed quarterly for the interest on the loan and the full amount of the loan was paid off when the home in Ohio was sold.

(b) Employees who did not own a home in Ohio and lacked the required down payment on a new home were allowed a company loan up to \$1,000 under the following conditions:

1. Purchase of the home be approved by the company.
2. Employee to be free of debt, except for reasonable amounts, such as car loans which must be transferable to New Jersey.
3. The loan to be repaid through weekly payroll deductions. Interest charges paid by employee were figured at the end of each 6 months.
2. If an employee elected to retain ownership of his home in Ohio, the guaranteed loan was not available for a purchase of a home in New Jersey.
3. The company paid the expense of closing costs including title search, recording, filing and attorney and surveying, up to a maximum of \$254. In order to qualify for the loan guarantee and the closing cost allowance, it was required that the employee purchase or contract for a new home within 1 year after the transfer to New Jersey.
4. If it became necessary for an employee to support two households, because of the inability to sell his Ohio home, the company assumed, for a maximum of 9 months, the interest on the mortgage, insurance, and tax payment.

Moving of household goods

Arrangements were made by the company coordinator with a moving company to transport the employee's household goods to the new location. A moving company representative visited the homes of the employees to determine the size of the load and number of appliances for necessary servicing. A schedule of packing, loading, and traveling time required was established for each shipment.

Since the carrier was a national organization, the employees were notified about the local agent in New Jersey to contact in any questions or problems.

All goods in transit were insured by the company but it was indicated that money, deeds, valuable papers, jewelry, etc., be transported by the employee.

The unpacking of goods at the new location was to be done by the movers and employees were instructed how to report damages, if any occurred.

Temporary move

If it became necessary to move an employee on short notice, before plans were completed to move his family, the following company policies applied:

Travel allowance.—Employees were allowed public transportation cost or expenses for car use plus lodging and food expenses.

While working in New Jersey, the employee was given a daily allowance plus a reasonable amount for lodging.

During the period of separation from his family, the employee was permitted one company-paid trip every few weeks to visit his family. It was indicated that the trip should be taken on weekends.

Temporary quarters for an employee and his family

If it were necessary for an employee and his family to live in temporary quarters in New Jersey, the employee's plans were discussed with the coordinator for his approval. Expenses above normal were reimbursed by the company for a maximum of 3 months.

Miscellaneous expenses

Although the company had established policies in payment for all general items involved in the move, it also considered there could be other expenses not covered. These expenses could be cleaning of rugs, venting of gas driers, installation of air conditioners, etc. Reimbursement to employees for these expenses were based on their hourly earnings, based on fifty-two 40-hour weeks. This reimbursement schedule ranged from \$350-\$599.

Tax questions

The employees were advised of their tax responsibility regarding reimbursements for moving made by the company or any other expense they had made directly connected with the move.

Assessment of the program

Through this relocation program, the company filled its requirements for a skilled work force at the new plant.

An interesting feature of the program was that the majority of the employees who accepted relocation were middle-aged and older employees.

This was of great significance to the company in that the older employees had the experience and skills required to a far greater degree than young inexperienced employees.

Since the date of the relocation, 1960, only 2 of the 47 employees who relocated have left the company to return to Ohio.

Mr. HEYN. The National Association of Manufacturers represents companies, as you probably know, in every State of the Union, and these companies are responsible for producing about 75 percent of our manufacturing goods, and so this is a matter of great concern to the manufacturing group.

I think we will be the first to admit that you can get temporary and local enthusiasm from programs like this, but what we are trying to address ourselves to here is the broader concept that we think has national implications and these programs are the ones that bother us.

My business experience has recently involved going into this matter of industrial plant location. We spent a great deal of time hunting for a place and finally have located a spot in Grand Island, Nebr., that we feel is ideal from the standpoint of its accessibility to markets, accessibility to transportation, and labor and all the things that manufacturing companies should consider in going into such an area.

We were, of course, deluged with all kinds of suggestions as to why we should consider other localities and incentives were offered to do so. But we finally came to the conclusion that we should stick to what you might call pure economics rather than a subsidy in making this final decision. We think that (1) it is unfair to existing industry to use their tax money to subsidize new industry which will compete for their markets; (2) such a subsidy program will result in an inefficient misallocation of U.S. resources; (3) the resulting high costs and inefficiencies will hamper our economy in competing with the economies of other nations; (4) because such a subsidy program introduces artificial consideration, it will result in unsound and often just temporary industrial stimulation for the communities involved; (5) since industrial development is a highly competitive activity, it is unfair and discriminatory for the Federal Government to take sides in behalf of some areas, thereby working against other areas to create competition for their products and jobs; and (6) there are other, more effective methods to solve employment problems.

Subsidies do not create new markets, so it is inevitable that a new, subsidized industrial plant will compete for existing markets with industrial plants already established at no cost to the taxpayers. And, it might be added, plants that have capacities to supply the effective demand for any class of goods one can think of. It is manifestly unfair and unsound to tax existing industrial enterprises with a Federal corporate income tax only now being reduced to a 48-percent level, and then use this tax money to subsidize new competitors.

When potential markets are available, nonsubsidized industrial enterprises will seek them out without the necessity of tax-supported subsidies. Thus, such a program unnecessarily uses public money to serve purposes which could be fulfilled by enterprises not dependent on subsidy.

The resulting subsidized competition cannot only be economically harmful to existing industrial enterprises located within the particular area but also to enterprises located elsewhere which serve the markets

in that particular area. Thus, such projects would seem almost always to be at the expense of some existing industry and existing jobs. This has been the most widespread criticism of this program.

Such a subsidy program could, for example, very well operate to divert steel fabricating industry markets away from the State of Maryland; to divert food processing industry markets and recreation-tourist industry markets away from the State of Minnesota; to divert pulp and paper industry markets away from the State of Alabama; and to divert machine tool industry markets away from the State of Illinois. These moves would be made without subsidy if economically warranted, since like nature, the competitive economy in this country is so aggressive that few vacuums in supply can be found. If the industrial-commercial loan program grows and grows, as Government programs are inclined to do, the result will be an increasing concern in the minds of privately financed plant managements, acting as a depressant to their normal expansionist thinking.

The competitive problem was discussed by Dr. Sar A. Levitan of George Washington University on page 125 of his book, "Federal Aid to Depressed Areas," as follows:

But the ARA could cause decline in business and reduction in employment among established firms by financing new competitors. Though the business community officially views competition as the life blood of the American economy, potential or imagined victims of ARA loans have complained about the competition generated by the Government. And there has been ample sympathy in Congress for businessmen who complained about ARA loans to potential competitors. The ARA had to face the fact that the usual attitudes concerning the desirability of competition do not extend to a toleration of governmental assistance to one's competitors.

Dr. Levitan refers on page 113 to the fact that—

The single largest ARA loan in the wood products industry—\$1.3 million—was to help finance the building of a particleboard plant in Sutton, W. Va. The intense competition that prevails in the industry and the existing overcapacity in related products, such as plywood, subjected the ARA to considerable criticism from established producers.

On pages 128 and 129, Dr. Levitan discussed the case of the ARA loan to a coal mining company in Utah. He stated that—

an independent observer expressed doubt about this ARA loan and concluded that "the expansion of employment and production at the Columbine mine would doubtless be offset by declining sales in other mines now serving the truckers."

Also discussed on page 129 is the highly controversial loan to a paper tissue mill in Wisconsin. Dr. Levitan concluded on page 247 that—

It is difficult to defend Government financing of new capacity when established firms operate below their optimum level because of inadequate demand.

Other loans which were highly controversial because of their competitive impact have been reported and commented upon in the popular and business press.

The Committee on Banking and Currency of the U.S. Senate recognized the competitive problem in its report, dated June 13, 1963, on the Area Redevelopment Act Amendments of 1963, and stated on page 14:

Before extending any aid to any firm, ARA should determine that consumer demand, regional or national, or foreign demand, would be able to absorb new capacity created in the industry within a reasonable period of time.

In short, ARA should take great care to insure that any production capacity will not be obviously excessive or drive other efficient producers in the industry out of business.

The committee's cure for the problem would not be effective. The competitive factor is so inherent in a program of industrial and commercial subsidies that there is no provision which could eliminate this undesirable aspect. The only sound approach is the termination of the program.

We feel that there are more effective ways to solve the employment problem. There is a great deal of controversy over the extent to which the industrial commercial loan program has created jobs. The February 1965 issue of *Redevelopment*, the monthly publication of the Area Redevelopment Administration stated:

As of December 31, 1964, 392 industrial and commercial loans amounting to \$171.5 million were made. The loan recipients estimated that their enterprises, when fully operational, will directly employ over 40,000 workers. The employment and payrolls associated with these projects are expected to stimulate further employment of 26,000 in service and related activities, bringing the anticipated total of new jobs to 66,000.

As we have already noted, it is probable that a large number of these jobs was created at the expense of already existing jobs elsewhere. Even the General Accounting Office has cast considerable doubt on the accuracy involved in estimating the number of jobs created. The Comptroller General of the United States, in a letter of transmittal of a May 1964 report, stated that an examination had found that reports of the Area Redevelopment Administration—

contained significant overstatements of the number of jobs estimated to be created by accelerated public works projects.

He further stated that—

the estimates were overstated by 12,261 man-months or about 128 percent.

In the May 1965 report which just came out, the U.S. Comptroller General indicated that the number of jobs created by projects that received loans was overstated by 94 percent.

It is interesting to note that, during the same period as the operation of the act, the total number of nongovernmental, nonagricultural payroll jobs in this country increased by 3,910,000. This is based on the reports of the Bureau of Labor Statistics showing that total nongovernmental, nonagricultural payroll employment was 44,998,000 in May 1961 and 48,908,000 in March 1965. Obviously, there is dynamic job creation taking place without the necessity of subsidized industrial-commercial loans.

In conclusion we just feel that it is unfair to existing industry to use their tax money to subsidize new industry which will compete for their markets. Such a subsidy program will result in a misallocation of U.S. resources. The resulting higher costs and inefficiencies will hamper our economy in competing with the economies of other nations.

Because such a subsidy program introduces artificial considerations, it will result in unsound industrial development for the communities involved. Since industrial development is a highly competitive activity, it is unfair and discriminatory for the Federal Government to take sides in behalf of some areas, thereby working against other areas to create competition for their products and jobs.

There are other, more effective methods to solve employment problems. We therefore respectfully urge that this subsidized industrial-commercial loan program not be perpetuated.

(Mr. Blatnik resumed the chair.)

MR. BLATNIK. Thank you, Mr. Heyn, for your statement. Do you have any questions, Mr. McCarthy?

MR. MCCARTHY. I want to thank Mr. Heyn for his statement and he has articulated very well some of the meandering concerns that I had, and I would just like to say that I personally know of two instances, one fitting on page 4, the quote from Dr. Levitan, where the industry I was with, ARA came in and in effect put a new company in business to make in this case gypsum. There was already an overcapacity in the Texas-Oklahoma area, and I mean they needed a new gypsum plant like they needed a new hole in the head.

I want to be fair about this thing, but I have some really great concerns; and the effect of it was they have been cutting prices. It was chaos in the market and I think it was a very unwise step.

Now, on page 6 about the pirating business. I also know of a case where with the help of ARA in effect—this State had right-to-work laws and paid lower wages—an existing branch of a company expanded in the South, kept its main plant in the East; but as the point is underlined here on page 6 suddenly, quietly over the years what is going to happen is that this new plant will be built up and the plant in the East will just be cut. I mean they may keep it, depending on the demand, but I agree with you that I think it is unfair for existing industry in the East or North or anywhere for that matter to subsidize its competitors to put them into business and it is also unfair, I think, assist areas who in effect draw off industry from other parts of the country that are paying a disproportionately large share of the money that goes into this program.

Do you have any comments on my observation?

MR. HEYN. Well, a number of comments occurred to me, sir. I think your example of the gypsum plant is precisely what we are talking about here. Anybody in the manufacturing business is quite aware that after you reach a certain optimum level in the run of that plant, you have covered your cost; and beyond that point you begin to make a profit; and beyond that point Uncle Sam is interested in half of that profit.

If we have a proliferation of companies that are not economically justified, we may cover the country with manufacturing operations, but I do not know where we are going to get the tax money to maintain them. We are trying to get at what we think is a fundamental basic point here: Let's do these things on the basis of the return on investments that are involved—and not just because the management shows that if it moves a new gypsum plant into a given area, its return on investment is fairly satisfactory because somebody else is picking up part of the tab. They may make that move, but in the national interest, it is not the right move. That is the essence, I think, of what we are trying to say.

MR. MCCARTHY. What it does in many cases is to create unemployment in other areas because then you have layoffs.

MR. HEYN. Yes, sir.

Mr. McCARTHY. They might build up employment in one area, but then if the demand just isn't there, and it isn't in this part of the country for quite a while until population catches up with capacity, what you do is to create unemployment in other parts of that region.

Mr. HEYN. Well, the point is, I think, that you don't create new markets by creating new productive facilities. If you put a new pulpwood plant in an area where you have a lot of forests, and you have unemployment, this looks great right in the local area, but what are you going to do with the extra pulpwood that is processed? Somebody has to use it, and if somebody uses it, then somebody in another part of the country has a lower possibility for success and they are the ones presumably that have gotten into business without Federal subsidy and that have been able to make a success of it and are contributing to the tax kitty that is helping to finance a program like this.

Another point concerns the location of the second plant some distance away. I think the act particularly says that they want to guard against this, but as a practical matter I don't think you can guard against this.

Mr. McCARTHY. You cannot police it.

Mr. HEYN. No, sir. I don't think you can. I think if I had a plant in New York State and I had an attractive situation in some other State, I would say, "Let's start there." But over a period of time you would tend more and more to this other area and the net result is you would end up with an empty factory and unemployment in the original location.

Mr. McCARTHY. Thank you.

Mr. DORN. Mr. Chairman.

Mr. BLATNIK. Mr. Dorn.

Mr. DORN. I want to compliment you for coming before the committee, and I think your testimony has been valuable.

I would like to ask you this: Is your primary objection to section 202—

Mr. HEYN. We are addressing ourselves just to 202. We feel that this matter of improvement of sewerage and water facilities has overtones that are sort of outside our sphere in terms of what we are concerned about here. We are concerned only at this point about the economic disadvantages of building a creampuff-type industry over here [indicating] that wouldn't sustain itself at the expense of one over here [indicating] that is strong until it gets this kind of competition.

Mr. DORN. I think that is a very valuable point, and I know the committee is appreciative of the fact that you have come here and made this point.

Now, on page 12, the sixth item, you suggest that there are other more effective methods to solve employment problems. I would like for you to list them. Fortunately, I represent an area where we do not have this problem, but I am concerned with some sections of our good colleague's State here that has been hard hit by the closing of coal mines and so on; and this committee is interested in any suggestion that you or any other witness makes or might have as to how to solve this employment problem. There are depressed counties, depressed areas.

If you would give us a few suggestions, I believe we would be grateful.

Mr. HEYN. This will sound like a commercial for the New Holland Machine Co., but they have developed what they call the STEP program, and they have canvassed the country for problem areas to see what people have done to try to remedy the problems involved there.

I think there are several examples of suggestions as to what might be done under this STEP program. There are a great many more of them, by the way, that New Holland Machine Co. would be glad to send out knowing that anybody is interested.

In general, it seems to me that if an area develops uneconomic aspects that maybe it is a realistic thing then for the Federal Government to come in and help the mobility of people in the area by training people—I am way out of my bailiwick when I start talking about that; but to me it seems more reasonable than trying to create a whole new industry in an area that may be uneconomical in terms of its location, availability of raw materials, and so on.

We all know that you can go out in the desert and create a garden if you would put enough water and fertilizer to that land and cultivate it. But the question is, Would it be worthwhile?

Mr. DORN. I might say to my good colleague who has mentioned the right-to-work law several times [laughter], we will get to that later on in this session of Congress, but I would like to say that I have my own personal knowledge of one plant that is the division of a larger corporation that came to my district and actually, I think, this plant by making the profit that it is making is making a contribution to the overall corporation to the extent that it is helping the other sections of the country where they are not really making as much profit as it is on this particular division.

I might say for the defense of my own area that the contractor who constructed this plant said that it took exactly 6 months to build this plant whereas it would have taken 1 year in other sections of the country, which really was attributed I thought to the people in that area, their willingness to work—no disparity to those in other sections—and also the advantage of not having to wait for some other group to drive a nail or to put a screw in, and a lot of things that arise like that, and I just wanted the record to show that there are a lot of other considerations.

My State does not have this provision of policy of getting industry into it by the tax-exempt bonds—we don't have it, and I do not recommend that.

I think that the community that is able to go out and attract industry and then put the money up is really not too much in need of it.

Mr. HEYN. When a company moves into a community such as you described because they can build a plant faster, cheaper—these are the kinds of considerations that make this country strong. It is when we put the artificial things in that we are tampering with our vitality.

Mr. DORN. Thank you.

Mr. BLATNIK. Any other questions? Mr. Cramer.

Mr. CRAMER. I think you brought out some extremely valuable points. Would you care to comment in that you indicated to the gentleman from South Carolina that your testimony is directed largely to title 2, which is the Public Works Committee version of ARA.

Would you care to comment on title 1 which is APW which of course is a temporary type of thing which cost about an average of \$14,000 per year per job?

Mr. HEYN. Well, sir, it seems to me this one gets involved in a situation that becomes very subjective as to whether we can afford, as a country, to put money into public works in order to improve the community, and it may be that we can and that we should. The point was made here this morning and I think it is appropriate that having once done that it not only improves the health and general characteristics of the area, but it increases the possibility that these areas will come to be more prosperous and will tend to interest industry in coming in.

As far as I am concerned, I don't know the answer to that. I think the price seems pretty high.

Mr. CRAMER. Well, the price on this is a few hundred and 50 million per year indefinitely.

Mr. HEYN. Yes, sir. It seems very high indeed.

Mr. CRAMER. This money can be made available to almost any type.

Mr. HEYN. Yes, sir.

Mr. CRAMER. Public utility with the exception of city halls and a few things like that. The question is should the Federal Government put up the money for all types of Federal facilities including swimming pools, golf courses, ski slides, and recreational facilities of that nature?

Mr. HEYN. I would have to say to you that my personal persuasion would be, No. On the other hand, as a country we have come to a point where certain, not immediately recognizable, economic benefits are something that can and should be done, but I really don't profess to have an answer on that.

Mr. CRAMER. The question is whether the money is available to do it.

Mr. HEYN. Yes, sir.

Mr. CRAMER. Title 2, section 202(3) provides for the 2 percentage point subsidies for companies financing from nongovernment sources—about \$5 million annually is authorized for that.

Mr. HEYN. Yes, sir.

Mr. CRAMER. What would be your comment on that?

Mr. HEYN. Well, we feel that this falls right in the category of providing artificial incentives for people to do things that otherwise might be uneconomical.

Mr. CRAMER. This is a new program?

Mr. HEYN. I think, yes. I am not sure if this would extend just to marginal companies—companies that could not get their funds elsewhere—or whether it is that—as someone mentioned this morning—a good many blue chip companies would be interested or could qualify.

In any case, it seems to me that we are introducing something that is uneconomical in terms of equating what this new company would do in relationship to all of the people with whom they would be competing.

Mr. CRAMER. Well, you brought out an interesting point, relating what effect these subsidies are on the balance of the industry. I would like to get on the record your thoughts as it relates to the actual marketing of the product between the two industries involved—one subsidized and one not, that will give the subsidized industry an op-

portunity to have a marketable product at less cost to the consumer and that has the effect on the competing industry, does it not?

Mr. HEYN. Well, it would seem reasonable that if the original company which was able to make itself successful without a subsidy was run on the proper basis that the competing company coming in with some help that isn't available to the first company, that these people would have an edge.

On the other hand, I have a feeling that any company that needs a subsidy to move into a market probably will not be as well run and probably will just end up either unsuccessful or have a disorganizing effect on the market.

I want to say quickly that I don't think that American industry wants an organized market, but they want good competition. I think this is so essential to our proceeding here.

Mr. CRAMER. Well, the very criteria set out in the legislation and in the present law is to the effect that the industry involved is not sufficiently sound to get the money elsewhere.

Mr. HEYN. Yes, sir.

Mr. CRAMER. So that in itself would indicate it is somewhat marginal in nature, would it not?

Mr. HEYN. It seems so.

Mr. CRAMER. Now, on page 7 you discuss—and I think it is very important—and that is the question of subsidizing the enterprise to locate in an area where it would not otherwise locate.

Mr. HEYN. Yes.

Mr. CRAMER. And having the effect thus of artificially employing people in an area where otherwise through retraining or whatever—you touch on retraining, of course we have job retraining, it has the method of getting at the basis of the unemployment problem. Would you care to comment on the basic concept of artificially inducing the employment of people in a given area where the natural flow of employment would result in their moving to a place whereupon it was available if they were qualified to take—

Mr. HEYN. Yes, well, I can best illustrate that by talking about this new plant out in Grand Island, Nebr. We very carefully surveyed our market for product lines that we will be building there. We very carefully looked at all of the factors that we felt would affect inbound and outbound freight, the desirability of labor and so on. We decided that we would go there because of these things—all of these things seemed to point to that spot or something very close to it.

We have had calls from I don't know how many Governors. The word got out. We didn't mean for it to.

Mr. CRAMER. It usually does.

Mr. HEYN. The phone would ring, and so and so from so and so would say I am just going to happen to be in your area next week. We would have to say, "Oh, look."

These inducements ran all over the line—all the way from training people—subsidized training people—to improving the land, to provide the area to build the plant and rent it to us under this bond program that was mentioned here a little earlier; and we just felt that if we took this kind of an approach we would be losing sight of our basic objective.

Also, if the local community makes a substantial—this is a little off the subject—but I think it is important. If the local community makes a substantial cash contribution or tax-exempt contribution, I think they are delighted in the first year that you are there, and a little less delighted the second year, and in the third or fourth year they begin to think of you in terms of people they are subsidizing.

Mr. CRAMER. The figure that you cite on page 9 suggesting that under ARA according to this—to the 1965 issue of "Redevelopment" \$171.5 million was spent and some 66,000 jobs were created, and then the Comptroller General said that it was overstated by 128 percent. If that is the case, the actual figure of new jobs created including the direct and indirect would be about 50,000—still \$171.5 million.

Mr. HEYN. Yes, sir. With the further qualification, I don't think you can tell really what jobs were created because of the ARA program and what were created by the booming economy of the country.

I don't know of a plant in our industry that isn't bursting at the seams right now. I think it is true of most metalworking companies, and maybe to a large extent in most industry.

So, it is hard to tell what is due to this general economic boom and how much is due to this particular program. I would be inclined to discount this.

Mr. CRAMER. Assume this were true at that rate, the cost—well, it cost about \$17 billion to take care of the 5 million unemployed.

Mr. HEYN. Yes, sir.

Mr. CRAMER. That is all I have.

Mr. BLATNIK. Mr. Cleveland?

Mr. CLEVELAND. Mr. Heyn, did your association take a position on Appalachia, the Appalachia legislation?

Mr. HEYN. I will have to say to you, sir, I do not know. One of the association members is here. I could ask him.

Mr. CLEVELAND. Is somebody with you that can tell you that?

Mr. HEYN. Yes, sir.

This is Mr. Cannon. He is with the National Association of Manufacturers and, I think, could address himself to that question.

Mr. CANNON. My name is Daniel W. Cannon. I am policy executive of the Industrial Environment Division of the National Association of Manufacturers, and we did file statements on the Appalachia legislation, and basically we opposed the legislation. We thought it discriminated between certain parts of the geography of the country and certain other parts. We felt that actually Appalachia in some ways is not really an integral economy in and of itself. There are more differences between a northern and southern part of Appalachia than there are between Appalachia and the rest of the country.

Mr. CLEVELAND. The reasons for opposing it are not material to my question. I just wanted to know.

Mr. CANNON. I am sorry.

Mr. CLEVELAND. I would also like to inquire if your organization has taken a position in connection with the Small Business Administration that makes loans, as you know, to small businesses. Have you taken a position on that?

Mr. CANNON. We haven't filed any statement on that legislation to my memory for quite a number of years.

I would say in general that our broad policy position in itself—and it is quoted in our testimony here—our board of directors just adopted in February this year and that is, we expressed sympathy with the general idea, that it is conceivable, new problems coming along, new programs may be needed; but we would hope that they would be financed by cutting back on some of the older programs and that they should avoid bypassing the States and thereby establishing direct Federal-local relationships and definitely should avoid the promotion or subsidy of individual business enterprises.

Mr. CLEVELAND. Well, we are faced with a situation where we have the Small Business Administration that is established and one of the lines of inquiry that I am interested in—why can't the Small Business Administration perform some of these loan functions that the Area Redevelopment Administration is being called on to perform under this legislation, and this is why I asked the question what your position might be on the SBA?

Mr. CANNON. In general we don't approve of a proliferation of Government agencies and we are definitely in favor of the greatest possible streamlining of organization.

Mr. CLEVELAND. Your presentation here doesn't refer to this point and that is why I asked the question.

The only other question I want to ask you is this: Dr. Levitan who was quoted previously here, was he not one of the earlier proponents of ARA. In fact did he not have something to do with evolving the concept of ARA?

Mr. CANNON. It is my understanding that he was perhaps the major technical draftsman of the original bill.

Mr. CLEVELAND. So his criticisms then of the program would have a special weight in view of the fact that he was the author to some extent of the program.

Mr. CANNON. I would have to be fair to Dr. Levitan and say that he has made some objections to what he calls being quoted out of context. I think his book is a very objective appraisal of the act—actually he is in favor of the general principle—but I think that because his book is objective that this lends all the weight to the defects that he has pointed out so well in his book.

Mr. CLEVELAND. I have no further questions.

Mr. BLATNIK. Thank you very much.

(Witness excused.)

Mr. BLATNIK. We had hoped to conclude this before lunch but several members of the minority have a luncheon commitment.

(Off the record discussion.)

Mr. BLATNIK. The hearing will be recessed until 2 o'clock this afternoon.

(Whereupon, at 12:39 p.m., the committee was recessed, to reconvene at 2 p.m. the same day.)

AFTERNOON SESSION

Mr. BLATNIK. The House Public Works Committee will please come to order resuming public hearings on Public Works and Economic Development Act of 1965, H.R. 6991, and related bills.

Our first witness will be Mr. Jack McDonald, chairman of the board of supervisors of Wayne County, Mich.

Mr. McDonald, I understand you have a 3 o'clock plane you are trying to get.

STATEMENT OF JACK McDONALD, CHAIRMAN, BOARD OF SUPERVISORS, WAYNE COUNTY, MICH.; ACCOMPANIED BY C. D. WARD

Mr. McDONALD. That is correct.

Mr. BLATNIK. We certainly appreciate your being here all day long to be available. We will try to proceed as expeditiously as we can.

Mr. McDonald, for the record, will you tell us about your association, your official capacity with the National Association of Counties? I believe you are testifying on their behalf; is that correct?

Mr. McDONALD. Yes; I am testifying on their behalf and my county, Wayne County, Mich., is a member of the National Association of Counties. I am testifying for the association in my capacity as being chairman of one of the member counties.

NACO, as we call our association, has formally indorsed both the Area Redevelopment Administration and the accelerated public works program, as indicated by sections 7-7 and 7-8 of the "American County Platform," our official policy statement. Those sections read as follows:

Economic growth: We endorse a joint effort by the Federal, State, and local governments to instigate effective programs for reducing substantial and persistent unemployment and underemployment in qualified areas of the country and to help maintain a continuing high level of economy throughout the United States. We endorse the Area Redevelopment Administration and encourage county government to work with it in a joint effort to alleviate persistent unemployment and underemployment and to provide a better opportunity in the future for all areas to obtain their fair share of the Nation's future economic growth.

Now we go on in the area of the accelerated public works program:

The National Association of Counties finds the accelerated public works program has proven to be of great value in creating urgently needed community facilities. The grant assistance under that program has made it possible for local government to provide a wide range of public works which could not have been built now without this aid. This is particularly true since the aid is directed to places with serious unemployment problems which sap the financial strength of local government.

These problems, in many cases, have made it necessary to defer construction of water and sewer facilities, the building and repair of roads and similar projects which are not only needed to meet required levels of public service but, in many cases, are essential to local economy growth.

The National Association of Counties endorses the accelerated public works program and urges an extension of the program through further financial authorization.

Now, additionally, the National Association of Counties strongly supports the principle of voluntary cooperation among all levels of government concerned, particularly between counties and other local officials. We note the evolution of various voluntary regional cooperation groups consisting of local units of government whose officials sit down together, study the problems and, in the spirit of the give-and-take of the conference table, evaluate the facts in an endeavor to arrive at sensible, politically acceptable solutions.

Now, our American county platform also notes, in section 2-4, that :

Certain common problems facing our citizens, such as transportation, planning, water supply and sewage, civil defense, open space, industrial development, and others which transcend local geographical borders, must be approached from an areawide point of view, because existing governmental units acting alone are not capable of finding equitable and effective solutions.

Based upon the foregoing, it is readily apparent that the National Association of Counties endorses H.R. 6991. However, we do have one major objection to the bill, and that is with respect to designations of the economic development districts. Concurrent with this objection is our concern with the procedures of developing the plan for these districts. As previously indicated, we are firmly in agreement with the concept of regional cooperation; however, we believe the key to the solution of these regional problems rest in the first instance with the officials whom the citizens select and control through the election process. Furthermore, such a regional approach should be guided by three basic principles of regionalism: One, it must be voluntary; two, it must be under the control of elected officials; and, three, it must preserve the integrity of existing units of government.

You will note that in section 403(a) (1) (D), in order to designate an appropriate economic development district, the proposed district must have a district overall economic development program which includes adequate land use and transportation planning and contains a specific program for district cooperation, self-help and public investments, and is approved by the State or States affected and by the Secretary. Furthermore, in section 403(b) (2), the Secretary of Commerce is authorized to cooperate with the State in sponsoring and assisting district economic planning and development groups and, in assisting such district groups, to formulate district overall economic development programs. Now, the question that immediately arises in our minds is, what will be the composition of these planning and development groups?

It is our opinion that these groups should be ones created by and under the direction of the local general purpose governments, counties and cities, which will make up the economic development districts. Furthermore, that the designation of the economic development districts, as provided for in section 403(a), should be with the concurrence of the States and appropriate units of local general purpose governments, rather than just the States as is now the case. Now, we will elaborate on this latter recommendation later in our statement.

We realize that, in some instances, because of constitutional or statutory prohibitions at the State level, the political subdivisions are not in a legal position to take the planning responsibility specified in the bill. However, where the local governments cooperating together are legally capable of creating the desired planning groups, they should be provided for in the bill itself, the committee report and the implementing regulations. You will have a far better opportunity of obtaining the required ingredients of the economic development plan; that is, adequate land use, transportation planning, district cooperation, self-help and public investment, if the plan is developed by authorities who have those responsibilities—the local governments.

In a letter commenting on H.R. 6991, the Advisory Commission on Intergovernmental Relations stated, "The Commission supports the

basic structure for implementing the program that would be authorized by H.R. 6991 to the extent that it is designed to coordinate economic developments projects on a broad geographical basis, and to insure that individual projects meet the development plans of the total area. The Commission, in its report, "Impact of Federal Urban Development Programs on Local Government Organization and Planning," recommends that Congress, as a matter of general practice, authorize and encourage the planning, administration, and performance of work jointly by local governments to meet areawide needs that extend beyond traditional boundaries. However, in that report and its report, "The Problem of Special Districts in American Government," the Commission called attention to the difficulties of securing coordinated development of government programs where special districts are utilized as the vehicle through which an individual program is implemented in a local area.

In both reports, one relating specifically to urban communities and the other to local governments generally, the Commission deplored the practice under which many Federal programs encourage the use of special districts, authorities, and other institutional arrangements to the detriment of general purpose units of government, meaning cities, counties, and towns.

NACO feels that its request is in keeping with the basic principles of the legislation as outlined by President Johnson in his special message on public works and economic development. In that message, he stated that no economic development district would be designated unless the State and local people want it to be designated; no plans would be approved unless it also has the approval of State and local authorities.

Now, as you will note in section 403(a)(1), the designation of an economic development district requires the concurrence of the States in which such districts will be located. However, the language does not require the concurrence of the local units of government in which such districts will be located. To this point, we would refer to the above-mentioned statement of President Johnson, and especially the words, " * * * approval of State and local authorities."

Now, we suggest section 403(a)(1) be amended to read as follows:

(1) to designate appropriate economic development districts within the United States with the concurrence of the (appropriate units of local general purpose governments) and States in which such districts would be wholly or partially located, if * * *.

We feel that H.R. 6991 has great merit and the concept of the economic development district is excellent if its development and designation are guided by the suggested principles. We do not envision the suggested amendments to be a hindrance to the program; rather, just the opposite. The State of Georgia already has in existence a program which creates an organization somewhat similar to the economic development district. The regions created are called area planning commissions, and in that program, the county governing body must vote for the county to participate in the commission. As of today, there are 16 of these commissions, which include 134 of the 159 Georgia counties. There are currently plans underway to create another new commission, comprised of approximately five counties.

Aside from the basic governmental principles involved, there is the practical problem of implementing the economic development district's plans and coordinating them with the existing programs and plans of the constituent local governments. It would be these local governments who would continue to have the responsibility of such functions as highways, land use, zoning, and so on. These local governments will also be required to provide the matching funds for the public works and development facilities proposed in title I of the bill.

By giving preference and encouragement to planning groups organized by and under the direction of local government authorities, and by requiring the concurrence of these governments in the designation of economic development districts, you obtain their commitment, involvement and cooperation from the beginning of the project, all of which are vitally important for the success of the program.

We certainly appreciate the opportunity of appearing before you today and would be pleased to answer any questions that we may concerning the subject.

Mr. BLATNIK. Mr. McDonald, you have made a very impressive statement. I am very much impressed.

I assure you that very careful thought and discussion will be given to your recommendation that the local governmental subdivisions, the units, are permitted to participate more and more effectively in this program of regional or district economic groups.

Our experience with the local governmental units has been most satisfactory, both heartening in the case of water pollution control projects and in the case of the accelerated public works program. I am very impressed with the initiative, the sense of responsibility and duty of the cities and villages and towns and counties.

We appreciate your appearance here today.

Mr. McDONALD. Thank you very much, Mr. Chairman.

Mr. BLATNIK. The next witness, Dr. Charles Tiebout, department of economics, University of Washington, Seattle, Wash.

STATEMENT OF DR. CHARLES TIEBOUT, DEPARTMENT OF ECONOMICS, UNIVERSITY OF WASHINGTON, SEATTLE, WASH.

Dr. TIEBOUT. Thank you, Mr. Chairman.

My name is Charles M. Tiebout, and I am professor of economics and codirector of the Center for Urban and Regional Studies at the University of Washington.

I appreciate the opportunity to testify on the proposed Public Works and Development Act of 1965. I think it is perfectly consistent to argue that while the area redevelopment program and the accelerated public works program have been helpful in eliminating unemployment and underemployment in the less fortunate areas of our Nation, at the same time, to point out that even more needs to be done. As an economist whose main area of interest is regional economics, I appreciate the fact that there are no quick and easy solutions to the problems of the chronic underutilization of resources, especially human, in the regions of our Nation. Nevertheless, steps can be taken to bring lagging areas more fully in step with a growing national economy. Many of these steps are now presented in the bill before this committee. Let me underscore a few of these and add some suggestions of my own for consideration by this committee.

Basic to my view of area development is the concept that regions merely as geographical spaces have no interest for us; rather it is the people within these regions who interest us. Therefore, I heartily endorse the conclusion of the statement of purpose of the bill under consideration which states:

Under the provisions of this act, new employment opportunities should be created by developing and expanding new and existing public works and other facilities and resources, rather than by merely transferring jobs from one area of the United States to another.

I do not support programs and policies which do not promote U.S. economic growth, regardless of what particular benefits accrue to a particular region.

In order to save the time, allow me to touch upon a few highlights which I think merit the committee's attention.

Under title II, section 201(a) (1), the criteria for public works are specified. I wonder might not an additional criterion be added to the effect that projects which rely substantially upon the utilization of unemployed or underemployed resources of the area shall be given special consideration. The rationale for this consideration is quite simple: If the human and physical resources are otherwise unused, the real cost of the project to society is small and it should be remarked that some of these comments apply to public works loans as covered in title II.

The effectiveness of the public facility loans and grants provision will depend in large part upon the thought and study communities give to desirable projects. The intent of the act is to provide those public facilities which will help to foster the long-run economic development of the area, not simply to promote the well-being of residents. This is an appropriate standard. At the same time it is one that requires careful design and engineering planning. I suggest after the program gets underway that the committee consider adding some funds to the technical assistance program, title III, to enable communities to prepare design plans and priorities for these projects: plans and priorities specifically related to this overall economic development program.

As a regional economic analyst I deplore the fact that little data is available on our Nation's regions and that too little basic research has been carried out covering the economies of communities. At the same time I fully appreciate that the Congress cannot support research for its own sake. At some time or other information developed must be useful as a policy guide. In this connection I do think that the basic research program of ARA, which I have been following with interest, is beginning to bear fruit. Let me illustrate this with reference to an ARA-sponsored study conducted by Professor Delano of the College of Business Administration at the University of Washington. This study is in its final phase and the report will be available shortly.

This particular study deals with the crucial question of new business formations in communities. A basic reason for undertaking this study is the fact that in most communities of the Nation the largest firms are not branch plants which located in the area, rather they are businesses which started locally. In turn, this indicates that one of the

best sources of development potential lies within the individual communities. Policies and programs which help these people form new businesses are to be encouraged.

It may seem that Federal, State, and local groups are already promoting this type of growth. Is this the case? Professor Delano's study interviewed over 400 new business firms in both a redevelopment county in Washington, the Yakima and in a larger county, King County, with Seattle as the central city. The study, in effect, followed the actions of the entrepreneurs who started these businesses from the time they first got the idea to go into business for themselves until their first sale. In Yakima during the period under study no new branch plant manufacturing firms located in that county. Yet over 30 started up locally. Now, to be sure, some have since failed and others may remain small. Nevertheless, here is, perhaps, that area's only real hope for the future. Yet in this process of "growth from within" through new business formation, of the over 400 entrepreneurs who started businesses in the counties less than half a dozen had any contact with a Federal, State, or local agency in the process of forming the business. While the findings are preliminary it does seem that much of our efforts to aid small business development really are not getting through. And in turn, I suggest that this committee may wish to consider adding provisions which will help small business at this early stage.

Thank you.

Mr. BLATNIK. Thank you, Dr. Tiebout, for a very interesting and significant contribution.

Dr. TIEBOUT. Thank you.

Mr. BLATNIK. It certainly required thoughtful information not too readily available; am I correct?

Dr. TIEBOUT. Not too.

Mr. BLATNIK. In this last conclusion, in this process of building from within through new business formation—

of the over 400 entrepreneurs who started businesses, less than a half-dozen had any contact with a Federal, State, or local agency in the process of forming the business.

You concluded:

I suggest that this committee may wish to consider adding provisions which will help small business at this early stage.

Would you amplify that thought?

Dr. TIEBOUT. Yes, I can throw suggestions out, but they have to be interpreted in that spirit, because this is a very complicated process.

It seems that the process of starting these—these are not branch plants, I am talking about people in the local area in the process of starting up a business, in trying to find out what somebody does when he starts it. The main contact with lawyers, accountants, and bankers, is always in their role as lawyers, accountants, and bankers; never in any promotional effort.

I am wondering if it might be fruitful—we really have to be imaginative and try some things here—to see if we can focus down a bit in terms of small business concepts.

For example, technical assistance. Take a small business management, and I mean very small, under 20 employees, of the Worcester,

Mass., type, a plan that went into effect about 1948 or 1950, where people were available free to provide advice in sales, accounting, promote production, and so forth. Perhaps this is something that could be sponsored at a district level in terms of the Area Redevelopment Administration Act. Perhaps it could not effectively be run through Government organization, I do not know.

Another thing, perhaps again it might be fruitful to consider under the public works construction of a small, if you want to, partitionable manufacturing building with space up to 10,000 available free for 1 year to any small firm that wants to start from within. Again, I am not talking about dragging somebody in from the outside, simply to cut the cost of the rent.

These are the kinds of suggestions, Mr. Chairman. A little bit brainstormy, or lack of brainstorming.

Mr. BLATNIK. We ran into that problem in northeastern Minnesota in an area of significant unemployment, when we started initially back in 1961 with ARA each little community only a few miles apart, its own little development, these communities had these committees. Unfortunately none of them had enough experience in the business of developing or encouraging industries to get started, expand, or modernize. So we organized a group of counties; about eight or nine counties were organized into what was called the Northeastern Minnesota Economic Development Association. They raised through voluntary contributions by industry, farm groups, civic groups—there was a substantial amount of money to hire a first rate, top grade, experienced promotional, economic, and technical specialist doing this work elsewhere, making technical contacts with industry, so we were approaching it on an area-wide basis. So far we are in the beginning stages. It is most encouraging.

We are now tapping the difficult problems you state, which is a slow painful building up process. We are attacking it with more professional skill and competence and a more realistic sense of direction based on actual facts as to technical feasibility, economic feasibility, transportation aspects, what type of industries would be conducive to the type of area. You wouldn't want a garment factory where opportunities abound for wood products.

I am very impressed with your statement.

Are there any other questions from the committee?

Thank you very much, Doctor.

Our next witness, Mr. Matt Triggs, assistant legislative director, American Farm Bureau.

We welcome you back, Mr. Triggs, and simultaneously apologize for keeping you waiting so long.

STATEMENT OF MATT TRIGGS, ASSISTANT LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU

Mr. TRIGGS. That is all right.

Mr. BLATNIK. And at the same time we welcome you, one who has been a most welcome witness on previous occasions before this committee. We are pleased to have you here again.

Mr. TRIGGS. Thank you.

I do appreciate the opportunity to present our views.

When we were discussing in our office the question as to whether or not we should appear in opposition to the bill, we used such descriptive adjectives as perhaps "foolhardy" or "futile"; but at any rate, we agreed it would be maybe a character-building experience and maybe I ought to have some of it.

I do think there are some questions, considerations that have not been presented to the committee and that should be in the record.

I am not going to read all of our statement, Mr. Chairman. With your kind permission, I would like to read excerpts from it.

Mr. BLATNIK. Yes.

Mr. TRIGGS. And then the part that I do not read, incorporate as though read.

Mr. BLATNIK. Yes. Your statement will be included in full.

(The prepared statement of Mr. Matt Triggs follows:)

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION PRESENTED BY MATT TRIGGS, ASSISTANT LEGISLATIVE DIRECTOR

We welcome the opportunity to present the views of the American Farm Bureau relative to the provisions of H.R. 6991.

The American Farm Bureau Federation is a general farm organization entirely supported by dues voluntarily paid by 1,647,000 families, members of over 2,750 county farm bureaus in 49 States and Puerto Rico.

This statement is based on policies adopted by the elected voting delegates of the member State farm bureaus at our last annual meeting.

PUBLIC WORKS

It is our position that expenditure policy and procedure for public works programs should be in accord with the following principles:

1. It should be the responsibility of Congress to decide (a) how much money is to be spent for each category of public works, and (b) the manner in which the funds provided for each category of public works are to be allocated among the States.

2. The funds appropriated for each such program should be allocated to States, and the administration of the program and allocation of funds within the State should be a State responsibility, with appropriate verification and audit by Federal agencies.

Most grant-in-aid programs adhere to this pattern. Thus, in the highway program, the water pollution program, the agricultural research and extension programs, the hospital construction program, and many others—Congress determines how much is to be spent for each such program, and establishes a formula for allocating such funds to the States.

H.R. 6991 does not adhere to the above concepts. It appears to us that the approach of the bill is faulty in the following respects:

1. The bill would involve abandonment by the Congress of its responsibility to decide how much money is to be spent for each category of public works and how this money is to be divided among the States. In lieu thereof the bill would authorize the appropriation of a "pot of money" to the executive branch, which would be delegated responsibility for deciding for what purposes, by whom, and where the money would be spent.

2. The bill does not provide for an allocation of funds to the States. The States are, in fact, bypassed, except as the executive branch chooses to utilize State institutions. The grant and loan funds will be allocated directly by Federal agencies to such State, local units of government, Indian tribes, or public or private nonprofit organizations or associations, as the executive agency may decide.

Thus, two of the vital constitutional issues of our time are involved in the bill under consideration.

First is the erosion of the power of the legislative branch by the progress of delegating broad powers and legislative responsibility to the executive branch.

Second is the submergence of the States as independent policymaking governmental institutions and the substitution therefor of supervision and direction of local affairs by Federal agencies.

PUBLIC WORKS AND UNEMPLOYMENT

The question of whether an expansion in Government expenditures for public works will, or will not, be an effective means of reducing unemployment is not the simple question it may at first appear to be. Monetary and fiscal factors are involved. A conclusion that may be valid under certain circumstances may be invalid under others.

The argument that an increase in Government expenditures for public works would increase employment is valid only at such times as an increase in such expenditures can be made without producing an offsetting reduction in private investment and consumption expenditures.

In an increase in Government spending is financed by taxes, the funds available to finance private consumption and investment clearly will be reduced. Federal expenditures not paid for by taxes must be paid for by borrowing. When the Federal Government enters the money market to borrow money it necessarily absorbs funds that would otherwise be available for private investment and consumption. In our economy it is rare indeed that there is a reservoir of unused money that can be borrowed by the Government without affecting investment and consumption expenditures of the rest of the economy. Virtually all funds are being used for one purpose or another. Thus, when the Government competes in the money market, it necessarily must bid the available supply away from other potential users.

It is, of course, true that the costs of public works can be financed by bank credit if the money supply is increased. But this does not change the situation significantly because the same increase in the money supply could be used to expand private investment and consumption. Furthermore, the size of any increase in the money supply must be limited if inflation is to be avoided.

Thus, the argument that an increase in public works expenditures has a favorable effect on total employment is not valid under current monetary and fiscal circumstances.

An important supplementary factor is this: Most public works programs require the employment of comparatively skilled workers. With the steady improvement in construction technology this is increasingly so. Under current conditions there is virtually no unemployment among workers so skilled. Unemployment is most serious among workers whose skills have become obsolete or who have no readily marketable skills. In general, a public works program does not provide the kind of jobs that can be filled by the currently unemployed.

In a period of recession public expenditures for public works can be effectively used to provide employment. In this circumstance, the program can be safely financed by bank credit (by expanding the money supply) without fear of inflationary consequences. Under these circumstances such expenditures can have an important countercyclical effect—although it may be difficult to administer this policy because the increased expenditures for public works may reach a peak after the economy has already made a substantial recovery from the recession that precipitated the increase in expenditures.

AREA DEVELOPMENT PROJECTS

The program of private loans and grants authorized by the bill is at least a collateral descendant of the Area Redevelopment Act.

The basic economic principle of any society is that human needs and wants are unlimited, that capacity to satisfy those needs and wants is limited, and that the test of the internal organizational effectiveness of the economy is the efficiency with which it allocates natural, human, and capital resources to meet human needs and wants.

In the United States we have traditionally left the primary responsibility for allocation of resources for commercial enterprise to the operation of economic forces, rather than governmental decision.

We believe that if we retain the concept that economic factors should be the primary guide for the allocation of resources for commercial purposes, we will allocate them most efficiently. In other words by this means we will create more employment, more national wealth, and greater contribution to living standards per dollar invested and per man employed.

The Joint Economic Committee used the following language to describe this concept:

"The American economy is based on the concept that the marketplace can best allocate resources, and best increase and divide the Nation's wealth. Our liv-

ing standards, surpassed by none, have been achieved by reliance on free competition, decentrilized economic power, free access to markets, and marketplace allocations of goods and services" (1965 Joint Economic Report, H. Rept. No. 175).

The proposed bill goes a long way toward transferring from the market and to a government agency the responsibility to decide where commercial investments are to be made and for what purposes. During a 10-year period a total of \$2.2 billion of direct loans could be made for commercial purposes in redevelopment areas and economic development districts and an additional \$2.5 billion of private funds could be induced by interest subsidies to undertake governmentally approved commercial projects in such areas.

We submit that it is inevitable that this will represent a less efficient allocation of resources and therefore will meet human wants and needs less adequately than if the investment had been guided by economic factors.

When resources are allocated by decision of an agency of government it is inevitable that factors other than economic factors will be given consideration.

Local enthusiasm and local support for a Federal grant or loan may acquire influence and support for the project, even though independent appraisal would indicate—

The project unnecessarily duplicates nearby facilities, or

The project is not located at the place with optimum relationship to supplies, transportation, or markets, or

The project is not sound enough to attract private capital, or

The increased employment incident to such project is a substitute for employment that would otherwise have been provided elsewhere, or

The project may discourage private development that would otherwise have occurred without the necessity for public financing, or

The project is unfair competition, for other businesses which have financed their own development. This would be particularly so if interest subsidies are paid on approved projects in depressed areas as proposed in the bill.

We would like to present an example of wasteful allocation of resources under Area Redevelopment Administration.

The Area Redevelopment Administration's directory of approved projects as of September 30, 1964, lists loan approvals of \$17,568,000 for food processing and marketing projects which is said will provide 7,071 new jobs.

We do not know of any food items that have not been supplied consumers in plentiful amounts. If consumers need more of any conceivable food product, farmers and the existing food processing industry are well equipped to provide an additional supply. If expansion in capacity for the processing of any food item is needed, the industry is capable of providing such increased capacity.

Actually, the food industry currently has one of the lowest ratios of use to capacity of any industry in the United States. In 1964 the food and beverage industry operated at 79 percent of capacity, compared to 88 percent of capacity for all manufacturing (p. 90, 1965 Economic Report of the President).

Thus this \$17 million of loans represented an extremely wasteful use of resources. If 7,000 new jobs were actually created, there was a corresponding reduction in jobs elsewhere.

We do not see how it is possible to avoid the conclusion that the same situation applies to other ARA loans. They did not create more jobs. They just transferred jobs from one place to another.

When this occurs in clearly identifiable form, it is referred to as job piracy and is frowned on. But actually job transference is an inevitable part of any governmentally aided business development. Jobs channeled into certain areas will be drawn from other areas (intentions to the contrary notwithstanding). Some communities lose business prospects, new job-providing and income-producing opportunities, because Federal money, supplied by all taxpayers, is allocated to other areas.

The job-transferring effect of the program would be accentuated by the proposal to subsidize interest rates in redevelopment areas. As stated by Secretary of Commerce Connor, "the new interest rate rebate provisions would provide a new means of bringing more stable and promising business enterprises, which are able to obtain private financing, into depressed areas." It would appear that to the extent this program is effective in "bringing more stable and promising business enterprises * * * into depressed areas" investments induced thereby will inevitably be investments which would otherwise be made elsewhere. Investments which are relocated by interest subsidies represent inefficient allocation of resources.

The funds used by Government for such commercial loans would be taxed from or borrowed from the private economy. If left in the private economy such funds would be utilized elsewhere, for consumption or investment, in either case contributing to total employment and income in a comparable amount as though disbursed by Government for ARA program purposes.

We do not regard this process as an efficient or desirable means for commercial development to best serve the interests of the people of the United States.

THE REGIONAL PLANNING COMMISSIONS

We see no real purpose for title V, authorizing regional planning commissions.

This appears to have been included because a similar provision was included in the Appalachian bill. But in S. 1648 it is sort of a fifth wheel, not really necessary for any other feature of the bill.

Irrespective of whether the proposed regional commissions do or do not have a purpose, we wish to express a continuing concern that regionalization of public programs has a tendency to impair State and local authority and responsibility, and is not generally necessary to accomplish desirable or desired objectives.

For the reasons summarized above we do not favor the enactment of S. 1648.

Mr. TRIGGS. Thank you, sir.

Under "Public Works," we say:

It is our position that expenditure policy and procedure for public works programs should be in accord with the following principles:

1. It should be the responsibility of Congress to decide (a) how much money is to be spent for each category of public works, and (b) the manner in which the funds provided for each category of public works are to be allocated among the States, and

2. The funds appropriated for each such program should be allocated to States, and the administration of the program and allocation of funds within the State should be a State responsibility, with appropriate verification and audit by Federal agencies.

Most grant-in-aid programs adhere to this pattern. Thus, in the highway program, the water pollution program, the agricultural research and extension programs, the hospital construction program, and many others, Congress determines how much is to be spent for each such program, and establishes a formula for allocating such funds to the States.

Then we have several paragraphs expanding on the idea that this concept of public works legislation is not carried forth in the bill under consideration.

May I turn to page 3, and the second paragraph under "Area Development Projects":

The basic economic principle of any society is that human needs and wants are unlimited, that capacity to satisfy those needs and wants is limited, and that the test of the internal organizational effectiveness of the economy is the efficiency with which it allocates natural, human, and capital resources to meet human needs and wants.

In the United States we have traditionally left the primary responsibility for allocation of resources for commercial enterprise to the operation of economic forces, rather than governmental decision.

We believe that if we retain the concept that economic factors should be the primary guide for the allocation of resources for commercial purposes, we will allocate them most efficiently. In other words, by this means we will create more employment, more national wealth, and greater contribution to living standards per dollar invested and per man employed.

The Joint Economic Committee used the following language to describe this concept:

The American economy is based on the concept that the marketplace can best allocate resources, and best increase and divide the Nation's wealth. Our living standards, surpassed by none, have been achieved by reliance on free competition, decentralized economic power, free access to markets, and marketplace allocations of goods and services.

The proposed bill goes a long way toward transferring from the market and to a Government agency the responsibility to decide where commercial investments are to be made and for what purposes. During a 10-year period a total of \$2.2 billion of direct loans could be made for commercial purposes in redevelopment areas and economic development districts, and an additional \$2.5 billion of private funds could be induced by interest subsidies to undertake governmentally approved commercial projects in such areas.

We submit that it is inevitable that this will represent a less efficient allocation of resources and therefore will meet human wants and needs less adequately than if the investment had been guided by economic factors.

When resources are allocated by decision of an agency of Government it is inevitable that factors other than economic factors will be given consideration.

Local enthusiasm and local support for a Federal grant or loan may acquire influence and support for the project, even though independent appraisal would indicate the project unnecessarily duplicates nearby facilities; or the project is not located at the place with optimum relationship to supplies, transportation, or markets; or the project is not sound enough to attract private capital; or the increased employment incident to such project is a substitute for employment that would otherwise have been provided elsewhere; or the project may discourage private development that would otherwise have occurred without the necessity for public financing; or the project is unfair competition for other businesses which have financed their own development. This would be particularly so—and I would like to emphasize this—if interest subsidies are paid on approved projects in depressed areas as proposed in the bill.

We would like to present an example of wasteful allocation of resources under the Area Redevelopment Administration.

The Area Redevelopment Administration's directory of approved projects as of September 30, 1964, lists loan approvals of \$17,568,000 for food processing and marketing projects which is said will provide 7,071 new jobs.

Now, we do not know of any food items that have not been supplied consumers in plentiful amounts. If consumers need more of any conceivable food product, farmers and the existing food processing industry are well equipped to provide an additional supply. If expansion in capacity for the processing of any food item is needed, the industry is capable of providing such increased capacity.

Actually, the food industry currently has one of the lowest ratios of use to the capacity of any industry in the United States. In 1964 the food and beverage industry operated at 79 percent of capacity, compared to 88 percent of capacity for all manufacturing.

Thus this \$17 million of loans represented an extremely wasteful use of resources. If 7,000 new jobs were actually created, there was a corresponding reduction in jobs elsewhere.

We do not see how it is possible to avoid the conclusion that the same situation applies to other ARA loans. They did not create more jobs. They just transferred jobs from one place to another.

When this occurs in clearly identifiable form, it is referred to as job piracy and is frowned on. But actually job transference is an inevitable part of any governmentally aided business development. Jobs channeled into certain areas will be drawn from other areas—intentions to the contrary notwithstanding. Some communities lose business prospects, new job-providing and income-producing opportunities, because Federal money, supplied by all taxpayers, is allocated to other areas.

The job transferring effect of the program would be accentuated by the proposal to subsidize interest rates in redevelopment areas. As stated by Secretary of Commerce Connor:

The new interest rate rebate provision would provide a new means of bringing more stable and promising business enterprises, which are able to obtain private financing, into depressed areas.

It would appear that to the extent this program is effective in “bringing more stable and promising business enterprises * * * into depressed areas” investments induced thereby will inevitably be investments which would otherwise be made elsewhere. Investments which are relocated by interest subsidies represent inefficient allocation of resources.

The funds used by Government for such commercial loans would be taxed from or borrowed from the private economy. If left in the private economy, such funds would be utilized elsewhere, for consumption or investment, in either case contributing to total employment and income in a comparable amount as though disbursed by Government for ARA program purposes.

I will terminate my reading of the statement at this point, Mr. Chairman.

Thank you very much.

Mr. BLATNIK. Mr. Triggs, you present a case that the program does not work, is not effective enough for these distressed areas; it is merely a transfer from other areas.

What would be your solution? What would be your answer? There are 1,000 depressed areas in which millions of people live in virtual economic entrapment.

Mr. TRIGGS. Well, I think the measure of total employment—that is what we are basically interested in—the measure of total employment is related to total demand.

Now, that does not wholly answer the question, because the process by which we increase total demand is indeed a most difficult issue. But the crucial element is people, as you pointed out. And in the long run, it is in the interest of people that resources should be allocated where those resources will be most efficiently employed.

It is not really in the long-run interest of the people that resources be allocated into areas and purposes and uses where they will be less efficiently used for the production of goods and employment, jobs, and everything else.

Mr. BLATNIK. We had one county, St. Louis County, in my district in the heart of severe unemployment. Your testimony is similar somewhat to that of Mr. Heyn, of the National Association of Manufacturers, who speaks of the pricetag; who is going to pick up the tag? Is this a warranted expenditure?

My contention is—I am merely exchanging thinking, I am not engaging in any debate; my contention is, in fact, I point to it as a matter of fact, a public expenditure is being made. To be specific, in St. Louis County, the welfare relief costs in 4 consecutive years were about \$1 million a month or \$12 million a year, annual, recurring, slowly increasing costs, merely to keep people alive to do nothing. So you are spending. Who is paying that bill? Certainly not the unemployed.

Mr. TRIGGS. I would not disagree with that there are real difficult situations of that character. But the basic arguments that I would make is that any program which takes resources away—and that is resources of capital and manpower—from the place where they are most efficiently employed is not in the longrun interest of anybody.

We would do well in such instances, and we do do this of course, to undertake an all-out program of manpower training and development, to equip people to accept employment where there is employment. And there are substantial areas, of course, in the country that are crying today for people who are trained in the kind of jobs that are needed. This is the road to progress in our point of view.

Mr. BLATNIK. I am not going into too much debate. This is the crux of thinking on the problem, how to approach it, how to do something about it.

So we are spending \$1 million a year. The younger people did leave the area. Statistics will show the population is about the same as it was about 25 years ago. The younger people did leave. They sought jobs elsewhere. They went to defense industries in the West, Southwest; primarily in those areas.

But what is a man 40 or 50 years old to do with two-thirds paid on his house, 5 or 6 children, with a boy or girl teenager in junior college nearby? He cannot leave. His major investment is in his home. He cannot sell it, he cannot rent it. So it is a virtual economic entrapment.

You have facilities, in addition to his own personal investments in terms of homes, you have public facilities, schools, waterworks, libraries, hospitals, all established and available in that area.

So I do not think it is a question of additional cost at all. It is merely trying to distribute a little part, at first use some of the expenditures, use them more prudently to help get these areas somewhat on their feet where they become self-supporters and taxpayers, to become fairly active economically in the unit. It can be done.

Mr. TRIGGS. Certainly nobody disagrees with your objective.

I was not exactly raised, but spent some time in a little town in California, Mr. Clausen might recall it, Kennett, Calif., which at one time had been a big town; but when the copper mines and the copper smelter closed down and the railroad closed down its maintenance and repair shops, the town almost disappeared.

This was a depressed area. There were people there with real difficult problems. Yet I expect we could have spent enough money,

we could have invested enough money to have maintained that population with employment, with jobs in that area.

I would suggest that it is not a desirable thing in the long run to have done that, that it would have represented an inefficient utilization of capital and manpower, which are our basic resources.

Now, I do think that the argument that you made about the desirability of utilization of the social investment—the social assets that are in a community—is the best argument for the area redevelopment program, and I think this makes a lot of sense.

I think it is also true, though, that as a general rule, the social assets have declined just as much, have deteriorated just as much as the private capital and private job-providing facilities, so that the two almost have to be brought forward together, and that is a very expensive and often a wasteful operation.

Mr. BLATNIK. Are there any further questions from the committee?

Mr. MCCARTHY. Yes, Mr. Chairman.

Mr. BLATNIK. Mr. McCarthy.

Mr. MCCARTHY. Mr. Triggs made a very interesting statement here. It is a general dissent from the approach.

I am wondering if you object to the idea of public moneys being spent for public works in a depressed area? I am thinking of water lines, sewer lines, which add to the basic potential of that area.

Mr. TRIGGS. Well, let me say that this is the better part of the bill than the part involved in the diversion of private investment into a depressed area.

We do not, and do not by this statement, wish to appear to oppose generally the question of public works expenditures.

We do feel that if there are to be public works programs, it is preferable that the Congress allocate them program by program.

I would not know how to fix up this bill to do this. We do that in the highway program, and although we have not been exactly enthusiasts in the past for the highway program, we certainly never objected to the way it was organized.

I think the water pollution program that this committee was also responsible for is an example of just exactly what we are talking about. The Congress decided how much money should be used for water pollution projects. It allocated that money to the States. It left the States with the primary responsibility for deciding priority within the State, how much each municipality should get.

Well, this may be an old-fashioned concept, but this is our people's idea of the way a grant-in-aid program ought to be run, rather than just appropriating a pot of money to the executive branch to spend it for almost anything—not anywhere but almost anywhere.

Mr. BLATNIK. I have to correct that. It cannot be spent for anything almost anywhere. No. 1, the project must be initiated, requested on a local level. The Federal Government cannot go spend its money anywhere in any way. That is completely wrong.

Mr. TRIGGS. Oh, I grant that.

Mr. BLATNIK. It has to be initiated.

Mr. TRIGGS. Initiated with local interest and support.

Mr. BLATNIK. Initiated in most cases, if not all. It must be a State-local area development program and must be approved and participated in in many cases by the State agency. So all along the

way, you have justifying, not only local, you justify it in terms of technical feasibility, economic soundness, fiscal soundness, right across the board, before it is finally approved here; it is scrutinized and looked at from several different—

Mr. TRIGGS. I do not mean to say there is nothing in this bill involving local consideration on responsibility or even State consideration of responsibility, because there is. But the State really does not have anything to do with deciding where a specified amount of money is to be spent within the State and for what purpose. The State merely approves projects that originate in the local unit of government or local area.

The State may approve a project plan, but this is not the same kind of responsible action as is involved when the State decides under the water pollution program that the total amount of money is to be divided in a manner decided by the State. It is not the same thing in our opinion.

Mr. BLATNIK. Of course, on the water pollution program, its allocation is based without any regard for the employment situation. If we have an area of high employment or low employment, that makes no difference; that fact is not considered. The main factor is the need for the facility, the fiscal ability or inability of that community to finance the whole project by itself, which is therefore justified for Federal participation. It was a hazard in contributing to some sort of pollution menace to other areas farther downstream.

Mr. TRIGGS. I appreciate that it has a different purpose and different objective. Each public works program does.

I think it is our feeling that with a public works program of this kind, that virtually any kind of a project will qualify. It is just within the determination of, in the final analysis, the administrator of the executive agency as to which project is going to get money and how much money they are going to get.

Mr. BLATNIK. Any questions on that?

Mr. CLAUSEN. Yes.

If I understand your position correctly, Mr. Triggs, you are not in opposition to any of the public works programs per se; you are suggesting that you feel that the States themselves should have a say in how these funds are allocated, rather than having the direct allocation from the executive branch of the Government?

Mr. TRIGGS. This is correct, yes, Mr. Clausen.

Mr. CLAUSEN. Yes. Well now, so there is not any real disagreement on the fact there is a need for meeting some of these public facility requirements that are being requested from the various communities?

Mr. TRIGGS. Well, we are not necessarily appearing here to testify on the broad question of public works, but only to say that if in the judgment of Congress \$6 billion is to be used for all public works programs, that the Congress should preferably decide how that \$6 billion is to be allocated among various categories of public works, and the formula to be used for the allocation of the funds provided for each category to the States, leaving to the States the authority to decide within the State where and how it was to be used.

Mr. CLAUSEN. And you are suggesting that the language included in the water pollution bill could be applied in this case; is that what you are suggesting?

Mr. TRIGGS. I doubt that it can. I doubt that this bill can be revised to meet these standards that I have been talking about.

Mr. CLAUSEN. Well, getting back now to the depressed area problems associated in the private sector, I think we can all agree that certainly local initiative is absolutely paramount. But there are certain communities where it is very difficult to stimulate local initiative.

I would like to ask you this question: Does the Farm Bureau, as an organization, have a program or plans for the development of a program to go in and assist in promoting or developing this local initiative?

Mr. TRIGGS. Well, not a Farm Bureau program. Yet county farm bureaus and farmers locally have been participating in countywide programs since they were first organized, the purpose of which is to improve some aspects of economic-social-political life within the county.

We cannot say that we have a program for this purpose. We can say that our people have participated in innumerable such considerations and plans and projected programs.

Mr. CLAUSEN. Because yesterday we had testimony before this committee by a very articulate young gentleman that reminded all of us that he had gone to the private sector to try to develop his capital and, in every instance, he was turned down, and finally he turned to ARA for his capital.

I wish you could have been here to hear it. I am convinced, of course, that the drive and determination of this particular individual had a great deal to do with its ultimate success. But it appeared to me that the private capital entrepreneurs were not sufficiently informed on the potentials available here and he certainly demonstrated that he could bring forward an enterprise and create jobs and, as he said, make taxpayers out of tax eaters.

So it certainly appears to me in every instance, why, the private sector certainly must take the initiative to assist in some of these so-called depressed areas. Maybe it will not be necessary to have some of these programs.

Mr. TRIGGS. Yes, sir.

Mr. DYAL. Mr. Chairman.

Mr. BLATNIK. Mr. Dyal.

Mr. DYAL. How are you?

Mr. TRIGGS. Hello, Mr. Dyal.

Mr. DYAL. Mr. Triggs, I notice on page 5, you discuss regional planning commissions. If I may quote, you say:

We see no real purpose for title V, authorizing regional planning commissions.

You go on to say:

Irrespective of whether the proposed regional commissions do or do not have a purpose, we wish to express a continuing concern that regionalization of public programs has a tendency to impair State and local authority and responsibility—and so forth.

I would like to mention, Mr. Triggs, in our area of the West, we are looking real favorably upon some kind of a program for Pacific-Southwest water. We do not believe some of our depressed areas are going to come out of it without some type of regional area with water. It then will affect industry; a general economic program.

You realize I am sure that our State lines were laid out a century ago and do not necessarily follow the watershed lines or the railroads, or economic trends that have taken place.

I know you are also familiar with the Imperial Valley, which is a billion dollars worth of market, which put nothing in a few decades ago; yet that was a regional situation.

What I am interested in is how far does the rejection in your testimony today extend of regionalization?

Mr. TRIGGS. Well, it is not a complete rejection by any means. You have pointed out a crucial area of water resource development and we support a regional approach to the problem.

The act which has been approved by both Houses, but not by a conference committee yet—I have forgotten the name of it; it is H.R. 1111, S. 21—which provides for regional river basin commissions. I think that this is an area where regionalization is necessary.

We feel that where you use regionalization, the primary guiding instrument should be the collective group of the States in the region.

Mr. McDonald discussed the same problem a little while ago on counties. He is concerned with respect to the provisions of this bill that will have regions of counties that are not composed of the responsible county units of government. We would share that view; that if you are going to have a regional program, the interstate compact of the States involved, or some such form is the best method of administering it, rather than a federally appointed regional commission.

Mr. DYAL. I appreciate the concession in the sense of water. Of course, I am convinced we are going to go more and more to regionalization in regards to other programs. I wish your Bureau could look into the future and become, let's say, a bit more inclined to concede along the area of other things as well as water.

Mr. TRIGGS. We are always willing to take a look at any problem.

Mr. BLATNIK. If there are no further questions, Mr. Triggs—

Mr. TRIGGS. Thank you, Mr. Chairman.

Mr. BLATNIK. Thank you very much.

That concludes the hearings for today.

The hearings will be resumed at 10 a.m. tomorrow morning. It is anticipated they will be completed by noon or shortly thereafter.

The hearing is adjourned.

(Whereupon, at 3:11 p.m., the committee was recessed, to reconvene at 10 a.m., Friday, May 14, 1965.)

(The following was furnished for insertion:)

STATEMENT OF HON. JOHN BRADEMAS, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF INDIANA

Mr. Chairman, I would like to thank you and the committee for giving me this opportunity to testify in support of a short, but significant, section of the Public Works and Economic Development Act of 1965—section 401(a)(4). This section is designed to assist those areas affected, or about to be affected, by a major unemployment increase, such as a shutdown or permanent reduction in the work force of an industrial establishment—for whatever reason.

I am speaking in favor of this section today, and I do so largely as a result of my own experience in such a situation. When an economic catastrophe befalls a community it is no less severe than when a natural disaster such as a tornado, hurricane, or flood strikes it. It leaves the community in a state of shock—of personal, social, and financial crisis.

My personal observations stem from the events following the closing of the Studebaker auto plant in South Bend, Ind., in December 1963, an event with which Senator Bayh is very familiar. Senator McNamara, I am sure, is also particularly aware of what this can do to a town and its people: his hometown of Detroit witnessed—in the decade of the 50's—the permanent shutdown of Hudson Motors, Murray Body, and Packard.

The shutdown of the Studebaker auto operations in South Bend—my hometown—was, in relative terms, an even greater economic disaster. The loss of approximately 7,000 jobs in an area the size of St. Joseph County raised the unemployment rate from approximately 2 percent to nearly 10 percent.

This is not the time or place to elaborate in detail on what happened when President Johnson learned of the Studebaker closing. However, if the committee wishes, I can submit for the record information on the activities of the President's ad hoc interdepartmental task force on South Bend; or on the role played by the Federal Coordinator appointed by that task force and representing the President as well as the task force; or on the role played by the two Senators from Indiana and me in working with the local leaders of South Bend to alleviate and solve the problems created by the shutdown.

Section 401(a)(4) in the bill before you would accomplish at least two major purposes. First it would provide on a permanent basis for assistance to communities affected by economic disasters—if they so request it—instead of having to depend on ad hoc and temporary governmental mechanisms. That is, it would constitute an official recognition on the part of Congress and the President that the resources of the national community stand ready to be placed at the disposal of a local community in the event of the sudden loss of a major source of employment in that local area. This is no different from what all Americans already do—through their Government—in rushing assistance to areas affected by natural disasters.

The second major purpose that would be accomplished through the enactment of this bill and the particular section on which I am testifying is that it would explicitly make immediately available—to such areas affected, or about to be affected, by abrupt unemployment increases—the material provisions available under the act itself. In particular, it would allow a community to request assistance and be designated a redevelopment area even before the plant shutdown actually occurred. Under the provisions of the proposed act, the community, once designated as a redevelopment area, is eligible for loans for industrial and commercial development, and grants and loans for public facilities. The availability of such immediate assistance was not clear during the first several months after the Studebaker shutdown; and I am sure that the recovery that South Bend has made would have been even more rapid if the leaders of the community had been able to turn to such a program for financial assistance. I personally know of several cases in which new employment opportunities would have been created by businessmen—through expansions and through new enterprises—if South Bend had been designated as eligible for ARA financial assistance.

I am not here to plead for this bill and section 401(a)(4) solely in order to help South Bend. Rather, I believe, for a variety of reasons, there will be other Studebaker-type plant shutdowns in our economy and that, based on the experience we have had in South Bend, the Federal Government should be ready to help them quickly and effectively. They should not have to hobble along—after a major and abrupt loss in employment and business activities—for as much as 3 years, before becoming eligible for the type of assistance which this new bill makes available.

Mr. Chairman, I think that if we examine the history of the urban industrial areas that were and are eligible today under the existing Area Redevelopment Act, we would find that many, if not most, of them experienced some sudden and substantial employment cutback many years ago. The lack of a soundly based and coordinated program of immediately available technical and financial assistance—such as is made possible by this bill—meant that such areas moved from being economically ill with an acute crisis to becoming economically sick with a chronic depression.

In other words, section 401(a)(4), I believe, is based on the philosophy of preventing an acute illness from becoming a chronic disease. And if enough notification is received and prompt action taken by the community, it might be possible to ameliorate even the initial blow.

The way to prevent an area experiencing a shutdown from becoming chronically depressed is to provide it, immediately, with those programs that can rally a community into action for recovery and we should not have to rely entirely on temporary, ad hoc arrangements. If this is not done, the persistence of unemployment; the vicious circle of poor business conditions breeding even worse conditions; and the lowering of personal and community morale, all contribute to making such an area truly a depressed one.

The time to attack a crisis is when it occurs, or if possible before it occurs, and not when the effects of the crisis become the causes of continued hopelessness.

As I understand the purpose of the section under consideration, if an area loses, or is about to lose, a major source of employment and if it "can reasonably be expected to become eligible for designation under the other provisions of this act within 3 years unless assistance is provided," there is no need to wait for those 3 years to take their toll before providing such assistance. In too many cases, after 3 years it will be too late because the energy, the leadership, the manpower, the hope will have withered away.

If Congress enacts this Public Works and Economic Development Act of 1965—and I am confident it will—I hope that the Secretary of Commerce and his Administrator for Economic Development will give special attention to the type of problem which section 401(a) (4) is designed to meet. I would also hope that it will be possible, as a result of seeking to implement this section, to make more secure the intentions of President Johnson when he created, at the end of 1964, an Interdepartmental Committee for Community Assistance. As of now, this Committee lacks a regular staff and is not even assured of travel funds for its various community aids, delegated from the several Federal agencies, to enable them to respond to a community that requests their presence when faced with an economic disaster.

If I have any criticism at all pertaining to this section of the bill, Mr. Chairman, it is that it does not clearly spell out the desirability of assuring such administrative funds. I hope the committee will look into this problem.

While I am not in a position to make any judgment on it, I would like to call the committee's attention to a question raised earlier this week by Senator Muskie in regard to section 401(a) (4). Senator Muskie asked if the bill should not contain separate authorization for the economic disaster areas which are covered by section 401(a) (4), in order to provide funds in cases where the annual authorization has been exhausted.

I cannot emphasize too strongly that since one of the main purposes of section 401(a) (4) is to provide immediate assistance, to delay this assistance because of the lack of funds or authorization would be most unfortunate and probably defeat the intention of this section.

Consequently I hope the committee will consider this matter fully after the Secretary of Commerce provides an answer to Senator Muskie's inquiry.

STATEMENT OF HON. J. W. TRIMBLE, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF ARKANSAS

Mr. Chairman, I appreciate this opportunity to appear in behalf of H.R. 6991 to provide public works and development facilities in economically distressed areas.

In my opinion this is a fine piece of legislation and I heartily endorse it. It will mean much to all sections of the country, including the district in Arkansas, which I am honored to represent in the House of Representatives.

STATEMENT OF HON. GEORGE P. MILLER, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF CALIFORNIA

Mr. Chairman, I wish to testify in support of H.R. 6991, the Public Works and Economic Development Act of 1965. This legislation is vitally needed in many parts of our Nation which have been economically distressed in varying ways. One of these areas is the Oakland metropolitan area on the east side of San Francisco Bay. Ironically, this is one of the fastest growing parts of the country but industrial and commercial development has not kept pace with the population explosion there.

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Many facets of the local community are interested in finding a solution to this dilemma. I personally believe H.R. 6991 would be a helpful impetus toward such a solution.

I wish to submit with this brief statement a letter I have received from the Oakland Economic Development Foundation, which has been studying this legislative proposal along with the Oakland Chamber of Commerce. In this correspondence certain suggestions are made with respect to this legislation. I hope this correspondence may be made a record of the committee's deliberations concerning this bill.

OAKLAND ECONOMIC DEVELOPMENT FOUNDATION,
Oakland, Calif., May 7, 1965.

HON. GEORGE P. MILLER,
*House Office Building,
Washington, D.C.*

DEAR GEORGE: With reference to your previous conversation with Harold Carr and Bill Sparling, in connection with H.R. 6991, it is perhaps appropriate first to briefly describe the local concern, not only of members of our board but also members of the banking and business community.

Four percent Government loans are regarded as much less desirable than pursuing the possibility of maximum financing through private local lending institutions as to loans that may be authorized pursuant to section 202.

The Oakland Economic Development Foundation strongly supports the principle that all funds to be loaned exclusive of the participation of the local development corporation or foundation, should come from private lending institutions and that the Government should either insure or guarantee such loans, such as is done under FHA type of financing.

Section 202 includes a provision that a local development corporation or the community share must be at least 5 percent, and enables concurrent repayment with the Federal loan. Under the existing act, 10 percent must come from the community and repayment of the principal is not possible until after the payment in full of the Government loan.

We also favor a provision that the community share, at the option of the local development corporation or foundation, be repaid prior to payments on the principal of loans obtained from other sources. The reason for this is quite obvious in that a local development corporation to be fully effective must be in a position to obtain quick repayment of its investments in order that such funds may be reemployed in additional projects that have the objective of creating new jobs and adding to the tax base.

Perhaps we have oversimplified the principles and objectives we have in mind, and if this is the case it would be our hope that you would call us for more detailed information.

We are deeply appreciative of your interest in pursuing this matter with the author of the bill.

Cordially,

NILS EKLUND, *President.*

STATEMENT OF HON. EDWARD P. BOLAND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. Chairman, and members of the committee, I appreciate this opportunity to present my views and support the administration's economic development bill. I am one of the sponsors of this legislation, my bill being H.R. 7093.

My State, with its long history in the development of our country has probably experienced more than any other the ups and downs of America's changing economy. We were traders, when the economy demanded trade across the ocean, and we supplied the ships and the men who went to sea. And when the industrial revolution was upon us, Massachusetts became the heart of the textile industry. And now, we are taking part in the new era of electronics, and that industry is expanding in our State.

But while all this has taken place, the change of technology has left scars which to this day remain on our economic landscape.

Not all ports became textile towns, and not all textile mills became electronic plants. Each change left a gap, and the gaps multiplied to become in some instances pockets and areas of economic distress. While we, with typical New England inventiveness and perseverance helped ourselves, we have limited to

some degree by the artificial barriers of city and county lines, which prevent at times a total effort of the entire State to plan ahead for our future.

I speak as one who recognizes that the economic health of my district depends on the economic health of the State, the New England region, and the entire United States.

I know that new dock facilities in New Bedford, a new plant in Springfield, or technical assistance programs to develop the shellfish industry make it possible for other areas in Massachusetts to prosper.

We depend on each other within the Commonwealth of Massachusetts, just like we depend on our sister States in New England and they depend on us, to make the region prosperous.

I am very happy to see that this bill provides for regional planning commissions because what I have just recited to you about Massachusetts can be recited about very New England State from Maine to Connecticut. Our problems are the same, just as our history is the same. Our problems stemming from the same source must be attacked in unison.

This is not to say that local efforts should not continue. On the contrary, I believe that a New England regional commission will be able to stimulate cities and towns in my State to try their hand at economic development. They can now rely on skilled experts who know their areas intimately and are familiar with New England's ways. This, Mr. Chairman, is true for the New England area and surely for any development region in this country.

I also am glad to see the development district provision in the bill. This permits new industries to plan for the best locations under the best of circumstances, and yet provide jobs for the unemployed in the entire district.

In short, Mr. Chairman, I foresee that the Public Works and the Economic Development Act, will do the very things for economically depressed areas that in some form have already been done in the prosperous areas of America. I support this bill fully and urge my colleague to do the same.

Mr. Chairman, I ask permission to include with my remarks the magnificent statement of Senator Edward M. Kennedy of Massachusetts in support of this bill before the Senate Public Works Committee, his Senate floor speech calling for a New England regional development program, and a study made by the legislative reference service of the Library of Congress on the regional development needs of the New England economy.

[Delivered on the floor of the U.S. Senate, 10 a.m., Feb. 1, 1965]

STATEMENT OF SENATOR EDWARD M. KENNEDY, OF MASSACHUSETTS, CALLING FOR A NEW ENGLAND REGIONAL DEVELOPMENT PROGRAM

THE NEED FOR A COORDINATED PROGRAM

For a number of years it has been evident that the economic growth of New England and the wages and incomes of our people are not keeping pace with the Nation as a whole. There are areas in many of our State which have had unacceptable levels of employment for well over a decade. There are serious pockets of poverty throughout southern New England, and there are whole areas of poverty across our three northern New England States. For instance, parts of southeastern Massachusetts, the Merrimack Valley, and the Berkshires, in my State, have been in the labor surplus category for over 15 years, and between 20 and 30 percent of the families in Vermont, New Hampshire, and Maine have an income of less than \$3,000 a year. Similar problems exist in Rhode Island and Connecticut.

Much of the land area of New England has no industrial or other productive activity coming from it. In northern New England the industrial structure is limited to a small number of industries, not sufficiently diversified. At the same time, this area's highway and transportation systems, together with its community facilities relating to health, education, sanitation, housing, and vocational training, are in serious need of improvement in order to encourage new industry to settle in the area.

In the southern New England States—Massachusetts, Rhode Island, and Connecticut—the new electronic-space age industries have been experiencing fluctuations in employment with the changing needs of technology and defense, and many of our traditional industries (cotton and wool textiles, shoes, non-electrical machinery, furniture, etc.) are continuing to move out, or go out of business altogether. This has led to a substantial decline of manufacturing

jobs, coupled with an increase of available workers who are not being sufficiently absorbed into the industrial and service fields. The result is poverty, disillusionment, and regressive growth.

Like their northern neighbors, the southern New England States have serious problems of water pollution, sanitation, substandard housing, and manpower training and rehabilitation. These States shoulder a special burden of mass transit and intercity passenger travel by rail and air. In addition, the population explosion has begun to work a crisis in the educational field. This is especially true with respect to the high school dropout, or graduate who does not have the means for further education, but who must seek work in an increasingly technological and intellectual labor market.

The forests of New England are one of the region's richest resources. We need to develop and protect them through modern methods of conservation and technology. Our fishing industry has a tremendous potential with the increased demand for high protein food in our own country and throughout the world. We must embark on programs of ocean engineering and research to improve and modernize the harvest of valuable materials from the sea.

As population increases, there will be a greater demand for agricultural products, such as milk, poultry, potatoes, and various perishable products. The New England farmer has an excellent competitive advantage in being close to his New England markets, and with a good road system, close to other large cities outside New England. We must utilize new farming and marketing techniques to make better use of our unproductive land.

By 1970 there may have to be a doubling of generating capacity to meet New England's power needs. With an increased growth rate, even more capacity will be needed. We must seek the implementation of new power sources, such as Passamaquoddy, nuclear energy, and hydroelectric generation, with grid tie-ins to sources outside New England. At the moment, we should work together in an all-out effort to eliminate quotas on residual oil in order to keep down manufacturers' fuel costs and the cost of generating electricity for consumers.

The supply of high-quality water is an important industrial and municipal asset of New England. However, increasing abuse over the past years has impaired the quality of many streams and rivers, and in some instances have periled parts of our fishing industry. There is a basic need for a strong multi-state water pollution program. Likewise, we need to develop comprehensive programs for the conservation of water, and greater use of our rivers for recreation, navigational, and other purposes.

There is a great untapped potential in the vacation business in New England. With an improved transportation network, and roads, the New England seashores and mountains can become a vast year-round retreat for the people who live and work in our northeastern urban centers. There is ample area for expansion throughout New England in this industry.

One of the most important keys to the economic future of New England is an improved transportation network. A coordinated, easy-access, high-speed interstate expressway will give industry fast truck service to railheads, seaports, and air cargo centers. A rejuvenated and modernized rail freight system, both bulk and piggyback, can help New England manufacturers to reach more domestic markets competitively, can improve the use of the port of Boston for export at cost savings to shippers, and provide for the fast, efficient supply of materials for industry.

The development of a New England regional air network is also fundamental. With the advance of short range jets, and improved regional airports and electronic guidance and service equipment, commercial and recreational travel will be stimulated and the need for more frequent schedules will be created.

Of strategic importance is the establishment of fast, new rail passenger and rapid transit service to move people safely and efficiently in and out of our major urban areas. Massachusetts has made a splendid initial effort in creating the Massachusetts Bay Transit Authority to relieve the New England railroads of their commuter passenger burden. But beyond mass transit, studies indicate the feasibility of a high-speed intercity rail passenger system between Boston and New York and Washington, with possible extensions to other New England cities. Any substantial development in this direction could have great impact on providing incentives to industry to locate in our area. Such a system, whether mass transit or intercity, logically fits into the development of a regional growth program.

However, the most crucial area for improvement concerns our human resources. We want to see the President's primary and secondary educational school program lift up the quality and opportunity for modern education in our underprivileged and underdeveloped areas. We need a regional program of vocational education centers, an increased number of regional community colleges and higher education centers, which can provide intellectual and technological talent to attract industry at the growth centers. We must develop a regional approach to job placement, which might help to clear away some of the confusion that exists today in this area.

We must make a thorough review of our hospital facilities and services, with a view toward providing for modern regional psychiatric, medical, and surgical hospital care, and the use of the latest diagnostic equipment, special-treatment rooms, an increase in available beds, and the availability of good nursing care. Of great importance should be the improvement and new construction of nursing care facilities and centers for our older citizens who need attention.

We will require a broadening of our welfare services, better program to combat juvenile crime, and an expanded poverty program, all a vital part of any regional recovery program. Many of our New England cities have begun to take on a new look of progress thanks to the urban renewal program, but much more, especially in the field of housing, has to be accomplished. Logically, the accelerated development and improvement of urban growth areas is fundamental to any long-range growth plan.

Our communities must be helped in meeting their burden of water sewage and sanitation services through coordinated Federal-State assistance programs. The increasing costs to growing communities to build local roads and streets can be offset by more Federal funds for major intercity highways.

All of these basic improvement programs are critical to New England's economic improvement. Our main concern is to concentrate Federal and State funds in a manner which will do the most good on a long-range basis. This can only mean that we cannot stop at borders of our communities, or of our counties, or even our States, to bolster areas of lagging economy. We must coordinate the potential of regions and subregions to lift up and stimulate the distressed and underdeveloped centers that are the logical ones for future growth.

The need for a special Federal-State economic development program is by no means peculiar to New England, or to Appalachia. It exists in varying degrees in many other sections of the country. It concerns multistate regions, as well as isolated areas. It involves cities, the poorer suburbs, the rural areas, and underdeveloped lands. President Johnson has indicated his awareness of this need for regional planning in his state of the Union message, when he called for "a regional recovery program to assist the development of stricken areas left behind by our national progress." In a recent speech before the AFL-CIO National Legislative Conference, Senator Pat McNamara, chairman of the Senate's Select Subcommittee on Poverty and its Public Works Committee, referred to our past Area Redevelopment Administration as "too little, too late, and too piecemeal" and recommended that special funds be appropriated to a National Regional Development Council which would then allocate them for expenditure by Federal agencies in accordance with plans approved by regions and local redevelopment districts. Other legislators are coming forward to request that their regions be included in the Appalachia legislation pending before the Congress, both for the purpose of study, and for special aid. Indeed, there is very active consideration of regional growth planning at all levels of government, from the city and county planners to the White House. Now is the time for those of us in New England to get busy, and prepare our plans for economic improvement, so that we can be ready to advise the President of our needs when this new legislation becomes effective.

Of particular interest in the anticipation of Federal assistance for growth programs are the projections of Dr. Walter Heller, former chief of the Council of Economic Advisers, who estimates that up to \$6 billion a year in new revenues may be available in the next few years for additional Federal spending. Dr. Heller suggests that this money be returned to the States in the form of a rebate, but I feel that this approach is lacking in both guidelines and control and would be neither politically feasible, nor economically effective. Rather, a better approach to assisting the States in their public improvements and growth might be to apply these additional revenues within the limitations of regional growth programs based upon the real needs of the communities and coordinated by Federal authority.

It was President Kennedy who during his first months as a Senator called for the "united efforts of the entire New England delegation" to seek and promote solutions for New England's economic ills. The President strongly supported the idea of a New England Governors' Conference, and as both a legislator and as President, he gave serious attention to the Governors' recommendations. It was largely through his stimulation that the New England Senators formed a conference group for the discussion of basic problems, and he strongly supported the work of the New England Council, representing some 2,000 New England businessmen, labor organizations, consumer and financial groups.

These have been worthy efforts. All of these organizations have been continuously concerned with New England's economic future, but a broader and more coordinated approach is needed. A New England regional development program, under Federal-State coordination is a logical extension of what we have done in the past.

HOW WE CAN DEVELOP THE PROGRAM

The concept of a broad, regional, economic growth program, developed and coordinated by one authority in which all the States of the region participate, is a great step ahead in Government planning.

The first task of such a group would be to make an economic base study and industrial analysis of the New England region and its subregions. It could collect all existing studies of the region, of the States, and of the political subdivisions completed during the past 10 years, and identify each of the research projects which are presently in process by Federal, State, and local agencies. This information would be analyzed by a broad group of working "teams," which could conduct further investigations in order to provide the latest background material for the study. Industry, labor, the consumer, and the academic profession should be asked to participate in this study.

Hopefully, within a year, there could be a first report with recommendations as to those basic growth problems which need immediate and special financial assistance, and Federal-State coordination. Its recommendations could be of a regional or subregional nature, depending upon the extent of the problems. It is most important that the study take into consideration local development districts in the framing of regional programs.

In addition, the report could give us preliminary recommendations as to how these programs could be implemented, and suggest new areas of legislation directed to regional development. This regional planning program should be concerned first with the improvement of public facilities and public resources, to assist the underprivileged areas and to bolster the economy. Thus, its emphasis initially might be on education, roads, housing, health facilities, transportation, sanitation, or manpower training. However, the program must also be concerned with the private sector; such as, methods of improving investment in new industry; better use of our natural resources (water, forests, fisheries, vacation areas); the stimulation of greater export activity; and more effective ways of advertising the advantages of New England to the business community.

We have in our New England States some of the best academic institutions in the world. Many of these schools have departments and programs specifically directed to the study of social and economic problems and their solutions. There are nationally known experts in regional planning presently located in our State universities and in our larger private universities, such as Harvard, Yale, Massachusetts Institute of Technology, Boston College, Boston University, and others. Our State commerce and planning departments have a wealth of information which can be utilized in order to put together the broad picture. We are in excellent shape to begin the task which, I am confident, will be one of the most important things that New England has undertaken in recent years.

NEW ENGLAND MUST ACT NOW

For some time, I have felt that New England should follow the lead of the Appalachian States in moving ahead its own growth plan. As we know, the Appalachian Governors joined with Federal agency representatives and experts to form the Appalachian Regional Planning Commission and make a comprehensive study of the economic and social needs of an 11-State area, reaching from New York to Georgia. Within a year, this group sent to the President a detailed report, together with recommendations for special regional action programs

designed to rehabilitate the Appalachian area, and spur its economic growth. This effort, in turn, has led to the bill before us. I think this is a good bill, and I intend to support it.

This cooperative approach of State and Federal experts, legislators and others to promote an effective regional development plan is a significant example for New England, which has its own serious problems of unemployment, poverty, underdevelopment, and industrial instability. I feel that now is the time for us in New England to find out where we stand, and how we, as a community of States, mutually dependent and traditionally associated, can develop the great potential of New England for the benefit of all New Englanders. By cooperation, and by organization, I believe that we, too, can fashion an effective regional program, and present our case with the same persuasive enthusiasms as did the Appalachian Governors and their congressional delegation.

I am particularly encouraged that New England will have the opportunity to begin the development of its own program. I have received assurances from the administration that it intends to include, in the new Area Redevelopment Bill, soon to come to Congress, provisions for setting up regional organizations to study, recommend, and coordinate broad Federal-State programs of economic improvement for distressed and underdeveloped areas, and that this will include New England.

I am further encouraged by the letter from the Bureau of the Budget, which the junior Senator from Maine (Mr. Muskie) has submitted for the record indicating further the administration's views on regional development. The letter states in part:

"The President is convinced that we can apply the sound principles of regional economic planning toward assisting in the economic redevelopment of depressed areas throughout the Nation. The proposals which we will submit will provide the authority and funds to accomplish this purpose."

I am hopeful that in the debate here today on the Appalachia bill we may further clarify the legislative and administrative direction in which we will go in this area of regional economic development, after the Appalachia bill is passed.

I should like to say that I was pleased to cosponsor the legislation introduced last Thursday by the senior Senator from Michigan, providing for the establishment of regional growth studies, which I feel could be a sound first step in moving ahead with realistic regional development programs. I am also looking forward with interest to the development of a broader bill which may be introduced by the senior Senator from Michigan (Mr. McNamara), establishing regional commissions patterned after the Appalachia regional commission, and providing for special funds for action programs to meet basic regional needs in public improvements and economic recovery.

At the same time, I have been working with my staff and with experts to develop various legislative approaches to regional economic development which would be effective in the New England area. These, in essence, would seek the coordination and concentration of existing Federal assistance in programs and in areas where it would be best for long-range growth, and would provide for special assistance to those regional programs which have priority in importance, and need immediate acceleration to be effective. The emphasis of this legislation I am considering is not so much on regional planning as it is on making the plans work. I shall have more to say on this in the near future.

I intend to support and promote this regional approach to economic growth during this Congress. I feel that the Appalachia legislation is a good start, but that those of us from other regions where economic distress and underdevelopment are substantial, should now move rapidly ahead to frame our own programs, and develop legislation which will provide for our basic growth needs.

STATEMENT DELIVERED BY SENATOR EDWARD M. KENNEDY, DEMOCRAT OF MASSACHUSETTS, IN SUPPORT OF THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT BILL (S. 1648) AND THE NEED FOR SUCH LEGISLATION IN THE NEW ENGLAND REGIONAL AREA, TUESDAY, APRIL 27, 1965

Mr. Chairman: I am delighted to appear before the committee this morning and express my support for the Administration's economic development bill. As the Chairman well knows, many of us were seriously concerned during the Appalachia debate that other areas of the country, also lagging in economic growth, should have the opportunity to develop regional programs similar to Appalachia.

In fact, we were prepared to introduce our own region amendments to the Appalachian legislation, but held off on this after assurances from the Administration that we would be covered in a forthcoming national development bill.

This we now have before us in S. 1648. One of its most important provisions concerns the creation of regional commissions to plan and implement long-range economic programs. For some time, I have urged that the establishment of such a commission for New England would be extremely effective and beneficial. The Administration has wisely chosen to extend the Appalachia approach of regional programming to other problem areas. In my opinion, this is one of the most significant new steps in economic development legislation to come forward in many years.

I would suggest that the committee seriously consider integrating the language of S. 812 into the Administration bill. S. 812, of which I am cosponsor, was introduced by the senior Senator from Michigan (Mr. McNamara), whose knowledge and experience in this field is of the highest caliber. I feel that this language would provide more effective guidelines and greater flexibility in the selection of regional commissions; a stronger incentive for such commissions to come to the Administration and to Congress with a development program as soon as possible; and a more specific description of the membership of the regional commissions and of the power of the Federal member in approving commission plans.

In addition to providing for regional development commissions, S. 1648 provides for continuation of the better features of area redevelopment and accelerated public works assistance, on a more flexible basis with greater emphasis on planning for permanent industrial development rather than the mere creation of temporary employment. This assistance would be available as soon as money is appropriated, and for the most part, would not have to wait for long-range programs to be developed by the commission. Continuing Area Redevelopment Act and APW type of funding to assist existing redevelopment areas is of crucial importance. My only major concern here is that the annual money authorized for public works and development facility grants is too modest and thus should be increased substantially in order to develop a truly meaningful growth program.

S. 1648 has two other features which I like very much and which I feel will be helpful in implementing long-range growth programs. One involves the recognition of economic development centers which although not distressed, would still be eligible for development assistance if the projects would contribute to the alleviation of high unemployment and low income in surrounding areas. The other concerns the creation of multicounty economic development districts which would bring together eligible and noneligible areas under a kind of sub-regional development plan and program.

This type of coordinated area attack on unemployment could be extremely effective in the Lowell-Lawrence-Haverhill area of Massachusetts, and in the Fall River-New Bedford-Providence area.

Of particular importance to my State, and to New England, is the new provision for Federal assistance to those areas or military installation closings, or other economic emergencies.

Throughout the bill, there is the basic philosophy that Federal assistance shall be concentrated in accord with sound planning, and directed to projects which will enhance long-term growth. With this kind of assistance, and with the additional funding which I hope will come from a New England regional program developed by its commission, we have substantial reason to be encouraged and hopeful.

New England's present economic status more than qualifies it for the assistance provided in the pending legislation.

It is a six-State area, with economic and cultural ties, separated from surrounding regions by its geographical location and its topography. There is probably no more precise version of an economic region existing in the United States today than New England. We have traditionally shared markets, employment, transportation, financial investment, education, and other resources. In size, the region covers only 2.2 percent of the country's area, yet it has almost 6 percent of U.S. population, and much of this is concentrated in its three smallest States. Because it is a small by distinct area, its problems transcend local and State boundaries, and it is constantly in search of regional solutions.

Recognizing this, our New England Governors recently proposed a six-State regional planning compact to deal with major New England problems. This cooperative effort on the part of our Governors, will be enhanced and strengthened

by the creation of a New England regional commission adding the Federal Government as a partner to our regional effort to solve problems and stimulate economic growth.

Details on New England's present economic condition will be set forth in exhibits and analyses which have been prepared by the Library of Congress, the Department of Commerce, State agencies, the New England council and others. These materials will be submitted for the record during our presentation. From this economic information, I should like to make some important general observations.

New England is a region which is increasingly lagging behind the Nation's level of growth. Unlike Appalachia, we were once prosperous and productive, with a high level of employment in manufacturing and agriculture. As the Nation expanded, our mills moved elsewhere, our farming declined, and there was not sufficient diversification of industry to take up the slack.

As a result, New England's increase in personal income is below the national average. Except for Massachusetts and Connecticut, its per capita personal income is considerably less than the national figure. Serious pockets of poverty are prevalent in its northern rural areas and in older industrial centers of southern New England. Unfortunately, aggregate statistics cannot tell the true story, because the metropolitan Boston area and southern areas of Connecticut with heavy populations are doing rather well, while many other parts of New England are falling far behind.

The most important single source of personal income in New England has been manufacturing. It has provided a base for the trade and the service industries. It has developed a splendid force of skilled and semiskilled industrial workers. However, during the past 15 years, industrial employment in New England has fallen off by over 250,000. Most of this decline has come from losses of textile, shoe, furniture, jewelry, and other traditional industries which were concentrated in relatively few urban centers. For many, the impact has been catastrophic with substantial unemployment continuing for many years despite efforts to bring in new industry. Almost half of New England's labor markets are in this category.

Other factors contribute to New England's economic distress. The region ranks close to the last in new buildings for trade and industry. Many of the old edifices which housed the production of a great industrial era now stand dilapidated and in some instances, unusable. New industry is not attracted to old environments. Existing industry lacks the incentive for expansion when cities and towns cannot provide modern public improvements. Much private housing, schools, and municipal buildings are of ancient vintage. All of these factors discourage new industry from moving into our labor depressed centers.

We need a major redevelopment effort through Federal assistance to provide the opportunity for more and diversified industrial activity, and the development of our human and material resources.

However, apart from its economic distress, New England has a number of immediate problems which need to be solved through regional cooperation and planning.

We have a crisis in transportation. Our major railroads are in or near bankruptcy and need complete rehabilitation. We are at this moment faced with the discontinuance of all intercity passenger service, and the possibility of substantial abandonment of freight service which could ruin forever industrial development in hundreds of potential growth centers in New England. Our only major airline is fighting for its life in the courts. It needs permanent status as a trunkline carrier, major financing for new equipment; and better airports with electronic guidance equipment. Air service from New England to eastern cities is suffering under this situation. Efficient air service is a necessary part of economic improvement.

High-speed expressways are needed to open up the resources of northern New England. The port of Boston is not being adequately utilized. Many urban centers need new and larger warehousing and handling facilities for integration of truck, rail, and air freight services.

All these things call for a regional program of coordination and assistance to develop a fast, efficient transportation network between New England centers, and to markets outside the New England region. Industry cannot grow without efficient transportation.

New England has an abundance of water—for human consumption, for industry, for power. Yet water is one of its major problems. Sewage and in-

dustrial wastes make much of this resource unusable and a peril to recreation, fishing, and industrial development. Water collection and distribution systems are inadequate. Many urban areas increasing their demands for clean water will be faced with serious shortages. Again, we need a regional program, substantially financed, for both pollution control, and water distribution and conservation.

New England is the highest cost electric power area in the Nation. Its consumers and industries pay almost 30 percent more than the national average. While other regions of the Nation have benefited from billions of dollars of Federal funds, for hydropower complexes, no major facility of this nature has been constructed in New England. Nor do we have any substantial program for buying power from other regions. Instead we rely on small and scattered power systems which must import various fuels from long distances at increased expense. This is another example of the need for a regional plan to coordinate our existing capacity, and to prepare major projects to meet the demand that lies ahead. Cheap and abundant electric power is fundamental to any regional economic development program.

New England has natural resources which have not been adequately utilized. Perhaps it has been our preoccupation with manufacturing that has diverted our attention away from this. We have more of our land area covered by forests than does any other region in the United States. This area is a natural for extensive recreational and housing development for middle and lower income families. At the same time, through modern methods of forestry and transportation, commercial use of this resource can be expanded. Since the early settling of New England, commercial enterprise has looked to the coastal areas and to the sea for profit. For many reasons, our fishing industry has been allowed to decline, when in fact it should have moved to keep pace with other regions of the United States and foreign countries. This decline has contributed substantially to unemployment in Massachusetts, and other States. The Continental Shelf and coastal regions abound in fish, shellfish, minerals, and other resources. Science has provided us with the technology and know-how to modernize our fishing fleet and its marketing methods, and to begin industrial development of our offshore resources. We need now the program and the initiative to move ahead. This, too, is a regional responsibility.

Other problems concern our human resources. New England's severe unemployment situation in areas which had long been dependent on a single industry points up the needs for an accelerated program of vocational education and manpower retraining. This is particularly necessary where the industry we are attracting have job opportunities primarily in the skilled categories. Our special need here is for regionally located vocational schools, training institutes, and community colleges, closely integrated with local industrial development programs. New England can benefit greatly from a computerized assessment of its job opportunities leading to regional and subregional placement programs.

Boston is one of the world's most prominent medical centers, yet the rest of New England suffers substantially from the lack of modern hospitals, medical schools, and nursing care facilities. This creates a special problem because our region has one of the highest percentages of citizens over 65, which will need increasing care in advancing years. Many of these older people are in the low income category. We will have to develop a network of regional medical complexes, combining the latest in psychiatric, medical, and surgical care, and providing special inexpensive diagnostic services. Our State universities must be encouraged to develop medical schools and training centers at these complexes. Extensive centers for aging, nursing care facilities, should be constructed in each of our population centers.

A substantial financial investment is needed with respect to our human resources. A community which cooperates with industry, trains and places its workers, provides top medical care, and looks out for the aging, is a community which is bound to grow. It is attractive to industry, and to the professions which will give it leadership.

Mr. Chairman, I have taken the time to explain some of New England's problems in order to place in perspective the importance of regional planning contemplated by S. 1648, and the great need for substantial Federal assistance to stimulate economic activity in our area.

In many ways we are different from Appalachia. We once had economic success, but now we are slipping behind the Nation, unable to offset fast enough the severe employment losses and industrial shifts dealt us over the past 20 years.

Appalachia never got started, but now it is on its way. We still have the economic potentials—in human skills, in resources, in consumer strength, in industrial sites, but we need a new effort to put these potentials to work in a different kind of economy. Both Appalachia and New England like the areas of the upper Great Lakes, the Ozarks, and others can benefit from the special assistance and guidance that will come from a Federal-State regional planning program. S. 1648 will begin the task. It is for New England to take the lead from there. We will take that lead, and we will succeed.

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REGIONAL DEVELOPMENT NEEDS OF THE NEW ENGLAND ECONOMY

(By Elizabeth M. Heidbreder, Analyst in Area Economics and Transportation, Economics Division)

REGIONAL DEVELOPMENT NEEDS OF THE NEW ENGLAND ECONOMY

1. INTRODUCTION

The purpose of this study is to survey the economy of the six-State New England region with a view toward identifying problems which could benefit from regionwide economic development.

Enactment of the Appalachian Regional Development Act of 1965 has pointed the way to a new Federal-State partnership; a partnership which is to be used to solve the problems of the lagging region of Appalachia.

New England also has problems of lagging economic growth, despite the fact that it is a great industrialized region with proud traditions. It has outstanding centers of learning. It has priceless assets in its forests, mountains, streams, and seacoast. Its new science-based industries are bringing prosperity to many sections of the region. Nevertheless, New England has some persistent economic problems. It is these problems, rather than its assets, which are the primary focus of this report.

2. THE REGIONAL APPROACH

The concept of regionalism in the United States goes back to the great depression. It was one way in which the New Deal sought to solve some of the complex economic problems of the 1930's. Regional planning was a tool conceived to improve resources and thus improve the economic welfare of the people within the region.

The Federal Government first entered into regional planning in the 1930's through the field of water resources where it most clearly had primary jurisdiction. The watershed or river basin therefore became the focal point for regional development. Through the development of water resources, it was hoped that social and economic advance could be furthered.

The regional program of the Tennessee Valley Authority is, of course, well known and probably the most successful of the various programs to develop watersheds. Other programs have included the Columbia Basin, the Missouri Valley, and the Arkansas-Red River Valleys. Projects in these watersheds have included flood control; the development of facilities for navigation, electric power, irrigation, and recreation; stream sanitation; erosion control, reforestation, and even mineral development.

Comparatively recently, the river basin approach was used in a resource development study of the New England-New York area. This study was conducted by the New England-New York Interagency Committee composed of representatives of the seven States involved and the Departments of Agriculture, Army, Commerce, Health, Education, and Welfare, Interior, Labor, and the Federal Power Commission. It was headed by the Department of the Army, presumably because of the authority of the Army Corps of Engineers in the area of water resource development. This study resulted in a 1957 report that was over 40 volumes long and contained a great deal of technical data. The Governor of Vermont characterized the report as "exhaustive" and "voluminous."

The comments on the report by Gov. Dennis J. Roberts, of Rhode Island, are worth quoting in some detail as follows:

"As Governor of a densely populated and highly urbanized State, it is incumbent upon me to point out some factors in regard to resource development which it has not been possible to treat adequately within the scope and authority of the present study. The interagency committee itself early in the study has recognized the need for bringing into the picture the study of human resources, and as a result added representation from the Department of Labor and other Federal agencies which have extremely significant and influential programs bearing on the planning of physical resources which should be considered for inclusion in any future regional organization. The Federal Bureau of Public Roads in the area of highway planning is in touch with set programs which are the key to almost all economic growth at the present time. It is unfortunate that greater attention could not have been paid to the highway networks, transportation patterns, and the future road needs in the region, for these will be great determinants as to what is possible in regard to our natural resources.

"Throughout southern New England the outstanding feature of the region is the concentration of people in a series of large metropolitan areas. The continued growth of these metropolitan areas with their sprawling suburbs, and the prospect even of continuous urbanization along the entire northeast coast, requires that urban planning be considered very seriously in its relationship to rural resource problems. It is not just a matter of finding water supply, restricting pollution, and developing power resources to serve the metropolitan population. A great deal of hard thinking needs to be done in relation to the completion among various land uses at the urban fringe. This is particularly true in a small State like Rhode Island where land resources are limited and decisions are even now before us as to whether land is to be used for industry, agriculture, suburban development, or reservation for the future water supply.¹

The current Appalachian regional program, as set forth in the Appalachian Regional Development Act of 1965, has certainly followed the advice of Governor Roberts concerning the importance of highways. Highway development claims \$840 million of the \$1,092.4 million authorized by the Act. Only \$5 million is devoted to water—for a water resource survey.

The Appalachian program does not, however, follow the advice of Governor Roberts concerning cities. Although certain provisions, such as the supplements to Federal grant-in-aid programs, could be used in urban areas, the primary aim of the program is to develop areas outside the large urban centers. The latter are looked upon as centers of economic strength around which the rest of the area can grow. Although the Senate report on the 1964 Appalachia bill notes that " * * * among the Nation's major labor market areas with the highest unemployment rates in 1963, 6 of the top 10 areas were in Appalachia,"² nothing very specific is proposed for these areas.

The Appalachian program differs from some of the earlier regional programs in that it dealt with a mountainous region rather than a river basin or watershed. There have also been various regional studies (rather than programs) which were not oriented around watersheds. One important study has in fact been made, in 1951, of New England by the Council of Economic Advisers. This report, "The New England Economy," we shall refer to again later in this study. We note here, however, that it has been criticized for its definition of New England as a homogeneous region.

In an article on "The Concept of a Planning Region," John Friedmann says:

"While purporting to deal with the whole of the 'region,' the report is actually preoccupied with southern New England, to the relative neglect of rural Maine, Vermont, and northern New Hampshire. Although in their statistics the authors were compelled to admit the basic north-south distinction inherent in the human geography of the region, they described New England elsewhere as an 'old industrial community'. But surely this is no more than half of the story. The 'region' turns out, in fact, to be two, divided among an even greater number of metropolitan spheres of influence."³

¹ New England-New York Interagency Committee. Land and Water Resources of the New England-New York Region (85th Cong., 1st sess., S. Doc. 14). Washington, U.S. Government Printing Office, 1957, pp. XVI-XVII.

² U.S. Congress, Senate, Committee on Public Works. Appalachian Regional Development Act of 1964 (88th Cong., 2d sess., S. Rept. 1383). Washington, U.S. Government Printing Office, 1964, p. 4.

³ Friedmann, John. "The Concept of a Planning Region—the Evolution of an Idea in the United States," in *Regional Development and Planning*; a Reader. Friedmann, John and William Alonso (editors), Cambridge, Mass. The MIT Press, 1964, p. 508.

New England is not, of course, a completely homogeneous region either geographically or economically (neither is Appalachia, since, for example, the generally impoverished region admittedly includes several prosperous counties). But New England can claim a certain cultural and geographical identity in its northeastern corner of the United States. Edwin Webber, director of interstate relations for the New England Council, wrote recently :

Of all the so-called regional complexes existent within the United States, it is conceivable that no more precise version exists than that referred to as "New England." Whether it be no more than a fiction of history and a myth at best, the sense of belonging to an identifiable group of interests is shared by nearly 11 million New Englanders.⁴

Mr. Webber also feels that there is considerable sympathy for the regional approach for New England as a whole as he says :

"At present there is probably more sentiment for the feeling that the six States might best solve some of their common dilemmas through regional cooperation than at any other time."⁵

The regional approach can be applied (and has been applied as we have pointed out) to problems of natural resources, to the building of public works, and to human resource problems. We shall examine some of the economic and resource problems of New England in the following sections to help identify those which can be expected to respond to regional or sub-regional solutions.

3. POPULATION

In the last several decades, there has been a continuing movement of population away from New England (and also the Upper-Midwestern areas) toward the Far West and the Southwest. Although the population in New England has increased absolutely, it has increased at a rate slower than that of the Nation as a whole and than that of certain other regions. In the decade 1950 to 1960, New England's population increased at an average annual rate of 1.2 percent compared to an annual rate for the United States of 1.7.

There are also differing growth rates within the region. From 1950 to 1960 the population of the three southern States increased by 14 percent while that of the three northern States increased only 8 percent. Many young people have migrated from northern New England to the southern part in search of greater opportunity and higher wages.

Table I gives further detail, on a State-by-State basis, of population change in the last 4 years. Connecticut had the greatest absolute and percentage increase, while Maine had the smallest percentage increase and Vermont the smallest absolute increase.

TABLE I.—*Total resident population of the United States and New England, Apr. 1, 1960, and July 1, 1964 (provisional)* ¹

Area	Population Apr. 1, 1960 (census)	Population July 1, 1964 (provisional)	Net change	
			Number	Percent
United States.....	179,323,175	191,334,000	12,011,000	+6.7
New England.....	10,509,367	11,070,000	561,000	+5.3
Maine.....	969,265	989,000	20,000	+2.1
New Hampshire.....	606,921	654,000	47,000	+7.7
Vermont.....	389,881	409,000	19,000	+4.9
Massachusetts.....	5,148,578	5,338,000	189,000	+3.7
Rhode Island.....	859,488	914,000	55,000	+6.4
Connecticut.....	2,535,234	2,766,000	231,000	+9.1

¹ Total resident population includes persons in the Armed Forces stationed in each area.

Source: U.S. Bureau of the Census. Estimates of the Population of States: July 1, 1963, With Preliminary Estimates for July 1, 1964. Current Population Reports. Population Estimates. Series P-25, No. 289, Aug. 31, 1964.

⁴ Webber, Edwin. "Six of one * * *." *New Englander*, September 1964, p. 43.

⁵ *Ibid.*, p. 14.

Massachusetts and Connecticut are the most populous States. Dr. Saul B. Cohen has estimated that, on a geographic basis, 85 percent of New England's population is concentrated in the Connecticut Valley (which cuts across Connecticut and Massachusetts) and in the coastal area.⁶

A recent U.S. Census Bureau publication gives a breakdown by age of population as of July 1, 1963. It shows that New England had a greater percentage of its population 65 and over (10.6) than any other region except the West North Central (11.4). The percentage for the United States is 9.3. Maine, New Hampshire, Vermont, and Massachusetts all had 11 or 11.1 percent of their population 65 and over. Rhode Island's percentage was 10.5 and Connecticut was only slightly over the national average with 9.4 percent.⁷

New England's population of 11 million is, then, growing at a slower rate than the national average. Correspondingly, with the exception of Connecticut, the New England States have a larger percentage of citizens over 65 than the Nation as a whole. Most of New England's population is concentrated in the three lower States of Connecticut, Rhode Island, and Massachusetts.

4. INCOME

New England's per capita 1963 personal income figure of \$2,766 was above the national figure of \$2,449. As can be seen in table II, however, only Connecticut and Massachusetts are above the national average when each State is considered separately. Maine and Vermont per capita incomes are significantly lower.

TABLE II.—*Per capita personal income, 1963 (dollars) the United States and New England*

United States	2, 449
New England	2, 766
Maine	2, 007
New Hampshire	2, 313
Vermont	2, 121
Massachusetts	2, 853
Rhode Island	2, 433
Connecticut	3, 185

Source: "Personal Income by States and Regions in 1963." Survey of Current Business, August 1964, p. 16.

Another measure of a region's prosperity is family income. The Federal Reserve Bank of Boston has prepared a study of regional statistics for families with incomes under \$3,000 to determine how much poverty exists in New England. The Bank found that compared with the Nation and with other regions, New England had comparatively few families in the poverty category. The proportion of families with incomes under \$3,000 in 1960 was 14 percent compared with the U.S. figure of 21 percent.

On the other hand, as is true of per capita income figures, the family-income figures are very different among the New England States. The Bank says:

Within the region, however, the distribution of these poor families varied widely among the States. Connecticut had fewer families living in poverty—9.8 percent—than any other State in the Nation. Massachusetts placed third among the 50 States in its low poverty incidence but in 2 of its old textile centers—Fall River and New Bedford—about one-fifth of the families were poverty stricken, almost twice the State's average of 12.4 percent. Rhode Island ranked 18th in poverty incidence. Here also considerable poverty existed in the old industrial centers such as Providence and Woonsocket.

In northern New England, New Hampshire had a lower incidence of poverty—15 percent—than the Nation. On the other hand, more than a fifth of all families in Maine and Vermont lived in poverty. Those States ranked 29th and 30th in their incidence of poverty. The largest concentration of their poor families were in the northern rural areas.⁸

⁶ Cohen, Dr. Saul B. "New England's Boundaries—How Realistic Are They?" New Englander, August 1964, p. 26.

⁷ U.S. Bureau of the Census. Estimates of the Population of States, by Age: July 1, 1963. Series P-25. No. 294, Nov. 5, 1964.

⁸ "Poverty in New England." New England Business Review, April 1964, pp. 6 and 7.

Thus, although New England is relatively well off when compared as a whole to regions like Appalachia where, according to the President's Appalachian Commission, over 30 percent of the families had an income under \$3,000 in 1960, low incomes are prevalent in New England's northern rural areas and in the older industrial centers such as Providence.

5. EMPLOYMENT AND UNEMPLOYMENT

According to figures published by the U.S. Department of Commerce, the most important single source of personal income in all six New England States in 1963 was wages and salaries from manufacturing activity.

Employment figures also show the importance of manufacturing in the New England economy. Factory jobs accounted for 37.4 percent of all nonfarm employment in 1963 compared to the U.S. average of 29.8 percent.⁹

Obviously, New England's economy is still heavily dependent upon its manufacturing industries. Nevertheless, factory jobs in the region have declined from 43.9 percent of all nonfarm employment in 1950 to 37.4 percent in 1963. In Rhode Island, manufacturing employment declined from 148,000 in 1950 to 115,700 in 1963, for a loss of over 32,000 jobs. The loss of these jobs was not ever sufficiently compensated for by the creation of other nonmanufacturing jobs. As a result, despite an increase in the labor force, total nonagricultural employment in Rhode Island declined from 298,600 in 1950 to 297,000 in 1963.¹⁰

As is well known, there has long been a long-term decline of the textile industry in New England. There was an estimated loss of some 144,700 textile jobs in the decade ending in 1959 and an additional 13,300 were lost between 1960 and 1963. Since 1960, industry employment declined in virtually all of the major textile centers in New England with the exception of Hartford. Boston, Fall River, Lowell, Springfield-Chicopee-Holyoke, New Bedford, Manchester, and Providence-Pawtucket showed the largest overall losses.

Other manufacturing industries in New England which have suffered job losses over a 13-year period include the jewelry industry, the shoe industry, lumber, the primary metal industries, apparel, and food processing. Paper products and chemicals had an employment uptrend in the 1950 decade but declined between 1960 and 1963.

In 1964, New England is estimated to have lost another 10,700 manufacturing jobs.¹¹ The greatest job losses were in the areas of ordnance, electronics and transportation equipment. These industries had been important sources of employment in the 1960-63 period.

Since New England is a manufacturing region and there has been a loss in manufacturing jobs, it has consequently had major unemployment problems. Unemployment varies, however, throughout the area. This can be seen in table III. New Hampshire and Connecticut have generally lower rates than the region and the United States, while Rhode Island has much higher rates.

TABLE III.—*Unemployment in the United States and New England, 1960-64*

	1964 ¹	1963	1962	1961	1960
United States.....	5.2	5.7	5.6	6.7	5.6
New England.....	5.2	5.6	5.4	6.4	5.6
Connecticut.....	4.7	4.9	5.0	6.7	5.6
Maine.....	5.6	5.7	5.7	7.2	6.5
Massachusetts.....	5.3	5.8	5.5	6.0	5.4
New Hampshire.....	3.7	4.1	3.5	4.6	4.1
Rhode Island.....	6.5	7.2	7.0	8.0	6.7
Vermont.....	5.7	6.2	5.8	7.0	5.4

¹ Preliminary.

Source: U.S. Department of Labor. Bureau of Unemployment Security.

⁹ "New England's Changing Economy." Employment Service Review, July 1964, p. 33. Many of the figures concerning New England's employment between 1950 and 1963 in the following analysis are from this U.S. Department of Labor publication.

¹⁰ Preliminary figure for 1964, 297,400.

¹¹ "Preview in 1965." Review 1964: New Englander, February 1965, p. 15.

Within the States, unemployment problems also vary. Although Massachusetts was only slightly above the national average in 1964 with 5.3 percent unemployment, Lowell, Mass., was classified at the end of 1964 by the U.S. Bureau of Employment Security in group D which means that it had unemployment between 6 to 9 percent of the work force. In January 1965, Lowell was reclassified downward to group E which signifies 9 to 12 percent unemployment. The shift of the Lowell area from group D to group E resulted mainly from an over-the-year decline in ordnance employment and the closing of another textile plant.

Lowell is one of the eight major labor market areas in New England which is still classified in January 1965 as an area of substantial unemployment with at least 6 percent of the labor force unemployed. The other major areas are Waterbury, Conn., Providence-Pawtucket, R.I., and in Massachusetts the areas of Brockton, Fall River, Lawrence-Haverhill, New Bedford, and Springfield-Chicopee-Holyoke. Massachusetts has the unfortunate distinction of having two out of the three major labor areas in the United States which are in the group E unemployment category in January. Lowell, as we have already mentioned, is one and the other is Fall River.

New England has a total of 17 major labor market areas. Therefore, almost half of these large areas are areas of substantial unemployment. New England also has 11 small labor market areas and 14 very small labor market areas which are areas of substantial unemployment. Nine of the very small areas are located in Maine and Vermont.

Most of the New England areas which have had substantial, long-term unemployment have been dependent upon a single industry such as textiles or shoes, and they have not been able to make up for large losses of jobs in these industries despite extensive local development efforts. In the Providence-Pawtucket area, for example, unemployment rates have been above the national average since the recession of 1949. This area has been officially classified by the Department of Labor as an area of substantial unemployment continuously since July 1951 when the current area classification program was inaugurated. A major causal factor has been the exodus of the textile industry from the area. In 1950, area textile plants employed an average of 54,900 workers, well over a third of the area's 153,000 manufacturing workers. In 1962, the textile employment average to 24,400 was less than half the 1950 average, or a loss of over 30,000 jobs.¹²

The loss of this number of textile jobs, augmented by smaller losses in the jewelry, machinery and machine tools, electrical and nonelectrical machinery industries, has proven very difficult to offset. As of September 1964, for example, the Area Redevelopment Administration estimated that 1,515 direct jobs had been created in Rhode Island as a result of its programs. But the creation of many times that number of jobs would be needed to remove Providence from the redevelopment list.

The future outlook for employment in the textile industry in New England remains bleak. The recent cutback in defense spending also makes employment in ordnance and electronics uncertain. Continuing emphasis on raising efficiency through automation in the manufacturing industries tends to curtail employment in manufacturing generally.

The declining fishing industry, with a multitude of special problems, has affected employment in ports such as Gloucester. The present outlook for an employment upturn in this industry is not good as we shall discuss in some detail later in this report.

New England is, of course, becoming more and more dependent upon jobs in trade, service, and State and local government for increasing employment opportunities. Virtually all of New England's job growth of 124,400 between 1960 and 1963 took place in the nonmanufacturing sectors of the economy. The increasing importance of these types of jobs as opposed to manufacturing employment is evident throughout the country.

Many of the new jobs created in recent years, for example, were in the State-local government category, particularly in the field of education.

Unfortunately, New England areas which have been depressed by long-term cutbacks in manufacturing employment are not likely to have the tax base to

¹² U.S. Department of Labor in cooperation with the U.S. Department of Commerce. Area Redevelopment Manpower Report, Providence-Pawtucket, Rhode Island-Massachusetts, June 1963.

provide the needed increase in governmental services, which would in turn lift local government employment, and in this way take up some of the slack left by manufacturing layoff. Unfortunately, also, the workers who lose their jobs in manufacturing industries of often are not able to qualify for the professional and white-color jobs that are becoming available in government and the service industries.

Thus, in summary, almost half of New England's major labor market areas remain areas of substantial unemployment. Massachusetts, Rhode Island, and Connecticut all have areas in this category. Massachusetts has two large areas which are in particularly deep economic trouble judging from their unemployment rate. Thinly populated Maine and Vermont also have unemployment problems in smaller areas.

Of the New England States, Rhode Island has the highest overall unemployment rate and New Hampshire the lowest.

6. NATURAL RESOURCES

A. Land and forest

Exhibit I illustrates how the major New England landforms cut across State boundaries. Going generally from east to west we have: (1) The coast, which is narrow, sandy, and smooth in the south and broad, rocky, and more deeply submerged in the north; (2) the eastern uplands, which are irregular, glaciated hill areas cut by river valleys; (3) the fertile lowland of the Connecticut Valley; (4) the western Uplands, whose rolling hills grade into the mountains; (5) the old, glaciated western mountains which include the Taconics, Berkshires, Green, and White Mountains; and (6) the interior lowlands of the mountains.¹³

The hilly, rugged topography of New England and the glacial till soils have limited the development of large-scale agriculture. These relatively unfavorable land conditions, and the early growth of industry in the region, combined to make New England one of the first areas in the Nation to shift from agriculture to an industrially based economy. Already in the first half of the 19th century industrialization made heavy inroads in New England. This industrialization has dominated the economy ever since, although, as has been pointed out, the service industries are recently increasing in importance.

The already cited New England-New York resource study summarizes the recent land use pattern as follows:

"The most notable trends of recent years have been a rapid increase in the use of land for industrial, residential, and related purposes; a steady decline in the acreage of land use for crop production and forage and a corresponding increase in forest land; a rapid expansion in recreational uses of rural land; and quality depletion of forest resources."¹⁴

The position of agriculture in the current New England economy can be judged by the fact that personal income from farming, which was already down to 2 percent of total personal income in 1953, declined still further to less than 1 percent in 1963.

As was true in many parts of the country, forests originally covered most of New England. Some of this virgin timber was cut as the land was cleared for agricultural operations. Much of it went up in smoke, although the timber was also used to house the growing population.

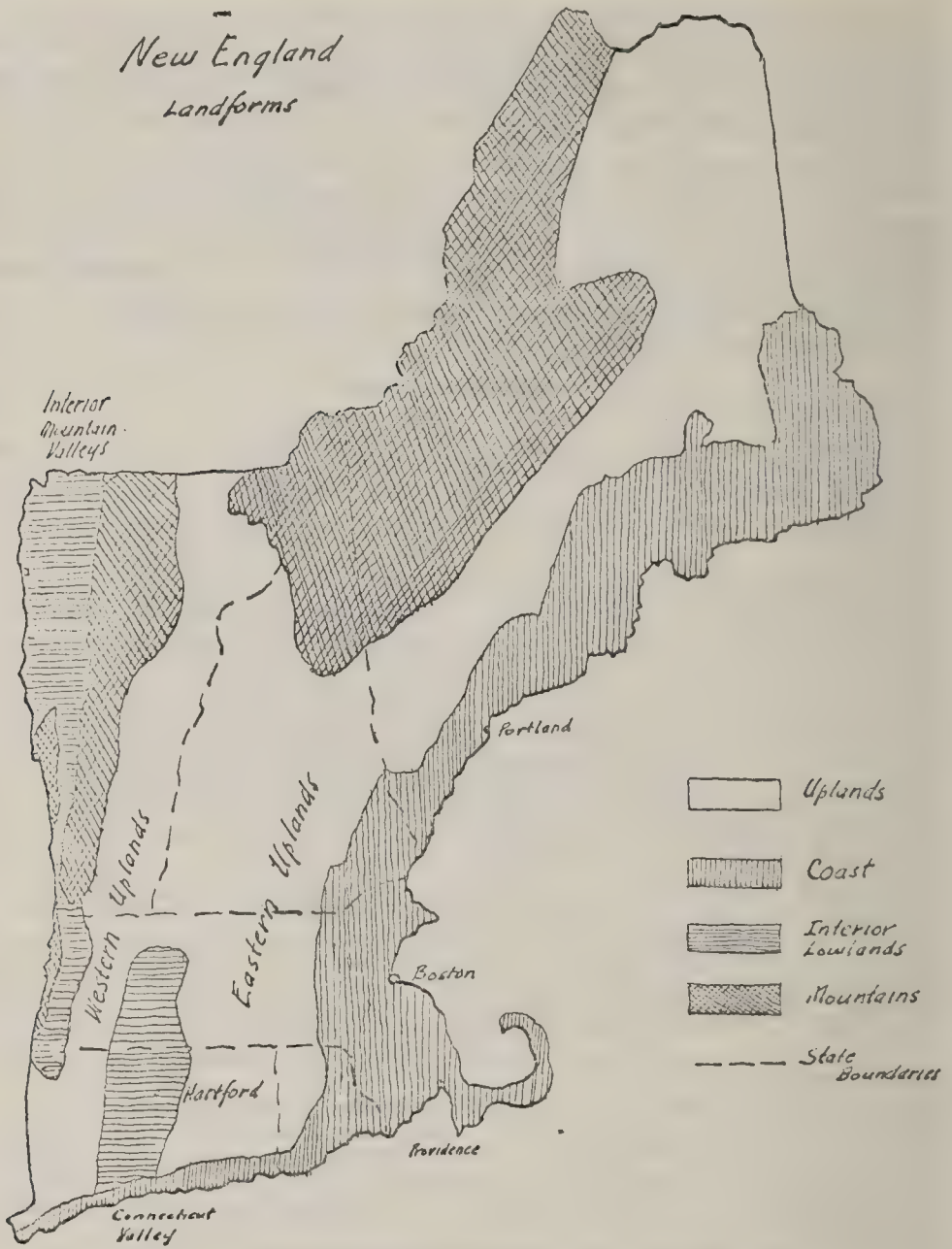
In the 1800's, the industrial expansion of New England created a demand for timber products. Large-scale logging operations continued until the better and more accessible stands had been depleted by the inefficient and wasteful cutting practices of the time.

Today, much of New England is covered by second- and third-growth forests which produce large quantities of raw material for the wood-using industries of the region. New England has, perhaps, a larger part of its land area in forest than any other section of the United States. Maine, the largest of the six States, had over 80 percent of its area in commercial forest land in 1953. Even Rhode Island, although densely populated, had two-thirds of its land area covered with forest in the same year.

New England's forests are an important source of income in the region. The manufacture of paper and allied products provided payrolls of over \$396 million in 1962, and lumber and wood products payrolls of over \$108 million. In Maine,

¹³ Map and description are adapted from the article by Dr. Saul B. Cohen, *op. cit.*, pp. 8, 9, and 26.

¹⁴ New England-New York Interagency Committee, *op. cit.*, p. 43.



value added by manufacturers of paper products, lumber, and wood products in 1963 amounted to more than a third of all value added by Maine manufacturing.

Nevertheless, the use of New England's forest resources for manufacturing purposes is not without its problems. For one thing, industrial use of the forests sometimes conflicts with recreational use which is a growing source of income in New England. Hunters, fishers, campers, and tourists spend money for supplies, for lodging, for services; and their numbers are growing.

In a recent article about Maine, the Federal Reserve Bank of Boston says:

"It is becoming increasingly apparent that the demand for outdoor recreation facilities in northern Maine has only started its growth. Over the past decade the population of New England increased only 10 percent, while the use of Maine State parks and camps increased 122 percent. The Outdoor Recreation Resources Review Commission has estimated that the population of New England and the Middle Atlantic States will increase by 13 to 25 percent between 1960 and 1976. Furthermore, the future population will have more income and more leisure time,

and one study estimates that by 1976 camping in northern and eastern Maine will increase by 70 percent."¹⁶

This growth of demand for outdoor recreations seems bound to collide with the production of pulpwood, logs, pulp, and paper at the lowest possible cost by a few corporations and family groups who own about 75 percent of the 11 million acres of Maine wildlands. As the article points out—

"Each year additional thousands of sportsmen and family groups are using the lands and roads of private owners for recreation purposes. Careless campers occasionally start forest fires. Passenger car traffic on logging roads causes accidents and forces logging operators to move equipment and pulpwood at lower rates of speed. Although the paper companies exclude the public from areas where substantial volumes of pulpwood are being cut and hauled, these exclusions create serious public relations problems."¹⁶

These public relations problems are augmented by the fact that papermills use millions of gallons of water—about 50,000 gallons per ton of product, and pollution control has been inadequate in the past. Papermills polluted the Kennebec and Penobscot Rivers in Maine and caused the Atlantic salmon to disappear from these rivers.

The problem is not only that the lumber companies need to create a better image, or to permit vacationers to use their land; there is a real conflict concerning the use of the forests for manufacturing as opposed to their use for recreation. This conflict is being sharpened by increasing demand for outdoor recreation by our growing population. Furthermore, the case for unlimited use of the forests by manufacturing companies is weakened by the fact that employment in the wood-using industries is decreasing despite capital expansion. Automation is increasing in the industry, and many multimillion-dollar expansions involve the addition of only a few new employees.

As opposed to the intensive use of the forests by large pulp and paper operations, very little use of their forests is made by the many small landowners in New England. Many little forests are not large enough for their owners to devote personal time and effort to their management. As a result, much of this forest land is in poor condition. Whether or not these forests are worth rehabilitating for commercial use probably depends upon their location and marketing possibilities. In populous southern New England, there would seem to be little need for forest development for wood products.

As a study of the timber resources of Rhode Island states—

"Water, recreation, agriculture, and residential and industrial development compete with timber for the use of land in Rhode Island. Already rural land values are higher than in most other States; undoubtedly they will continue to rise as population increases. Forward-looking owners of forest land may well question whether timber will bring as much income as some of these other competing land uses. Whether the land use is likely to change before timber benefits accrue will have to be considered in public rehabilitation programs."¹⁷

In the sparsely populated northern New England States, however, small forest owners might supplement their income through development of their land for forest products.

B. Water and the fishing industry

New England has a plentiful supply of water. As in so many parts of our country, however, much of the water is polluted. Sewage and industrial wastes have spoiled many a river for recreation, and shellfish beds off the coast have also been ruined by pollution. Senator Muskie, of Maine, recently stated in introducing S. 4, the Water Quality Act of 1965—

"In my own State, as in others, our previously abundant shellfish-producing waters have been immeasurably harmed through disposal of deleterious wastes. The economic losses to shellfishermen have been catastrophic."

In a report such as this, we cannot attempt to assess the seriousness of the pollution problem in any detail. The New England-New York Interagency report published in 1957 considered stream pollution at some length, but conditions have undoubtedly changed since then. Early in 1965 Governor Rockefeller, of New

¹⁶ "New England's Last Frontier. Part III, Planning for the Development of Wildlands." New England Business Review, January 1965, p. 5.

¹⁶ *Ibid.*, p. 3.

¹⁷ U.S. Northeastern Forest Experiment Station, The Timber Resources of Rhode Island, Upper Darby, Pa., 1957, p. 5.

York, told the House Public Works Committee that the Nation is actually losing ground in its fight against water pollution. The magnitude of the problem can be judged somewhat by the fact that the Governor estimated that New York alone would need \$1.7 billion to clean up its streams, and the present level of Federal antipollution grants is \$100 million a year.

Polluted water has affected New England fisheries, as Senator Muskie pointed out. Another factor adversely affecting fishing is the draining of the wetlands. A recent article points out:

"Only recently have fishermen begun to appreciate how important these low, marshy lands are in maintaining sport and commercial fishing along our New England coast. Only recently have marine scientists begun to understand the complex chemistry that makes up the relationships between marshes and the rich nutrients they produce to support finfish, shellfish, shorebirds, waterfowl, and other forms of animal life.

"* * * Draining for agriculture, mosquito control, and for industrial purposes has spoiled many important wintering marshes. The destruction of marshland along the Atlantic coast has produced not only a critical situation for waterfowl but has destroyed the natural conditions needed for the food chains which are so important for our fisheries, both sport fisheries and commercial fisheries."¹⁸

Aside from the destruction of the habitat for fish and shellfish, the New England commercial fishing industry has other problems. Port facilities are antiquated and inadequate. The fishing fleet is aging, and vessels that go down or are retired are often not replaced due to the high cost involved. Foreign vessels operate profitably over the Grand Banks, Georges Bank, and other fishing grounds that are being abandoned by American fishermen as the New England fleet shrinks. New foreign vessels appearing off the New England coast are recognized as being far in advance of their American competitors in modern equipment. Foreign fleets are heavily subsidized by their governments while American fleets have received only limited aid.

The New England fishing industry is not attracting young men who wish to make it their lives work; nor is it attracting capital. The industry appears to be faced with further decline unless an important rejuvenation is accomplished.

C. Water and power

Various surveys of New England that have been undertaken in the past, including the 1951 Report of the Council of Economic Advisers, found that the cost of electric power in New England is higher than in most of the rest of the country, partly because of the lack of local fuel resources such as coal. The 1964 National Power Survey of the Federal Power Commission reported that this is still true. The Commission said:

"New England at the present time is one of the highest cost electric power areas in the Nation. The average retail price of power in New England in 1962 was 29 percent higher than the national average."¹⁹

One way of improving New England's electric power supply, which has been discussed for years, is the development of low-cost hydroelectric power, particularly by the Federal Government. Seymour Harris, in his 1952 study of New England, found that New England contained no Federal hydroelectric developments while the rest of the country had 156 projects. Mr. Harris goes on to say:

"The omission of New England suggests first an aloofness toward Federal participation in the life of the region; second, strong opposition to Federal power and multipurpose projects partly instigated by propaganda from well-organized power interests; and third, the absence of Federal competition which might depress rates and force private power companies to experiment more with low prices and quantity sales. Surely Federal competition accounts in some part for the much greater reduction of rates in the Southeast than in New England in the last 20 years. I am not, however, suggesting that a New England TVA would help our region as much as it helped the South."²⁰

Mr. Harris further pointed out that multiple-purpose projects such as TVA which include power, flood control, recreation, reforestation, etc. are often feasible where single-purpose projects are not.

¹⁸ Sherman, Edward A., "Wetlands Are Not Wastelands," *New Englander*, February 1963, p. 43.

¹⁹ Federal Power Commission, *National Power Survey*, Washington, U.S. Government Printing Office, 1964, p. 230.

²⁰ Harris, Seymour E., "The Economics of New England: Case Study of an Older Area," Cambridge, Mass., Harvard University Press, 1952, p. 226.

The above-mentioned Council of Economic Advisers' report also said—

"It is probable that an impartial survey of the water resources of New England will indicate that there are undeveloped hydroelectric sites which would produce large quantities of power cheaply but which are not susceptible of single-purpose development. The exploitation of these sites would require a multipurpose approach to the development of an entire river valley including flood control, soil conservation, reforestation, water supply, stream pollution, and recreation, as well as power. Under such a multipurpose development, part of the total costs would be allocable to the nonpower phases of the project and the cost of generating power would be correspondingly reduced. By such an approach and under commonly accepted procedures for allocating the cost on a multipurpose project, certain power projects may well become economically feasible which would not be feasible if developed on a single-purpose basis: It should be one of the major purposes of the survey of the interagency committee to determine whether and to what extent multipurpose developments represent the most economical way for developing the water resources of New England."²¹

The report of the New England-New York interagency committee on land and water resources did not, however, emphasize multipurpose development or Federal development. The report states—

"It is to be noted that with few exceptions there are no multiple-purpose projects included in the (river) basin plans and therefore then entire cost would have to be borne by power. Power values or benefits were determined on the basis of the cost of generating equivalent power by a privately financed steam-electric plant, this being the most likely alternative source of power. * * * It has been assumed that in this region, projects are most likely to be constructed under private financing practices. Consequently, all estimates of annual costs are presented on the basis of private financing."²²

The interagency report did not, apparently, go far toward solving New England's hydroelectric problems. As we pointed out earlier, New England is still one of the highest cost electric power areas in the Nation.

Currently, a federally financed project is being reconsidered to extract energy from the tides of the Passamaquoddy Bay in eastern Maine in conjunction with a hydroelectric development on the St. John River in northern Maine. This would be a multipurpose development which would have recreational as well as economic benefits. It would provide Maine with a permanent major tourist attraction, and it would preserve the Allagash River which has long been recognized by outdoor enthusiasts as one of the best primitive river courses in the United States. Alternative hydroelectric power development proposals, such as the Cross Rock project, would completely inundate the Allagash.

Senator Muskie, in introducing the bill this year (S. 515, 89th Cong.) to authorize the Passamaquoddy tidal power project, claimed that the project would provide electrical power for the northeast region at prices 25 percent below prevailing rates.

Technological improvements, such as new high voltage transmission techniques, have made the Passamaquoddy project more feasible than it once was. There have, however, been technological advances in other methods of power generation, particularly in steamplants and nuclear plants, which one day may make large scale hydroelectric developments obsolete. The Federal Reserve Bank of Boston states—

"These technological gains may in time largely eliminate one of New England's historical competitive disadvantages—relatively high industrial power costs compared to the other regions of the country. By the year 1980, any new hydro-power projects of the type envisioned for Passamaquoddy Bay and the St. John River Basin in northern Maine will probably be more difficult to justify than they are today."²³

The development of cheaper electric power, particularly federally developed hydroelectric power, is still apparently a matter of continuing controversy in New England.

²¹ Council of Economic Advisers. Committee on the New England Economy. The New England Economy. Washington, U.S. Government Printing Office, 1951, p. 113.

²² New England-New York Interagency Committee, op. cit., pp. 33 and 34.

²³ "New England's Last Frontier: Part II. Competing Proposals for Power Development." New England Business Review, November 1964, p. 5.

7. SUMMARY AND CONCLUSIONS

In this study we have attempted to identify some of the problems of New England through an examination of some major economic indicators such as personal income and employment, and also a brief survey of its natural resources.

We have not tried, however, to cover every facet of the economy. Transportation was not covered because there did not seem to be any obvious regionwide problems in the transportation network. There are isolated areas, of course, in northern New England, but any "development highways" similar to those planned for Appalachia would have to be considered in conjunction with plans to develop water and forest resources. The preservation of unspoiled wilderness areas would require the exclusion of high-speed highways. Southern New England has some transportation problems, particularly in the area of mass transportation, but they require more detailed study than is possible in a survey of this type.

As was pointed out in the section on employment and unemployment, New England has some labor market areas which have persistently high unemployment rates. These areas include old industrial centers in the south and rural areas of the north. As would be expected, an examination of income statistics also shows that these same areas of high unemployment have many families with low incomes.

A major New England problem is that of providing for its older citizens. All of the New England States except Connecticut have a higher percentage of people over 65 than the country as a whole.

In the area of natural resources, coastal and stream waters have suffered considerable pollution. As a result, use of these waters for fishing, recreation, and even for industry has suffered.

New England must decide between competing uses of its land, water, and forests. Industrial uses are often incompatible with recreational development. On the other hand, balanced economic development is necessary for the growth of the region.

Certain possible solutions to the problems outlined above are suggested by the nature of the problems and by approaches that have been tried in the past or are being tried in the Appalachian program.

Vocational education

New England's severe unemployment problems, particularly in areas dependent upon one type of industry, suggest that vocational education and retraining may need to be accelerated, particularly since new job opportunities tend to be in the skilled categories.

The Federal Reserve Bank of Boston estimated in 1962 that 165,000 additional skilled workers would be required in New England by 1970. It said:

"Currently the region's vocational schools are graduating about 10,000 each year from their trades-and-industry day program. The need for craftsmen, to meet both replacement and growth needs, is expected to average 16,500 per year to 1970. Thus, needs per year will exceed graduates by about 6,500. * * * If an effort is not made to provide additional vocational training facilities, more youths will find themselves thrown on the unskilled job market. And experience indicates that this will contribute to our unemployment problem."²⁴

Vocational education as it is referred to here, however, will benefit only the young, and studies indicate that depressed areas such as Providence and Fall River have a high percentage of older people, many of whom are unemployed. A recent study by the Area Redevelopment Administration, titled "Population, Labor Force, and Unemployment in Chronically Depressed Areas," included four New England major labor market areas in its study (the two mentioned above and Lowell and Lawrence-Haverhill).

This study found that the depressed areas have been experiencing a relative aging of their population, primarily as a result of outmigration of younger workers. From this fact the study concluded—

"* * * it may be more difficult to bring new firms into the areas if such firms count on hiring primarily young workers who would be trained 'on the job.' Given the relatively old population of the depressed areas and the relatively high proportion of middle aged among the unemployed, it would appear that creation of new job opportunities would have to be combined with some local training

²⁴ "Training for Needed Skills—Vocational Education." New England Business Review, November 1962, p. 4.

programs—programs that would make the older workers more attractive to potential employers.”²⁵

Provisions of the Manpower Development and Training Act could be utilized, and possibly strengthened, to provide such local training.

Programs for the elderly

Not all of the older workers in New England's depressed areas will, in all probability, be able to be successfully retrained and find jobs. Other older people are in poor health or over retirement age. Community programs and centers for older persons would seem to be necessary for New England's aging population, particularly in the Northern States.

Senator McNamara has introduced a bill (S. 811), the Older Americans Act of 1965, which may indicate a possible approach. It would establish and Administration on Aging in the Department of Health, Education, and Welfare. It would provide grants to the States for community planning and services for the elderly, and for training projects.

Timber development organizations

The provision for technical assistance and loans to private timber development organizations as provided in the Appalachian Regional Development Act of 1965 seems equally applicable to New England since much of it is covered by forests and much of it is in the hands of small owners. Most of the studies of New England's forests suggest the need for similar cooperative efforts to develop small forests. The New England-New York Interagency Committee said—

“The principal measure included in the plan for improvement of forest lands is providing technical assistance to the forest landowners, particularly the nearly 400,000 small owners, to enable them to properly manage their woodlands. * * * Additional educational work is needed among the landowners, the timber operators, the forest products industries, and the general public to make sure that an adequate, concerted, and sustained cooperative effort is made to improve the forest lands and to so manage them that the owners and the region may receive full value from them.”²⁶

Under the provisions of the Appalachia Act, the timber development organizations may receive up to \$5 million in Federal loans, not to exceed 50 percent of their initial capital requirements, in fiscal 1966 and 1967. The loans shall not be used for the construction or acquisition of facilities for manufacturing, processing, or marketing forest products, or for physical consolidation of small timber holdings except for the establishment of demonstration units. The Federal loans will be administered under the applicable provisions of the Consolidated Farmers Home Administration Act of 1961.

Fishing development organizations or institute

The fishing industry of New England is plagued not only by foreign competition and disappearance or depletion of the fish; it is also plagued by inefficiency and poor marketing practices. A 1954 report of the National Planning Association said—

“In New England the typical handling of fish on vessels and at the pier has been seriously deficient and has been an especially important cause of deterioration in quality. * * * Inefficient and destructive handling should be eliminated by industrywide consultation and cooperative action. Modern equipment to remedy conditions may be costly but far less so than inaction.

“Improved methods of processing are also important ways of increasing quality and reducing cost. Unfortunately the New England fishing industry as a whole has not done as much as it should about either. Only a few firms have research facilities of any kind, and most others have been slow to adopt new ideas. * * *

“The New England fishing industry should invest more in its own future, as have the meatpackers and other groups whose products compete with fish, as well as the fishing industry of the west coast. The research carried on by the U.S. Fish and Wildlife Service on fish technology, fish biology, methods of catching fish, and other problems is valuable to the industry, but it is not a substitute for the industry's own efforts. A New England fish-products research

²⁵ U.S. Department of Commerce, Area Redevelopment Administration. Population, Labor Force, and Unemployment in Chronically Depressed Areas. Washington, U.S. Government Printing Office, 1964, p. 39.

²⁶ New England-New York Interagency Committee, op. cit., p. 46.

institute might well be established, supported by the entire industry for its collective benefit."²⁷

New England fishing facilities and practices apparently have not changed much in recent years. In a recent article, a University of Rhode Island professor says:

"Archaic methods of handling fish in some New England ports have changed little in 50 years; pitchforks and handcarts are the rule. Had agriculture remained as firmly committed to ancient methods as has much of the fishing industry, there would be many more hungry Americans than we now have."²⁸

A study just released by the Area Redevelopment Administration of the New Bedford fishing industry comes to similar conclusions. It says—

"New Bedford fishing industry in all its phases consists of highly individualistic persons who employ primitive and antiquated facilities and techniques. There are technical plant and dockage problems that must be overcome; there are problems dealing with marketing and product distribution."²⁹

The study goes on to conclude—

"* * * there seems to be evidence in favor of a unique fishing institute in this geographic area. In view of the fact that biological and oceanographic work is conducted at Woods Hole and the proposed radiation center is to be located in Gloucester, it would seem that a fitting adjunct to these areas would be a marketing center and overall information clearinghouse which could be incorporated in the activities of such a fishing institute. There is ample reason to feel that the proposed Southeastern Massachusetts Technological Institute could provide necessary facilities for such an undertaking."³⁰

In view of the deteriorating state of the New England fishing industry, it would seem appropriate to provide the stimulus for increased efficiency and marketing improvement through a coordinated approach. This could take the form of fishing development nonprofit organizations similar to the timber development organizations or, possible, the establishment of a fishing institute.

Oceanographic research

Increased oceanographic research is undoubtedly needed to develop further information concerning the fish and shellfish along New England's coast. It is also needed to fight water pollution and to help develop and safeguard marine recreation.

President Johnson has, however, recently asked for funds for increased ocean research, and the Woods Hole research facility is an established fact. Whether or not an additional regional facility or additional funds are needed is a matter of judgment beyond the scope of this study.

Recreation

The development of recreation in the area depends upon the way the natural resources of the region, land, forest, and water, are developed. As we have pointed out earlier, development of an area for recreational uses may often conflict with industrial use. Unplanned urban sprawl will eat up land that could be used for parks, public forests, and bathing beaches.

Development of the recreation and tourist industry can be an important source of income and employment—not to mention esthetic enjoyment.

One way to develop recreational opportunity is to apply multipurpose development to major river basins. New England has never had such multipurpose development. Currently, however, plans are underway to develop both the Connecticut River and the Passamaquoddy Bay for multiple uses. The latter project would also provide cheap hydroelectric power. Because of the importance placed on multipurpose development by previous successful regional plans such as TVA, and also because several of the studies of the New England region have stressed this approach, serious consideration to the implementation of multipurpose river basin plans should be given in any program for regional economic development.

The prevention and control of water pollution should also be given emphasis in

²⁷ National Planning Association. Committee of New England. *The Economic State of New England*. New Haven, Yale University Press, 1954, p. 69.

²⁸ Lampe, Harlan C. *An Antiquated and Fragmented U.S. Fishing Industry Faces Many Problems*. Inserted in the Congressional Record, July 23, 1964, p. 16131.

²⁹ U.S. Department of Commerce. Area Redevelopment Administration: *A Marketing Study of the Scallop and Flounder Industry of New Bedford, Mass.* Washington, U.S. Government Printing Office, 1965, p. 44.

³⁰ *Ibid.*, p. 78.

any plans to develop recreation. Many beaches and streams have already been ruined by pollution and the amount of Federal aid available in current programs is meager.

Urban public works

Like the Appalachian report, and like many of the preceding studies of New England which we have mentioned, this survey has not attempted to go into any detail concerning the problems of urban areas. They could be the subject of many reports. We can only note here that many of New England's urban centers have continued high unemployment. They are burdened with antiquated, abandoned factories and antiquated public facilities. Much of the housing is old and deteriorating. Much needs to be done besides luring in new industry or retraining the work force. Continued emphasis should be placed on Federal grants for public facilities and urban renewal.

In conclusion, all of the solutions which we have mentioned are merely suggestions where coordinated State and Federal action might be focussed, based upon the specific problems of the region. New England has been studied and restudied, but research alone cannot determine what should be done. This depends, in the final analysis, upon the wishes of the people of the region.

STATEMENT OF ANGUS McDONALD, DIRECTOR OF RESEARCH, NATIONAL FARMERS UNION

Mr. Chairman and members of the committee, I am appearing here in support of H.R. 6991, a bill which is consistent with the historical position of the National Farmers Union and especially with support of legislation which we have supported the last few years.

This bill as we understand it, attempts to utilize experience for the area redevelopment and public works accelerated programs. This witness has appeared in support of similar legislation many times before the House and Senate.

The National Farmers Union has been particularly interested in the problem of unemployment in depressed areas, especially since hundreds of thousands of farm people, because of low farm income and increasing efficiency, have been forced to leave agriculture and seek other employment. It is significant that the number of those in the ranks of unemployed today approximates the number of people who have left farming during the last few years.

We, therefore, suggest that depressed farm income and poverty in rural areas has been one of the major causes of unemployment in the Nation.

The National Farmers Union has also been concerned about inadequate resources development and the fact that our Nation despite years of attention to soil and water problems and much expenditure is still suffering devastating floods during periods of above average precipitation. These results are evident in the last few weeks' headlines in the newspapers which tell of the tragic conditions which have resulted from floods in the Mississippi Valley.

This legislation, we feel, is all the more urgent because of the recent destructive floods which will require rehabilitation programs in the areas affected.

We are also supporting this legislation because it seeks to improve the health of the economy in areas of low incomes. Pockets of poverty exist all over the United States. In some areas population has declined with devastating effects upon local communities. Small businesses have failed, local industry has dried up, and church and social institutions have been affected. One of the main problems, we feel, in the entire poverty program, is a rejuvenation of small communities.

We do not feel that the problem will be solved in the cities, but mainly in the rural and outlying areas. Some way must be found to stop immigration from the farms from increasing the numbers of unemployed in urban areas.

In many areas of the United States people suffer from polluted water, from inadequate sewage facilities, and funds are inadequate to build and rebuild local industry which has deteriorated.

Our resources, both human and natural, are our most precious asset. They should be preserved and efforts should be made to give opportunity to the unemployed and underemployed to add to their own income and to the national income.

The Farmers Union is particularly interested in the regional approach, believing that the great river basins of our country should constitute economic units and that programs should be developed along the lines of comprehensive development

so that the soil and water resources would be preserved. We call particular attention to the lack of development in the Mississippi and Missouri River Basins. Some parts of this region have experienced a declining population and, as pointed out, lack adequate programs which would prevent floods and conserve soil and water.

This legislation, we are pleased to note, would preserve local initiative and would require, as the President said in his message, "programs to be developed locally and to come from the grassroots and not from Washington." The program also provides for loans where local interests are able to repay them and grants where they are unable to repay a loan. Participation by local interests is absolutely necessary if the kind of program, as outlined in this legislation, is to succeed.

Experience under area redevelopment and other programs leads us to believe that it will be cheaper for the Government to lend or give funds for the purpose of stimulating private enterprises and putting people to work than it would be to support the unemployed by means of charitable contributions by local, State and Federal Governments. At the same time the dignity of the individual would be preserved where he is given an opportunity to engage in worthwhile activities.

This legislation would carry us forward in the war on poverty which is an attempt to raise the living standards of our people and justify our reputation as an affluent Nation.

STATEMENT SUBMITTED BY THE INVESTMENT BANKERS ASSOCIATION OF AMERICA

Re H.R. 6991, proposed Public Works and Economic Development Act of 1965

The Investment Bankers Association of America has a membership of 732 firms and they have over 2,100 branch offices throughout this country. These firms (which collectively underwrite a large portion of the new issues of bonds issued by States and municipalities and act as financial advisers for States and municipalities) have a professional knowledge of the ability of States and municipalities to finance public facilities and the factors which determine the interest rates paid in such financing.

The comments in this statement are directed to section 201 which would authorize Federal loans for public works in a redevelopment area. We believe that the Federal loans proposed by this section are unnecessary and undesirable because (1) most municipalities which would qualify as redevelopment areas can finance facilities at reasonable rates without the proposed Federal assistance; (2) Federal loans for public works are already available under the Public Facility Loan program, and Federal loans or grants for various types of public facilities are available under numerous other programs; and (3) section 101 of the bill would authorize Federal grants for public works in redevelopment areas.

SUMMARY OF SECTION 201

Section 201 would authorize \$170 million annually in Federal loans to assist in financing public works in a redevelopment area, if the funds requested for such project are not otherwise available from private lenders on reasonable terms. Such loans could have a maturity up to 40 years and would bear interest at a rate not less than (i) a rate determined taking into consideration the current average market yield of the outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 percent, less (ii) not to exceed one-half of 1 percent (this rate currently would be about 3½ percent).

In considering the proposal for Federal loans under section 201, it is important to note that section 101 would authorize \$250 million annually in Federal grants for public works within a redevelopment area. A direct grant could not exceed 50 percent of the cost of a project, but supplementary grants also would be authorized to enable States or other entities within redevelopment areas to take maximum advantage of designated Federal grant-in-aid programs for which they are eligible but for which, because of their economic situation, they cannot supply the required matching share; but in no event shall the non-Federal share of the aggregate cost of any project be less than 20 percent.

Section 401 provides that there be designated as "redevelopment areas":

(a) Those areas in which it is determined, upon the basis of standards generally comparable with those set forth in paragraphs (A) and (B), that there has

existed substantial and persistent unemployment for an extended period of time and there would be included among the areas so designated any area—

(A) Where the Secretary of Labor finds that the current rate of unemployment, as determined by appropriate annual statistics for the most recent available calendar year, is 6 percent or more and has averaged at least 6 percent for the qualifying time period specified in paragraph (B) and

(B) Where the Secretary of Labor finds that the annual average rate of unemployment has been at least (i) 50 percent above the national average for 3 of the 4 preceding calendar years, (ii) 75 percent above the national average for 2 of the preceding 3 calendar years or (iii) 100 percent above the national average for 1 of the preceding 2 calendar years.

(b) Those additional areas which have a median family income not in excess of 40 percent of the national median, as determined by the most recent available statistics for such areas.

(c) Those additional Federal or State Indian reservations which manifest the greatest degree of economic distress on the basis of unemployment and income statistics.

(d) Upon request of such areas, those additional areas in which it is determined that the loss, removal, or closing of a major source of employment has caused or is about to cause an unusual or abrupt rise in unemployment or underemployment of such magnitude that the area can reasonably be expected to become eligible for designation under other provisions within 3 years unless assistance is provided.

(e) Those additional areas which were designated redevelopment areas under the Area Redevelopment Act on the date of the enactment of this act, provided that the continued eligibility of such areas after the first annual review of eligibility shall be dependent on their qualification for designation under the standards of this act.

(1) *Most municipalities which would qualify as redevelopment areas can finance facilities at reasonable rates without the proposed Federal assistance*

The ability of State and local governments to finance public facilities is best indicated by the fact that sales of new issues of State and municipal bonds in 1964 set a new record, aggregating over \$10.5 billion. The fact that most municipalities which qualify as redevelopment areas can finance their public facilities at reasonable rates in the private market is demonstrated by the sales of new issues of State and municipal bonds in 1964 and a complete record of such sales is set forth in appendix A, giving the net interest cost paid by the issuer where such information is available.

As a few examples of municipalities which were in eligible "redevelopment areas" on January 1, 1965 but which financed facilities through bond issues in 1964, including cities and counties of varying sizes from different geographical areas, appendix A includes the following:

Laurence County (Ala.) Board of Education, \$917,000 at 3.884 percent;
Navajo County (Ariz.) High School District, \$290,000 at 3.606 percent;
Bristol (Conn.) School, \$235,000 at 3.094 percent;
Raleigh County (W. Va.) School District, \$5,469,000 at 3.239 percent;
Philadelphia, Pa., various purpose, \$5,000,000 at 3.296 percent; and
Allegheny County, Pa., \$6,600,000 at 3.177 percent.

"Unemployment" as determined for purposes of the proposed act is not a reliable indicator of the ability of a community to finance public facilities. Part of the reason for this is the fact that many of the persons included technically among the "unemployed" by the U.S. Department of Labor are really not indicative of a "depressed area." For example, the April 1965, issue of the Monthly Report on the Labor Force (published by the U.S. Department of Labor) indicates that in March 1965, the total number of unemployed persons was 3,740,000; but of this number about 783,000 (over 20 percent) were aged 14 to 19 years, 605,000 were looking for part-time work and 720,000 were married females with husbands present (there is some overlapping in these groups with some persons included in more than one of the groups).

(2) *Federal loans for public works are already available under the public facilities loan program and Federal grants or loans for various types of public facilities are available under numerous other programs*

The loan program proposed under section 201 is substantially identical with the present public facility loan program administered by the Housing and Home Finance Agency under which Federal loans are authorized for public facilities

at an interest rate determined under a formula in the law (presently 4 percent) if the financing is not available from other sources on reasonable terms.

Most of the financing by municipalities can be handled in the private market at rates which are reasonable in relation to current market rates, as shown in the record of 1964 financing in appendix A. However, in any case where Federal assistance might be needed there are still ample funds available under the community facilities loan program.

Additional Federal loans for rural areas are also available from the Farmers Home Administration for water conservation, irrigation and rural water supply and distribution systems under the Watershed Protection and Flood Prevention Act. Also, the Consolidated Farmers Home Administration Act authorizes loans or the insurance of loans for water supply or water conservation projects.

Federal grants are already available for most types of public facilities:

The recently enacted Elementary and Secondary Education Act of 1965 authorizes Federal grants to local educational agencies serving areas with concentrations of children from low-income families. Over \$1 billion has been requested for such grants for the first fiscal year.

The Water Pollution Control Act authorizes Federal grants for construction of waste treatment works.

The Mass Transportation Act of 1964 authorizes Federal grants for urban mass transit facilities.

The Health Professions Educational Assistance Act of 1963 authorizes grants for construction of new teaching facilities for physicians, nurses, and professional public health personnel.

The Mental Retardation Facilities and Community Mental Health Centers Construction Act of 1963 authorizes Federal grants for the indicated types of facilities.

The Federal Airport Act authorizes Federal grants for airport construction.

The Hospital Survey and Construction Act authorizes Federal grants for hospital construction.

The Higher Education Facilities Act of 1963 authorizes Federal grants (and loans) for construction of college academic facilities.

The proposed Housing and Urban Redevelopment Act of 1965, on which hearings have been completed in both the Senate (S. 1354) and the House (H.R. 5840), would authorize Federal grants under separate programs for (1) construction of basic water and sewer facilities and (2) neighborhood facilities.

From this brief summary it is apparent that there are already available numerous Federal loan and grant programs to provide basic public facilities and that it would provide a wasteful duplication of administrative personnel and financial resources to authorize a new program.

(3) *Section 101 would authorize Federal grants for public works*

In any exceptional case where a public works project in a redevelopment area could not be financed without Federal assistance, Federal grants for 50 percent of the project cost (in some cases up to 80 percent) would be authorized under section 101 of the bill. Experience has shown that municipalities in acute unemployment or low-income areas can finance their portion of the cost of a public works project at reasonable rates after receiving a Federal grant for 50 percent of the cost. For example, in West Virginia (where all but one county qualified as a redevelopment area on Jan. 1, 1965) the following are a few examples of issues of bonds which have been sold in the private market at reasonable rates to provide the local share of the cost of a public works project which was also assisted by a Federal grant:

	Percent
\$250,000, town of Bath (Berkeley Springs), waterworks revenue bonds	4.27
\$750,000, city of Buckhannon, W. Va., waterworks revenue bonds	3.7869
\$625,000, town of Glenville, W. Va., combined waterworks and sewerage revenue	4.205
\$300,000, Grafton, W. Va., water revenue	4.00712
\$290,000, Parsons, W. Va., combined water and sewerage system revenue	4.31
\$507,000, Salem, W. Va., sewer revenue	4.000
\$200,000, city of Martinsburg, W. Va., paving revenue bonds	4.25
\$455,000, town of Stonewood, W. Va., sewer revenue bonds	4.333
\$750,000, Keyser, W. Va., sewer revenue bonds	4.102

From these examples it seems clear that there is no need to provide Federal loans for the local share of the cost of any project which has been assisted by a Federal grant. In any case where a loan might be needed it could be obtained under the existing public facility loan program. It would, therefore, be an undesirable and wasteful duplication of administrative personnel and budgetary authorization to authorize the loan program proposed under section 201.

Finally, we would emphasize a fact which should be apparent, that an enthusiastic group of supporters who expect to be beneficiaries of Federal assistance and a long list of applicants for such assistance does not demonstrate a need for the proposed assistance. Obviously, when free prizes are given out by the Federal Government at the expense of taxpayers, one can expect a large group of willing recipients.

CONCLUSIONS

For the following reasons, discussed above, we strongly believe that section 201 of H.R. 6991, to authorize Federal loans for public works, is unnecessary and undesirable and should not be adopted:

(1) Most municipalities which would qualify as redevelopment areas can finance facilities at reasonable rates without the proposed Federal assistance.

(2) Federal loans for public works are already available under the public facilities loan program and Federal grants or loans for various types of public facilities are available under numerous other programs.

(3) Section 101 would authorize Federal grants for public works.

If Federal loans for public works are authorized in the proposed act, we urge that the provisions regarding the interest rate on such loans be changed to provide a realistic rate in line with yields on U.S. obligations of comparable maturity. The provision in subdivision (b) of section 201 of H.R. 6991, currently setting the rate at about 3½ percent, is completely unrealistic in providing that the rate shall be up to one-half of 1 percent less than the market yield of outstanding marketable obligations of the U.S. remaining periods to maturity comparable to the average maturities of the loans (adjusted to the nearest one-eighth of 1 percent. At a time when the market yield on U.S. obligations (on May 11, 1965) is about 4.14 percent for bonds maturing in 5 years (4s of 1970), and 4.15 percent for bonds maturing in 15 or 25 years (3½s of 1980 and 3½s of 1990), a similar rate would certainly be reasonable for loans of comparable average maturity to local governments in redevelopment areas. Therefore, if a loan program is authorized we urge that subdivision (b) of section 201 be changed by deleting "less (ii) not to exceed one-half of 1 per centum per annum", so that the interest rate charged on such Federal loans is not less than the yield on U.S. obligations with maturities comparable to the average maturities of such loans.

STATEMENT OF SEYMOUR E. HARRIS, LITTAUER PROFESSOR OF POLITICAL ECONOMY, HARVARD UNIVERSITY, EMERITUS, AND CHAIRMAN, DEPARTMENT OF ECONOMICS, UNIVERSITY OF CALIFORNIA, SAN DIEGO

I am unfortunately unable to appear in person to testify before your committee but I would like very much to send you a note on my views on the important subject you are now considering. Unfortunately, when one lives in California rather than the east coast, it is a little more difficult to make hearings. I might add that I did testify on the area redevelopment bill twice in the last few years.

I consider H.R. 6991 a very important bill. It has many advantages over earlier legislation in this field. First, because more cash is being authorized, and one of the disadvantages of the earlier legislation was there was not enough money available to do an adequate job. Second, where real hardships are involved, the Federal Government now provides a larger part of the total cost. Third, and most important, it is now possible to deal with larger economic units than was possible under the earlier bill.

The bill provides means to stimulate the economy as well as perform useful tasks. In the last few years the Administration has emphasized especially tax cuts, which have been very beneficial to the economy. But there is a question whether we may not be moving too far in the direction of tax cuts and perhaps we ought to pay a little more attention to welfare spending. In this context there is not much to be said for H.R. 6991.

Furthermore, this legislation ties in well with the Manpower Training Act, the Anti-poverty Act and in the Appalachia legislation. All these programs can be well integrated with one another, each having a particular function to perform.

What is especially important in this legislation relates to the fact that the average cost of an additional job under the Area Redevelopment program is roughly about \$800, a very small price to pay for an additional job. The returns of private income are several times as large and even tax receipts probably increase more than the gross cost to the Government.

In this connection I have estimated that to achieve an increase of jobs in the economy through the deficit approach involves a cost under reasonable assumptions of at least \$10,000 per job. Hence, the approach suggested by H.R. 6991 is much less costly to the Government in deficits.

ARA has done an excellent job. With inadequate resources, with little research help available, with the need for haste, and confronted with an entirely new approach for solving our economic problem, the ARA has been remarkably successful. President Johnson is to be congratulated for supporting this program and pushing for its enactment in a somewhat revised form. That under the ARA program 100,000 additional jobs have been provided is in itself evidence of the effectiveness of the program.

The current proposals ought to be welcomed: first because of the emphasis on grants and loans for public works and where hardships are involved, a more generous approach in providing grants; second because adequate resources are being provided for industrial and commercial loans for capital development; and third because it offers a unique system for enticing private capital through interest rate subsidies. Finally, the bill provides needed cash for research and planning.

I would emphasize especially the value and the wisdom of treating larger areas rather than the smaller areas originally suggested in the ARP. In California, one of the striking things is the extent to which, for example, San Diego's economy depends on what happens in Los Angeles. The larger areas tend to have certain secondary effects on the smaller areas. For example, a decline in the San Diego area of late has been greatly reduced because Los Angeles maintained its position better than San Diego, and in part, of course, because of the decline of Government contracts in the San Diego area.

In New England as goes Boston, so goes most of New England. Therefore to deal with the unemployment problem of Lawrence, for example, one approach is to improve the Boston economy. It is important, therefore, to deal with larger segments of the economy, and not to restrict to small areas, where improvements may be slow to respond under specific treatment limited say to one county.

One must not, of course, assume that all unemployment problems can be solved by the direct approach evidenced by H.R. 6991. The number of additional jobs that may be achieved through measures such as provided under H.R. 6991, or the Manpower Training Act, will depend upon the number of unfilled vacancies. It is my hope that the present legislation will seek an answer to the magnitude of unfilled vacancies. The number of unfilled vacancies puts a ceiling on the number of additional jobs that could be had through the direct approach. With 5 to 6 percent unemployment, it is very important to have not only this direct approach but also the help of fiscal and monetary policy, that is through increased spending or reduced taxes and monetary expansion as a means of stimulating the economy. Once unemployment is down to 2 percent or so, then the unfilled vacancies become much larger and at that point the advantages of H.R. 6991 will be even greater than at present.

STATEMENT BY W. A. BOYLE, PRESIDENT, UNITED MINE WORKERS OF AMERICA

My name is W. A. Boyle. I am the President of the United Mine Workers of America. I wish to thank the committee for this opportunity to present the views of America's coal miners on the bill H.R. 6991, Public Works and Development Act of 1965.

We feel that the passage of this bill is an essential step toward the continued economic prosperity of our Nation. For in seeking this legislation and in striving to obtain its objectives, the Congress and all Americans will have served notice that no trace of poverty will be tolerated in this land of plenty.

There are many arguments to justify this legislation. Sound reasoning underlies its structure and commends it to the American people. But one dominates all others and stresses the urgency surrounding the prompt enactment of the bill—there are too many people out of work in our society.

While we may take some comfort from our declining rate of unemployment, we can never ignore the stark truth that 5 percent of our workforce is currently unemployed. Nor can we ignore the additional millions of Americans who are underemployed. These millions do not show up in the official statistics, but they represent a crushing burden upon our society. Finally, we must somehow take cognizance of others who, because of apathy, despair, or rejection, have withdrawn from the workforce. These men and their families represent the outcasts of society, islands of want drifting hopelessly and aimlessly in a tide of prosperity.

It is for all of these Americans that H.R. 6991 and companion legislation is intended. It is because our national conscience will not long endure the tragedy of poverty amidst the blessings of prosperity that such legislation is possible. For in this Nation, above all others, our people always respond to the plight of those less fortunate than themselves, to those who need help and to those who do not share in the good fortunes of others.

If we grant the need which exists for assistance to people currently living in poverty, the question then is how to best effectuate such assistance.

We could provide for a dole for these citizens and the areas in which they live. We could make them wards of the State, perpetual benefactors of the public treasury.

But this solution, though it may provide for material needs, destroys spiritual values. It reduces men to depending upon charity. It robs wage earners of the right to contribute to our society and to earn a place in the daily affairs of the Nation.

Surely we must seek other ways to meet the problems of unemployment. And we must do so within the framework of our free enterprise economy. For it should be evident from our past history that by harnessing the energy, the skills and the determination of freemen, we shall be better able to solve the problems which confront us.

The program outlined by H.R. 6991 seems to us to offer one way in which we can provide for the eventual elimination of unemployment and yet maintain the drive and dynamic character which is the hallmark of our society.

It is obvious that not all sections of America have grown apace with the rest of the Nation. Pockets of poverty exist all across our land. Economic depression, a bare memory to many Americans and unknown to many others, is a cruel and real tragedy in distressed sections of America. The magnitude of this problem is evident when we consider that one-fourth of all the counties in the United States have serious economic problems. The plight of these areas and the people who live there is further underscored by the fact that unemployment rates often reach 13 percent, or better than twice the national average. Further, in some of the less fortunate counties median family incomes often run 70 percent below the national average figure.

The program outlined by H.R. 6991 strikes at the causes of depressed areas. It provides the money, the men, and more importantly, the framework within which these areas can be rebuilt and brought again into the mainstream of American life.

Perhaps even of more importance is that under the bill as it is now written, depressed areas may help themselves. They may harness their own talent, resources, and determination to bring about economic advancement.

We believe that the tying of public works to area redevelopment is a significant and important part of the proposed legislation. This connection recognizes the close interrelationship between the ability of an area to revitalize itself and the necessity to maintain an adequate level of public facilities and services.

In many of the depressed areas of this Nation public facilities and services are in serious disarray. Long years of declining tax revenues and increasing welfare and other burdens have led to deterioration of needed community services. Schools, hospitals, roads, libraries, etc., have been neglected. Because of this neglect the complexion of the area has changed for the worse and its appeal to modern industry has been greatly damaged, if not destroyed.

The truth of our assertion is evident in every depressed area in the United States. In fact, most of the work being done with respect to Appalachia is being done in the public area in an attempt to bring the level of public service up to an acceptable standard.

The United Mine Workers of America has for many years supported public works programs. We do so today. The combination of public works and area redevelopment adds to the validity of our earlier statements dealing solely with public works. For to our minds, including public works projects in an area redevelopment plan is a sound and rational way to approach the overall problem.

In the final analysis, the only real and permanent solution to the problems of depressed areas is the creation of jobs. If this cannot be done; if, in fact, industry does not find it attractive to locate or expand in those areas all of our efforts will be in vain.

We consider it imperative to point out the need for industrial development in depressed areas. But we also strongly suggest that the construction of a sound and viable economic base in any depressed area must begin with the resources and the industries which exist there.

It is vital, therefore, that area planning and area development recognize the basic nature of certain industries to particular sections of the country. For example, coal, its mining, distribution, and consumption, is of concern to the economic health of the Appalachian region. Any plan, no matter how well intentioned or conceived, which ignores this simple truth is foredoomed. On the other hand, soundly conceived programs to aid the coal industry have immediate impact upon the region and its present and future economic health.

For this reason, we believe that the planning programs on the local, State and National levels envisioned in H.R. 6991 will be of immense benefit. Planning of this nature, encompassing as it must an overall investigation of total area resources, can mean a great deal to those who must initiate and carry forth programs of economic development.

This type of investigation can lead to many fruitful avenues for area development. In the field of coal research, for example, advances are being made which can have a tremendous impact upon the economies of coal areas. Many of these research activities are being carried on under Government sponsorship with the express purpose of providing new markets for the coal industry.

The transition from the laboratory to the commercial stage can be aided greatly by an intelligent understanding of area potential. Such an understanding and the actions which flow from it can create, literally overnight, reentry of prosperity in depressed areas and provide a major impetus for American industrial expansion.

We are really suggesting that a logical outgrowth of the program envisioned in H.R. 6991 will be the rapid expansion of American industry through resource development. Such an expansion would in a short time return to the Treasury of the United States the funds required now to initiate it. More importantly, the growth of American industry and jobs will mean a permanent base of economic security upon which our Nation may constantly build.

This has been the pattern underlying our growth as an industrial Nation. The network of railroads, the growth in agriculture, the formation of industrial complexes, came about through Government action in concert with private initiative.

That pattern may well be emulated in the rejuvenation of our depressed areas and in their eventual return to the prosperity enjoyed by the rest of the Nation.

In summary, we support the provisions and objectives of H.R. 6991. We believe that this bill is in the public interest and that if enacted it will do much to aid in the task of bringing to all Americans a share in our national wealth.

We sincerely hope that the Congress will speedily pass this legislation so that the work of area development may continue.

We believe there is no other task which demands our national attention more nor cries louder for successful culmination than this one. For until depressed areas no longer exist, the job will remain undone and the challenge unmet.

STATEMENT AND EXHIBITS PREPARED BY NEW ENGLAND STATE PLANNING DIRECTORS

Mr. Chairman, it is a distinct pleasure and honor to act as liaison of my fellow New England Governors before you during your deliberations on Senate bill 1648.

New England, by the dint of the magnificent efforts of our forebears and the Yankee ingenuity of our inhabitants, has managed to share in the prosperity of our American free enterprise system. New England as a region badly needs

the assistance of the current bill in order to maintain its proper share of the Nation's bounty.

To this point, I invite the attention of the body to that work with which you and your companion New England Senators are familiar, the 1961 Federal Reserve Bank of Boston report "New England at Work in the Space Age." As so well stated by the author, "Obviously the New England economic machine simply cannot work—and equally obviously, it does."

DISADVANTAGES

Among the disadvantages New England labors under are its general lack of industrial raw materials, and its disadvantageous location. I have presumed, Mr. Chairman, to attach some core statistics (exhibit A) which to me contain some important facts which help highlight the need and desirability of Senate bill 1648. Review of these facts shows:

(1) Our declining share of population and density of population; our slow rate of change from agriculture to other income sources; our failure to automate.

(2) Our eggs-in-basket dependence on manufacturing; our decline in size of manufacturing work force; our low wage status.

(3) The substantial handicaps imposed on New England's manufacturers, e.g., lack of raw materials; high cost of fuel and power (to which I shall turn in a later section of my statement); our longer haul to market and our crucial transportation problems.

(4) Our curiously structured work force, with proportionately higher older workers and female workers than is found elsewhere in the Nation.

Added to our disadvantages, Mr. Chairman, are those economic scars, infrequent we are pleased to say, which are identified in the pending bill as distressed areas. And, further, those areas of pitifully low incomes. It is indeed encouraging to note that in legislation now being implemented, in the 3½-year history of the Area Redevelopment Administration, significant strides have been taken. I am sure that this committee is well aware of the well-documented report on this matter issued in February 1965 by the U.S. Department of Commerce Secretary, John T. Connor, and Area Redevelopment Administrator, William L. Batt, Jr.

I have attached hereto interim and informal statistics as to New England's participation in this worthy program (exhibit B). May I note, Mr. Chairman, that it was the wise and judicious action of the Senate which caused the so-called Proxmire amendment to be added so that our rural areas incapable of showing technical compliance with the distressed area concept might also share in the "operation bootstrap" improvements made available to our low income areas by the original ARA bill.

I strongly urge that the pending bill might well be subjected to minor amendment to permit continuation of eligible areas designated under the Proxmire amendment. We realize the annual review section of the pending bill might be interpreted to divest States, such as Vermont and New Hampshire, of designations under the original ARA bill. We in Vermont have had the benefit of the Proxmire amendment by gubernatorial designation of a three-county area. This has brought needed municipal improvements and new industrial hope.

NEW FLEXIBILITY

The pending bill enjoys much needed new flexibility. We note, with appreciation, that grants and loans for municipal projects may now be given to improve job opportunities on a long-range basis, as well as the proven validity of the providing of jobs concurrent with the construction of the projects. The previous job justification criteria, proven somewhat unsatisfactory, has been eliminated. Also the area designations are more flexible in that in addition to the pocket-poverty distressed areas, now areas contiguous may share in the designation—provided the multiarea unit is a recognized economic region.

The new bill also provides guarantees for working capital to industries being aided. We feel this will enhance participation by private banking sources—in Vermont our recent amendments to our Industrial Building Authority Act were passed on this premise.

In 1963 I had the pleasure of appearing before the House Committee on Banking and Currency in respect to the ARA bill. At that time, I requested that technical planning money be made available without matching funds from the State or community. I note with appreciation that the \$15 million technical assistance program in the present bill does not require matching funds.

ACTION REMEDIES

In addition to the badly needed changes which this new bill includes, this bill provides what we in New England believe to be the key to the future. I refer to the regional action planning commissions we find in title V.

The six New England States comprise one region in the opinion of its inhabitants and in the opinion of the Nation.

As was well said in an editorial in the Burlington, Vt., Free Press, on Tuesday, March 30, 1965: "The eastern megalopolis now stretching from Concord, N.H., south beyond Washington, D.C. * * * In 1975, New England * * * in effect if not in fact * * * will be one large State. Programs of regional cooperation which are just in the discussion stage now, will wipe away the stifling boundaries of traditional competition."

Over the years, valiant efforts have been made to meet the regional needs of New England. We are all well aware of the significant contributions to our economy and unity made by such groups as the New England Council, our labor groups, and various regional committees and commissions.

With partnership between the Federal Government and our State governments made feasible by the Regional Action Planning Commission, we could begin to find action remedies for many of our problems.

TRANSPORTATION

The transportation situation is but one of a number of major interstate-Federal problems that are in evidence. Our air system needs both planning and action. And, this Senate is well aware of the staggering multistate impact of the proposed closing of rail services on the New Haven Railway. You are also well aware of the fact that with temporary economics in sight, some of our Federal agencies are curtailing use of rail services, such as now occurring to railway mail operations in New England. This, despite the fact that New England is so distant from the population center of the Nation—which continues moving westward—and New England urgently needs a major improvement in surface bulk and passenger transportation.

POWER

New England urgently needs massive improvements in electric systems. Our regional consumers pay as much as 20 percent more for electricity than the national average. Our industrial consumers pay 66 percent more than the national average. Our commercial enterprises pay 17 percent more than the national average (exhibit C).

Again, the partnership among the New England States needs the addition of the Federal partner.

PLANNING

As indicated above, the New England States have realized the urgent needs for regional action. I am proud to have led the introduction of a New England Planning Compact before the New England Governors. This compact has been approved by each of the New England Governors and is currently pending passage in the several States (exhibit D).

I hasten to assure this body that the New England Planning Compact is by no means an instrument competitive with the Regional Action Planning Commission, as viewed in title V of this bill.

Viewed in one light, the planning compact could serve a long-range purpose plan project for New England. Viewed in another, the planning compact could serve as one of the arms of the New England Regional Action Planning Commission.

The Appalachia solution, to us, seems long overdue and most reasonable. The problems of New England are not the problems of the Pacific coast. The enactment of legislation designed to meet New England needs is a real necessity. The joint Federal-State effort is long overdue.

While we in New England appreciate the significant contribution of ARA and APW, we foresee the Regional Action Planning Commission as the most significant device for improving the well-being of our citizens. A plan without a purpose is piffle. A plan without consideration of regional impact is equally worthless, and overall action without proper planning and proper recognition of the needs of our respective regions is reckless.

I have attempted, Mr. Chairman, to accurately reflect the combined views of the New England Governors. Factors of time did not permit submission of the text of these remarks to my fellow Governors. However, although we New England Governors may have differences of opinion as to the priority of needs, I am confident that I reflect our combined views when I urgently recommend passage of this significant legislation.

EXHIBIT A

New England handicaps—Basically.—Disadvantageous location and general lack of natural resources. Specifically—

1. Declining share in most of Nation's economic activities and vital statistics

Population 1950-60: ¹	Density
New England, +12.8 percent	166.5
Middle Atlantic, +19.3 percent	300.1
Great Lakes, +19.2 percent	148.0
Pacific, +40.2 percent	23.6
United States, +18.5 percent	50.5
Vermont, +3.2 percent	42.0

Employment changes, nonagricultural employment, 1950-60¹

	Percent
New England	+11.1
Middle Atlantic	+9.2
Far West	+43.9
United States	+18.2

Overall relatively lower output per employee (failure to automate).² Gross product originating per employee, 1960 dollars

	1947	1957
New England	\$5,400	\$6,606
Middle Atlantic	5,640	7,414
Great Lakes	5,582	7,535
Far West	6,523	8,274
United States	5,350	7,164
Vermont	4,357	5,681

2. Eggs-in-one basket dependence on manufacturing for its livelihood.³ In terms of concentration on manufacturing, New England ranks No. 1

	Percent
New England current income from manufacturing	38
Middle Atlantic current income from manufacturing	34
Far West current income from manufacturing	27
United States current income from manufacturing	28

Nonagricultural employment in manufacturing

	Percent
New England.....	39
Middle Atlantic.....	35
Far West.....	27

3. Decline both relative and absolute in size of manufacturing work force³

Percent change 1950-60:	1947-62
New England, -2.2.....	-6.0
United States, +9.1.....	+7.8
Middle Atlantic, -0.7.....	-6.4
Far West, +56.8.....	+70.1

4. Wage rates, differentials, hourly wages, manufacturing³

New England, \$2.09—(a low-wage area).
Middle Atlantic, 2.32—+11 percent over New England.
Far West, 2.62—+25.4 percent over New England.

5. Handicaps imposed on New England manufacturers³

- a. Basic lack of industrial raw materials.
- b. Higher than average costs of fuel and electric power.
- c. Transportation costs higher because of greater haul to market.
- d. Distance from Nation's population center and from rapidly expanding consumer markets.

6. The general antiquity of its overall manufacturing equipment and to its lower than average investment rate in new capital equipment³

MISCELLANEOUS

1. Low agricultural employment and income, 1960³

New England, 3.4 percent of labor force, 1.1 percent of total personal income.
United States, 10 percent of labor force, 3.7 percent of total personal income.
Percent change, agricultural employment—1950-62.⁴
New England, -42.5
United States, -32.5

2. Transfer payments (social security and old age benefits) large part of New England personal income³

New England, 10.8 percent of population—65+.
United States, 9.2 percent of population—65+.
Vermont, 11.2 percent of population—65+.
About 8 percent of New England personal income from transfer payments.

3. New England has older work force

Structure of labor force, percent distribution 1960²

Age groups	14-24	25-34	35-44	45-64	65+
New England.....	16.52	19.48	23.40	35.47	5.13
United States.....	17.16	21.04	23.59	33.69	4.52
Vermont.....	17.51	18.74	21.60	36.11	6.04

LONG-TERM UNEMPLOYMENT CLAIMANTS FOR COMPENSATION ⁵

New England—40 percent of claimants were over 55 years of age.
 United States—25 percent of claimants were over 55 years of age.
 New England—25 percent of claimants were 65+.
 United States—11 percent of claimants were 65+.

4. *New England has a larger female work force* ³

New England—40 out of 100 women are in the labor force (34.59 percent).
 United States—36 out of 100 women are in the labor force (32.09 percent).

Labor force participation rates—Female, 1960 ²

	All ages	45-64	65+
New England.....	29.4	51.1	11.5
Middle Atlantic.....	28.0	45.8	10.8
Great Lakes.....	25.5	44.0	10.4
Far West.....	26.9	47.0	10.2
United States.....	26.0	44.4	10.2
Vermont.....	25.3	48.8	12.5

New England: Women accounted for more than half of the long-term unemployment claimants for compensation.⁵
 United States: Women accounted for only two-fifths of the long-term unemployment claimants for compensation.⁵

SOURCES

¹ Department of Commerce—Bureau of the Census.
² National Planning Association.
³ Federal Reserve Bank of Boston—Annual Report, 1961.
⁴ U.S. Department of Labor—Manpower Administration.
⁵ Federal Reserve Bank of Boston—New England Business Review, March 1963.

EXHIBIT B
ARA activity in 6 New England States as of Mar. 31, 1965

	Financial assistance			Technical assistance		Training			APW assistance (Jan. 1, 1965)		
	Number of projects	ARA invest-ment	Employment potential	Number of projects	ARA invest-ment	Number of projects	ARA invest-ment	Trainees	Number of projects	Investment	Man-month employ-ment
Connecticut.....	6	\$5,693,000	1,510	5	\$73,480	15	\$519,357	1,212	54	\$6,367,000	6,511
Maine.....	20	13,156,428	4,185	12	213,967	28	268,925	754	55	4,593,000	7,212
Massachusetts.....	15	3,257,683	1,095	10	463,631	29	777,646	738	102	20,857,000	21,306
New Hampshire.....	4	991,730	220	2	102,535				23	2,116,000	2,497
Rhode Island.....	4	1,485,784	565	5	190,590	17	955,687	1,225	43	12,398,000	16,554
Vermont.....	2	119,075	110	1	400	3	44,718	70	11	1,317,000	1,609
Total.....	51	24,703,700	7,685	35	1,044,603	92	2,566,333	3,908	288	47,648,000	55,689

NE-ARA Totals :

Number of projects approved-----	178
ARA investment-----	\$28, 314, 636
Employment potential (direct)-----	7, 685
Employment potential (direct and indirect)-----	12, 680
Number of trainees-----	3, 908

NE-APW Totals :

Number of projects approved-----	288
APW investment-----	\$47, 648, 000
Man-months of employment-----	55, 689

EXHIBIT C

POWER

New England's electric consumers pay the highest electric rates in the continental United States.

Residential consumers pay as much as 20.2 percent more for electricity than the average for the Nation.

Highest bills in the continental United States for 250 kilowatt hours are paid by residential consumers of Maine, New Hampshire, Massachusetts, and Rhode Island in that order.

As of January 1, 1963, Connecticut residential consumers' bills were 10.8 percent above the national average for 250 kilowatt hours.

RESIDENTIAL

Maine residential consumers paid 20.2 percent above the national average.¹

Massachusetts residential consumers paid 18.9 percent above the national average.

New Hampshire residential consumers paid 19.8 percent above the national average.

Rhode Island residential consumers paid 16.6 percent above the national average.

Vermont residential consumers paid 2.4 percent above the national average. (Vermont's low figure is due to St. Lawrence and Niagara power.)

INDUSTRIAL

Maine industrial consumers paid 12.4 percent above the national average.²

Connecticut industrial consumers paid 45.7 percent above the national average.

Massachusetts industrial consumers paid 57.1 percent above the national average.

New Hampshire industrial consumers paid 41.9 percent above the national average.

Rhode Island industrial consumers paid 61.9 percent above the national average.

Vermont industrial consumers paid 44.8 percent above the national average.

COMMERCIAL

In 1962 New England commercial enterprises paid 17.2 percent more than the national average for power.

A combination of long winter nights, high heating requirements, and high rates * * * results in the commercial consumers paying from 11.3 to 45.4 percent more in their electric bill than the national average.

Maine commercial consumers paid 42 percent above the national average.²

Connecticut commercial consumers paid 17.2 percent above the national average.

¹ Source : "Typical Electric Bills, 1963," a Federal Power Commission publication (cities 2,500 and more).

² Source : Federal Power Commission publication, "Statistics of Electric Utilities in the United States, privately owned, 1962."

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Massachusetts commercial consumers paid 31.5 percent above the national average.

New Hampshire commercial consumers paid 45.4 percent above the national average.

Rhode Island commercial consumers paid 43.7 percent above the national average.

Vermont commercial consumers paid 11.3 percent above the national average.

Power purchased by manufacturing industries—1962

	Kilowatt-hours purchased	Total cost	Average cost per kilowatt-hours	Percent above or below U.S. average
	<i>Billions</i>	<i>Millions</i>	<i>Cents</i>	
Total, United States.....	313.7	\$2,827.1	0.9013	-----
New England.....	12.0	180.0	1.4961	+66
West North Central.....	12.2	151.8	1.2468	+38
Middle Atlantic.....	47.7	545.3	1.1431	+27
East North Central.....	81.0	808.8	.9990	+11
South Atlantic.....	35.4	327.3	.9250	+3
West South Central.....	20.8	175.9	.8442	-6
Pacific.....	38.9	277.0	.7121	-21
Mountain.....	8.5	60.4	.7080	-21
East South Central.....	57.2	299.5	.5222	-42

Source: 1963 Census of Manufactures, Bureau of the Census, U.S. Commerce Department.

EXHIBIT D—STATUS REPORT, LEGISLATIVE ACTION ON THE NEW ENGLAND
INTERSTATE PLANNING COMPACT, BY STATE, APRIL 23, 1965

CONNECTICUT

Compact legislation has been submitted in both the senate and the house. The house committee on State development has approved the compact and no opposition was voiced at the hearing held by the senate committee on Federal and intergovernmental relations.

MAINE

After a hearing at which there was no opposition the joint committee on State government reportedly has a very favorable reaction to the compact.

MASSACHUSETTS

Governor Volpe strongly supported the compact when he introduced the legislation at a meeting of the joint assembly on April 5, 1965. The compact was unopposed at a recent hearing held by the joint committee on State administration.

NEW HAMPSHIRE

The compact, which has the strong support of Governor King, is presently in the house rules committee.

RHODE ISLAND

The necessary legislation has been submitted by Governor Chafee's office, in addition to the introduction of a supplemental appropriation request to cover the State's share for the operation of the interstate planning commission.

VERMONT

The compact, considered to be one of Vermont's most important pieces of legislation by Governor Hoff, has recently passed the senate with extremely strong support. The legislation is now in the hands of the house conservation and development committee which held its first discussion on the measure on April 22. The house committee's initial reaction appeared quite favorable.

(The compact follows:)

NEW ENGLAND INTERSTATE PLANNING COMPACT

ARTICLE I.—FINDINGS

New England is by virtue of geographic location and other characteristics a great population, cultural, economic, and resource area which, with more intense use of physical, social, and economic resources, increasingly requires coordinated planning as a basic ingredient of effective and orderly growth of the region. To this end, it is the intent of this compact to establish and provide for the operation of an interstate planning agency for New England.

ARTICLE II.—PURPOSE

It is the purpose of this compact to provide, in the New England region, improved facilities and procedures for the coordination of the policies, programs, and activities of interstate significance in the New England region in the field of physical, social, and economic resources, and to study, investigate, and plan appropriate governmental activities with respect to the conservation, development, and use of the same; to provide means by which interstate conflicts may be resolved; and to provide procedures for interstate coordination of the interests of all public and private agencies, persons, and entities in the fields covered by this compact, and to provide an organization for cooperation in such coordination.

ARTICLE III.—CREATION OF COMMISSION

There is hereby created the New England Interstate Planning Commission, hereinafter called the commission.

ARTICLE IV.—MEMBERSHIP

The commission shall consist of one member from each party State to be appointed and to serve, in accordance with and subject to the laws of the State which he represents.

ARTICLE V.—FUNCTIONS

To carry out the purpose of the compact it shall be the responsibility of the commission to prepare studies and plans, and to recommend procedures for implementing coordination of the policies and programs and activities of interstate significance in the field of physical, social, and economic conservation and development in the New England region which may include the following:

- (1) Collection and interpretation of basic data.
- (2) Investigation, planning, and programing (including scheduling) of projects of interstate or regional significance.
- (3) Planning and scheduling of governmental services and programs which would be of assistance to the orderly growth and prosperity of the region, and to the well-being of its population.
- (4) Encouraging of the referral of plans or proposals for projects and programs of interstate or regional significance to the commission.
- (5) Studying and recommending means for the most effective utilization of such Federal assistance as may be available on a regional basis or as may have an interstate or regional impact.
- (6) Assisting the party States, or any of them, in cooperative planning undertakings with the Federal Government or any agencies thereof.

To avoid duplication of effort and in the interests of economy, the commission shall make use of existing studies, surveys, plans, data, and other materials in the possession of the governmental agencies of the party States and their respective subdivisions or in the possession of other interstate agencies. Each such agency, within available appropriations and if not expressly prevented or limited by law, is hereby authorized to make such materials available to the commission and to otherwise assist it in the performance of its functions. At the request of the commission each such agency is further authorized to provide the commission with information regarding plans and programs affecting the New England region so that the commission may have available to it current information with respect thereto.

The commission shall use qualified public and private agencies to make investigations and conduct research, but if it is unable to secure the undertaking of such investigations or original research by a qualified public or private agency,

it shall have the power to make its own investigations and conduct its own research. The commission may make contracts with any public or private agencies or private persons or entities for the undertaking of such investigations or original research within its purview.

The officers and personnel of agencies of the party States, and of any other government or agency whatever, or private citizens, or representatives of private organizations, may serve at the request of the commission upon such advisory committees as the commission may determine to create; and such officers and personnel of any such government or agency, may serve upon such committees without forfeiture of office or employment and with no loss or diminution in the status, rights, and privileges which they otherwise enjoy.

ARTICLE VI.—COOPERATION WITH THE FEDERAL GOVERNMENT AND OTHER GOVERNMENTAL ENTITIES

Each party State is hereby authorized to participate in cooperative or joint planning undertakings with the Federal Government, any appropriate agency or agencies thereof, or with any interstate agency or agencies. Such participation shall be at the instance of the Governor or in such other manner as State law may provide or authorize. The commission shall facilitate the work of State representatives in any joint interstate or cooperative Federal-State undertaking authorized by this article, and each such State shall keep the commission advised of its activities in respect of such undertakings, to the extent that they have interstate or regional significance.

ARTICLE VII.—VOTING

No action of the commission shall be binding unless taken at a meeting at which a majority of the commission members are present and a majority of the total number of votes on the commission are cast in favor thereof: *Provided*, That any action not binding by reason of failure to meet this requirement may be ratified within 30 days by the concurrence in writing of a majority of the commission members.

ARTICLE VIII.—FINANCE

A. The commission shall submit to the Governor or designated officer of each party State a budget including a statement of all funds expected to be available to the commission and their sources and, a request for an appropriation to cover that State's share of expenditures for such period as may be required by the laws of that jurisdiction for presentation to the legislature thereof.

B. With due regard for such moneys and other assistance as may be made available to it, the commission shall be provided with such funds by each of the several States participating therein to provide the means of establishing and maintaining facilities, a staff of personnel, and such activities as may be necessary to fulfill the powers and duties imposed upon and entrusted to the commission.

With due allowance for moneys otherwise available, each budget of the commission shall be the responsibility of the party States, to be apportioned among them as follows: 50 percent on an equal basis; 30 percent on the basis of population; 20 percent on the basis of area, either within incorporated places or places having units of local government, such population to be determined in accordance with the last official U.S. census of population.

C. The commission shall not pledge the credit of any jurisdiction. The commission may meet any of its obligations in whole or in part with funds available to it under article IX (E) of this compact, provided that the commission takes specific action setting aside such funds prior to the incurring of any obligation to be met in whole or in part in such manner.

D. The members of the commission shall be paid by the commission their actual expenses incurred and incidental to the performances of their duties, subject to the approval of the commission.

E. The commission shall keep accurate accounts of all receipts and disbursements. The receipts and disbursements of the commission shall be subject to the audit and accounting procedures established under its bylaws. However, all receipts and disbursements of funds handled by the commission shall be audited by a qualified public accountant and the report of the audit shall be included in and become a part of the annual report of the commission.

F. The accounts of the commission shall be open at any reasonable time for inspection by such agency, representative, or representatives of the jurisdictions which appropriate funds to the commission.

ARTICLE IX.—ADMINISTRATION AND MANAGEMENT

A. The commission may sue and be sued and shall have a seal.

B. The commission shall elect annually, from among its members, a chairman, vice chairman, and treasurer. The commission shall appoint an executive director who shall also act as secretary, and together with the treasurer, shall be bonded in such amounts as the commission may require.

C. The commission shall appoint and remove or discharge such personnel as may be necessary for the performance of its functions irrespective of any civil service laws which might otherwise apply. The commission shall establish and maintain, independently by contract or agreement, or in conjunction with any one or more of the party States, suitable retirement programs for its employees. Employees of the commission shall be eligible for social security coverage in respect to old age and survivors insurance provided that the commission takes such steps as may be necessary pursuant to Federal law to participate in such program of insurance as a governmental agency or unit. The commission may establish and maintain or participate in such additional programs of employee benefits as may be appropriate to afford employees of the commission terms and conditions of employment similar to those enjoyed by employees of the party States generally.

D. The commission may borrow, accept, or contract for the services of personnel from any State or the United States or any subdivision or agency thereof, from any intergovernmental agency, or from any institution, person, firm, or corporation.

E. The commission may accept for any of its purposes and functions under this compact any and all appropriations, donations, and grants of money, equipment, supplies, materials, and services, conditional or otherwise, from any State or the United States or any subdivision or agency thereof, or intergovernmental agency, or any institution, person, firm, or corporation, and may receive, utilize, and dispose of the same.

F. The commission may establish and maintain such facilities as may be necessary for the transacting of its business. The commission may acquire, hold, and convey real and personal property and any interest therein.

G. The commission may adopt, amend, and rescind bylaws, rules, and regulations for the conduct of its business.

H. The commission shall make and transmit annually to the legislature and Governor of each party State, a report covering the activities of the commission for the preceding year, and embodying such recommendations as may have been adopted by the commission. The commission may issue such additional reports as it may deem desirable.

ARTICLE X.—OTHER COMPACTS AND ACTIVITIES

Nothing in this compact shall be construed to impair, or otherwise affect the jurisdiction of any interstate agency in which any party State participates nor to abridge, impair, or otherwise affect the provisions of any compact to which any one or more of the party States may be a party, nor to supersede, diminish, or otherwise affect any obligation assumed under any such compact; nor shall anything in this compact be construed to discourage additional interstate compacts among some or all of the party States or the establishment of intergovernmental agencies in subareas of the region. Nothing in this compact shall be construed to limit the jurisdiction or activities of any participating government, agency, or officer thereof, or any private person or agency.

ARTICLE XI.—ENACTMENT

This compact shall become effective when entered into and enacted into law by any three of the States of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont. Thereafter it shall become effective with respect to any other aforementioned State upon its enacting this compact into law.

ARTICLE XII.—WITHDRAWAL

This compact shall continue in force and remain binding upon each party State until renounced by it. Renunciation of this compact must be preceded by sending 3 years' notice in writing of intention to withdraw from the compact to the Governor each of the other States party hereto.

ARTICLE XIII.—CONSTRUCTION AND SEVERABILITY

The provisions of this compact shall be severable and if any phrase, clause, sentence, or provision of this compact is declared to be unconstitutional or the applicability thereof, to any State, agency, person, or circumstance is held invalid, the constitutionality of the remainder of this compact and the applicability thereof, to any other State, agency, person, or circumstance shall not be affected thereby. It is the legislative intent that the provisions of this compact be reasonably and liberally construed.

STATEMENT OF DR. VERNON R. ALDEN, PRESIDENT, OHIO UNIVERSITY

Mr. Chairman, members of the committee: I am pleased to appear before you at this time to discuss the proposed legislation on the Public Works and Economic Development Act of 1965. I will confine my remarks to title III and IV of the act—those sections concerning technical assistance, economic development districts, and regional planning commissions—as these are the areas in which I feel most qualified to speak.

DECLINE AND FALL

A brief review of the economic history of southeastern Ohio will establish the framework for our discussion. Half a century ago, this region was humming with industrial activity. Its communities were prosperous and growing; prospects for the future seemed bright. But there was a latent danger in this prosperity. Nearly everything revolved around a single industry, deep-shaft coal mining, with a limited amount of diversification in the clay, timber, and agricultural industries.

In the 1930's, with the exploitation of larger and more profitable coal deposits in other areas of the country, southeastern Ohio felt the first tremors of economic instability. Following World War II, the home heating market shifted rapidly to oil and gas. The deep-shaft mining industry collapsed, while the operations of the area's railroad industry were substantially curtailed.

The blow to the area's economic activity was crippling—in some communities, fatal. Entire towns disappeared completely. Others became ghost towns as residents struggled for a time to find employment, then gave up and moved away. Young people fortunate enough to obtain college educations left the area in annual migrations.

With more fertile land in other areas of the State providing increasingly bountiful yields, farming in southeastern Ohio became proportionately more futile. The decline in agriculture matched, and in some cases exceeded, the decline in those industries mentioned above. As a result, in only two of the area's counties are more than 20 percent of the population now employed in farming. Employment in industry has fallen by more than 50 percent. In several counties, the 1950 census indicated a decrease in population from the level of the 1920's.

In general, the counties and communities of southeastern Ohio have been characterized, until quite recently, by chronic and persistent unemployment, a high proportion of persons aged 65 and over, low Government expenditures for needed public services and facilities, inadequate schools and health facilities, and a high outlay of Federal and State funds for welfare, relief, and retirement. Family incomes are low, with a marked tendency to become lower. The counties of this area contain many of Ohio's poorest roads. The value of commercial bank loans, the volume of wholesale and retail transactions, and the level of property tax valuations are the lowest in the State.

Moreover, the loss of employment opportunities in southeastern Ohio has resulted in an outmigration of the educated citizens of the area—the business, professional, and technical personnel whose knowledge, ability, and capacity for leadership is essential to the economic revitalization of the region. This erosion in the human sector has stripped the area's communities of those persons who could make development evaluations, plan regional facilities, and implement programs geared to economic growth.

RENAISSANCE

It should be clear, from the picture I have sketched above, that southeastern Ohio is in the midst of a critical economic and social crisis. In 1962, Ohio University joined with the Area Redevelopment Administration in taking the first step toward the resolution of this crisis. A systematic assessment was made of the region's problems, potentials, and specific needs. The purpose of the program was to forge an economic development program in cooperation with the 500-member Southeastern Ohio Regional Council.

On May 7, 1964, speaking on the campus of Ohio University, President Johnson announced a substantial grant for the establishment of a technical assistance facility to be known as the Institute for Regional Development. On March 25 of this year, in his message to Congress on area and regional economic development, President Johnson made specific reference to Ohio University as one of those universities leading the way toward the economic revitalization of depressed areas of the country.

During the past year, the institute has had the complete support and cooperation of the Area Redevelopment Administration. The agency's technical assistance division, in particular, has been most helpful in the institute's efforts to establish and carry out a basic economic development program. The agency's assistance includes supplemental research contracts to aid the area's communities and industries, the loan of experts and technical research publications, and help in finding key personnel for the institute's professional staff.

THE ROLE OF THE UNIVERSITY IN REGIONAL DEVELOPMENT

Leadership is the single most important element in any successful development program. Almost every depressed community and county attempts to make some effort toward solving its particular problems. Admirable as these self-help, "bootstrap" efforts are, experience has repeatedly shown that they usually fail without cooperation on a larger scale. Especially in an area as extensively and uniformly depressed as southeastern Ohio, the economic well-being of one community is inextricably connected to that of the surrounding communities. Thus, the isolated and sporadic efforts of these individual communities must be given a common direction and some measure of consistency if they are to be significantly effective.

Ohio University, through its intimate involvement with the educational, social, and economic activities of southeastern Ohio, is placed in a pivotal position which almost inevitably demands that it assume the task of leadership. Recognizing this responsibility, the university has developed the Institute for Regional Development for the specific purpose of facilitating economic growth.

THE INSTITUTE FOR REGIONAL DEVELOPMENT

The Institute for Regional Development is directed by William J. Sheehan, a former senior economist from Battelle Memorial Institute in Columbus and a development specialist with the U.S. Department of Commerce. The institute, as an integral part of the university's total area development program, is under the direction of Martin L. Hecht, my executive assistant.

The institute's experience in working with over 150 community groups, 84 industries, and 50 businesses in the last year has convinced us that a wide range of technical services, on a small scale and on a continuously available basis, is badly needed.

The institute's activities are directed toward practical, solution-oriented research in the field of economic development. It undertakes research in response to specific needs of the region and directs its findings toward practical solutions and plans for action.

The institute's program consists of four (4) major elements:

- (1) Assistance to business and industry in marketing, engineering, and economics. This assistance is given to firms presently locating in the area and to those considering locating there.
- (2) Assistance in establishing and expanding the recreational facilities of the region.
- (3) Assistance to community officials in the design, layout, financing, and implementation of sewage and water systems, and other critically needed public facilities.

(4) Assistance in the development of the region's mineral, forest, water, and historical resources.

The institute also evaluates inventions, processes, and management methods for new industries; disseminates information on State and Federal programs; conducts research on regional highways, flood control, and other important community needs; and assesses the impact of economic trends on the region's industry.

A sampling of the almost limitless requests the institute receives includes engineering assistance on the identification, layout, and preparation of industrial sites; guidance in the selection of inexpensive sewage treatment works; market feasibility of new products; financial assistance in expanding existing industrial enterprises; new product design and testing and research into highway development.

As a technical assistance body, the institute's approach is as follows: first, it identifies the specific need, whether in business, recreation, or community facilities; second, it suggests specific kinds of assistance, whether technical, economic, or financial; third, it suggests specific action steps for followup or followthrough upon the project's completion.

The institute has many features which give it a distinct advantage over outside consultants. Practically all the communities and counties, and many of the businesses we assist cannot afford the cost of an outside consultant in the evaluation of their particular need.

Our experience further shows that much of the knowledge the outside consultant obtains in completing a regional project leaves with him. The outside consultant, when the study is completed, is far removed should the community need help in implementing his recommendations. The resulting effect is similar to that created by the outmigration of educated citizens from the region; those who lack the proper training are left to carry the burden of development alone, while those who possess the training leave the region. This abandonment of the community by the outside consultant is psychologically harmful, for a community's sights may be raised at the same time as they are denied the means of reaching the desired goal.

The Institute for Regional Development poses no such threat to the psychological well-being of the community it serves. It is a permanent agency assisting not only in the proposing of solutions, but also in their implementation. The staff, engineers, economists, social scientists, and resource specialists from Ohio University will always be available to these communities, not only in beginning a project, but also in implementing it and developing new projects in the years to come. This element of continuity has been lacking in past attempts by independent research organizations to assist in the economic development of depressed areas.

In my testimony before the Senate Committee on Public Works, I suggested that an internship program in community and regional development would be one extremely effective solution to the problem of program continuity. Communities, institutions, and State or Federal agencies would, under this program, send selected personnel to the Institute for Regional Development to participate in the development of the economic, natural, and human resources of a particular community. Sponsors of the program would pay the salary of the trainee during a 6-, 8-, or 12-month period, in accordance with each sponsor's specific needs.

Working under the guidance of the institute staff on specific area problems, trainees will acquire a type of experience in the techniques of community development that, to my knowledge, is presently unobtainable at any Government agency or university in the county. The content of each trainee's individual program will be directed toward the particular requirements of the region where he will ultimately work. Thus, the Institute for Regional Development would serve as a training center for interns destined to work in the Appalachian regions of Ohio, West Virginia, or Kentucky.

Another problem which is unavoidable for even the most efficient outside consultant is the expensive delay involved in the compilation of basic data on a particular region. Further, it is almost inevitable that a great deal of money will be spent on setting up offices, laboratories, and other support facilities. A permanent regional institute avoids this waste and duplication.

Unlike an outside consultant, the Institute for Regional Development does not need leadtime before it begins assistance to a community or industry. In an economic crisis, the delay caused by the location and briefing of outside consultants, who must ground themselves in the region's problems before they act, can be fatal.

The purpose of the institute goes far beyond the offer of assistance to individual communities with individual problems. The institute is for regional development and sees all its activities in the context of the whole of southeastern Ohio. Only an agency whose approach is both long-term and wide in scope can hope to effect significant growth within the region.

One of the major obstacles to the development of any region is suspicion and resentment, on the part of local inhabitants, of technicians and consultants whom they look on as intruders. This suspicion is understandable. The local inhabitants may be forced, out of desperation, to seek help from the outside, but they may well resist proposed solutions if they see them as the product of outsiders. It is therefore essential that the agency lending assistance be an indigenous institution. The Institute for Regional Development is such an institution. Ohio University, of which the institute is a part, has a direct stake in the success of those programs with which the institute is involved. The university has established an effective working relationship with people throughout the region. Through its branch campuses, its areawide radio and television coverage, and its close association with community leaders, the university is continuously aware of regional problems and plans. When communities see that the institute is part of an area self-help effort, suspicion decreases and cooperation increases. The institute employs on its projects, students, faculty, and staff who are natives of the region. (The anticipated use of students on these projects will have the side effect of reversing the migration of young talent to distant urban areas.)

The institute involves local officials on each project it undertakes and requests that communities, counties, or businesses name an individual from their area to participate actively with the research team in the implementation of results.

Through the institute, Ohio University's social scientists, economists, engineers, and resource specialists work closely with the 500-member Southeastern Ohio Regional Council in the council's total development program. The institute's support will be increased substantially in the near future with the completion at Ohio University of a \$21 million science and engineering complex which will assist the expansion of existing industry and help to attract new industry. The relationship between the institute and the council is one of complete mutual cooperation. The administrative offices of both the institute and the council are in the same building on the Ohio University campus. The institute serves as the technical-assistance arm of the council, while the council communicates news of the institute's programs to local communities and recruits support for those programs throughout the region.

Ohio University recognizes the critical need for continuing the work which we have begun in southeastern Ohio. The only way this work can continue is under title III of the Public Works and Economic Development Act, currently before this committee.

There have been three distinct periods in the relationship between American universities and the Federal Government. The first was the establishment of the land-grant colleges under the Morrill Act. This act helped our Nation meet its agricultural needs, with almost embarrassing success. The second era came after the Second World War with the allocation of defense research grants to what have become our major universities. Today, we are in a new era. Universities are coalescing into new groups and are directing their efforts to the solution, not of agricultural or defense problems, but of human problems. I feel that Ohio University is taking a leading role in this movement. I believe that other universities can play a similar role in other underdeveloped areas in our Nation. I hope that this committee will make provision for the continuation of Federal assistance so that universities can play a vital role in regional economic development.

STATEMENT OF R. A. RICH, CHAIRMAN OF THE BOARD AND PRESIDENT OF KNOX GLASS, INC.

Mr. Chairman and members of the committee, Knox Glass, Inc., is a major producer of glass containers, ranking fifth in the industry with annual sales in excess of \$55 million. Our total employment numbers approximately 3,100, and we have 9 glass container plants in 7 States: Danielson, Conn.; Atlanta, Ga.; Gas City, Ind.; Baltimore, Md.; Jackson, Miss.; Knox, Marienville, and Parker, Pa.; and Palestine, Tex.

Glass containers may be grouped into five broad end-use categories: Food, beverage, drug, toiletries and cosmetics, and household and industrial. In the beverage category, milk bottles, soft drink bottles, and beer bottles are of the returnable type. In addition, single trip (nonreturnable) gained popularity in recent years for both soft drink and beer usage.

We want to outline to you our experience with the Area Redevelopment Act. I read in the Wall Street Journal that the Area Redevelopment Act was due to expire in June and that President Johnson proposed continuing the objectives of this act under the Public Works and Economic Development Act. Therefore, perhaps one company's experience may be of use to you in determining whether to continue and enlarge this agency's role under the new act.

In the spring of 1962, our company had decided to undertake a major expansion of our Danielson, Conn., plant. At that time I approached several commercial investors for the necessary funds, including two major banks and two major insurance companies. Our request for a loan was turned down by all four investors. The reasons given were that Knox Glass was not then generating sufficient earnings (in fact we were incurring losses at the time), and the investors did not care to put funds at that time in the glass container industry—and in Knox Glass.

These potential investors expressed confidence in the future profitable growth of this company and our industry, but indicated at that time their lending requirements did not permit their making a loan to our company. We recognized the vital need to expand the Connecticut facility and, therefore, sought additional sources of funds, including the ARA.

We pointed out to the ARA that the expansion would take place in an area of persistent and substantial unemployment. The high unemployment rate in this part of Connecticut is due in major part to the shift of the textile industry to the South. I indicated to ARA that our expansion plans for this area would involve an additional employment of approximately 200 people. In addition, I mentioned the past long-term stability of the glass container industry and the forecasts of continued future growth for the industry.

It seemed to me that the Area Redevelopment Act had been written for such a project as Knox Glass contemplated undertaking. After an intensive investigation of Knox Glass and its industry, the ARA in September 1963 agreed to make a loan to our company in the amount of \$3,737,500. I might also mention that at the time of the ARA commitment, the company had turned itself around from a loss position to one of a modest profit. Notwithstanding this turn around, however, even up to the time of the ARA's commitment, the commercial investors still did not want to make the loan to us.

I am pleased to report to you that approximately 20 months later, Knox Glass will within the next month begin production from its expanded facility. Our total employment at this one facility will increase approximately 200 people as scheduled. This expansion will permit the company to fully repay over a period of time all of the ARA loan and, in addition, is expected to help generate sufficient additional earnings for the company to invest money in its other plants so that the company's overall employment will also increase.

As a result of the ARA loan, another major insurance company agreed to make a loan to Knox Glass of \$1,150,000 concurrently with the ARA loan.

The area of Danielson, Conn., has a very real potential for economic expansion. However, commercial investors we approached were reluctant to make investments there. It seems to me that the ARA is needed to fill a void in such a community and situation as I have mentioned.

As far as the community itself is concerned, we were unable to generate from the community the needed funds for the expansion. I must point out that the overall project involves almost \$4,500,000 and the community itself, being a "distress community," simply could not raise this sum of money.

The community needed some specific stimulation to work with us on the expansion. The ARA provided it. So in our particular case, the community depended upon help from Washington and, as a result, was able to develop the local initiative needed to help us make our expansion plans materialize.

Without the help of ARA, neither Knox Glass nor the community would have been able to muster sufficient capital for the expansion. The 200 jobs which the ARA has provided in this part of Connecticut offer permanent employment for 200 people and security for their families. Our plant as expanded is a permanent part of the community, will supply an annual payroll of about \$2 million, and will not pull jobs away from another community. ARA has helped

create 200 jobs which might not otherwise have been available, jobs that would not have come about until this company ultimately might have been in a position where commercial investors would loan us the money we had requested. This circumstance might have occurred in several years, or be delayed for an indefinite period—depending upon future developments of the company.

We are of the opinion that there is a middle ground between the company which has no difficulty in borrowing money from commercial institutions and other companies which are such poor financial risks that a commercial institution would not loan money to them. In this middle area are companies such as Knox Glass which, at the time it was turned down by commercial investors, had annual sales in excess of \$50 million, working capital of approximately \$8,500,000, and a total employment of approximately 3,000 people. However, its overall posture was such that the lending requirements of these investors would not permit them to loan money to a company such as Knox Glass, even though additional jobs were to be created, and the risk of non-payment was, at least in our opinion, minimal. Commercial investors must look to the security of the loan. ARA also looks to other facets, such as additional permanent jobs and benefits to the local economy—which, incidentally, returns more tax dollars to the local, State, and Federal Governments.

CONCLUSION

On the basis of this company's close and lengthy experience with the ARA, and our understanding of other companies' similar experiences throughout the country, we urge favorable consideration of the proposed legislation and the House of Representatives' enactment of the Public Works and Economic Development Act of 1965. It seems to us that industry, the community, and the Government, working in partnership in a sensible manner, can create additional job opportunities with resulting economic and social benefits for industry, communities, the Government, and the Nation as a whole.

We were pleased to see that the proposed legislation recognizes the difficulty a "distress" community has in raising the 10-percent community money. Based upon our personal experience, we found that this requirement was insurmountable except with financial aid from our company. The reduction of the 10-percent requirement to 5 percent or, in exceptional cases even less, seems to us to recognize the fact that in the case of a multimillion-dollar program, the "distress" community is least able to afford 10 percent of such sums. Or said another way, if it could afford such sums it probably would not be a "distress" community.

From these comments it is obvious that we are enthusiastic about the ARA and grateful for what it has done for Knox Glass. Our company is now on its feet, is showing continuous progress (6-month report attached), and is now able to obtain additional funds from commercial sources. For this we give great credit to the ARA.

STATEMENT BY LEONARD BEARD, DIRECTOR, ALABAMA STATE PLANNING AND INDUSTRIAL DEVELOPMENT BOARD

The Alabama State Planning and Industrial Development Board, which I direct, works very closely with the State and community leaders in planning and developing job opportunities for Alabama workers. We here in Alabama who are engaged in seeking to find job opportunities for many workers over the State who have been displaced from former agricultural pursuits and rapidly automating industries appreciate the importance of the federally sponsored programs which are designed to stimulate the Nation's economic development.

In order to continue the development of our potentially self-supporting economy I urge your committee to strongly support early action on this legislation so that this program will be in effect when the present Area Redevelopment Act expires on June 30, 1965.

Alabama has approximately 35 counties classified as redevelopment areas. During the last 4 years 22 towns in these areas had either gained industrial expansion or new industry which were largely made possible by the ARA program.

There are at present more than 1,600 people working in permanent jobs that have resulted from these projects. The employment and payrolls associated with these projects continue to stimulate additional employment in service and related activities, which brings the total number now working in full-time jobs

to at least double the 1,600 who gained direct employment through ARA-sponsored industries.

All of this plant investment in job payrolls has resulted in a sizable boost to Alabama's economy in areas where unemployment has been high or where the income in the rural areas has been low. We who know and understand the goals of the ARA program strongly endorse the Public Works and Economic Development Act which will continue to support the principle of federally financed programs helping local areas to help themselves.

I appreciate this opportunity to present this statement. I know that the committee will give careful consideration to this program.

Sincerely,

LEONARD BEARD, *Director.*

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

FRIDAY, MAY 14, 1965

**HOUSE OF REPRESENTATIVES,
COMMITTEE ON PUBLIC WORKS,
*Washington, D.C.***

The committee met, pursuant to adjournment, at 10:03 a.m., in room 2167, Rayburn House Office Building, Hon. Jim Wright presiding.

Mr. WRIGHT. The committee will be in order.

Off the record.

(Discussion off the record.)

Mr. WRIGHT. Back on the record.

Mr. Richard Holton, professor of business administration, University of California, is with us this morning.

Mr. Holton, if you will come forward, the committee will be very pleased to have your statement.

STATEMENT OF RICHARD H. HOLTON, PROFESSOR OF BUSINESS ADMINISTRATION, UNIVERSITY OF CALIFORNIA, BERKELEY, CALIF.

Dr. HOLTON. Thank you, Mr. Chairman.

I have a brief prepared statement I would like to read if I may.

I am happy to have this opportunity to present to this committee certain arguments in support of H.R. 6991, the Public Works and Economic Development Act of 1965. I consider this proposed legislation as a very important feature of an overall program for the continued economic growth of this Nation.

In an economy based primarily on free enterprise capitalism, we hesitate to institute economic policies which interfere with the free market mechanism. That free market mechanism by and large has served us very well over the decades. Long ago, however, we recognized that if we want to achieve all of our goals, we need special incentives in some situations, special deterrents in others, and to meet some problems we have even decided on government monopoly or on particular combinations of public and private efforts. The Homestead Act of 1862, for example, provided over a century ago a specific incentive for area development; the Sherman Act in 1890 was established as a special deterrent to the development of monopoly positions in the free market; we decided during the infancy of our Republic that postal services and the national defense should be a Government monopoly; and the concept of the public utility was also designed to meet certain problems which we felt could not be left to the free market.

As we look back over our history, it seems clear that our basic reliance on the free market mechanism, combined with public policies which shape the operations of the market so that it meets our national goals, has worked quite satisfactorily indeed. To a considerable degree our economic strength and our position as leader of the free world stem from our ability to design public policies to solve particular economic problems.

The Public Works and Economic Development Act of 1965 can be viewed as a proposal for meeting a set of special problems which the Nation now faces. The principal objective of this legislation is to provide a means for alleviating "conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions."

Now, we might well ask why it is necessary to inject into the operations of the free market the particular pattern of incentives proposed in this bill. One answer is that out of a sense of altruism, we should make it possible for people in the economically distressed areas and regions to improve their position so that they can participate more fully in the prosperity which most of our citizens enjoy. I would subscribe fully to that view. However, I would like this morning to focus on another justification for this program, one in which altruism plays no role whatsoever.

The core of my argument is that a program of the sort envisioned in H.R. 6991 can greatly benefit our society as a whole, and not just the residents of the distressed areas which would be aided through the proposed programs. More specifically, the process of economic growth of the Nation without this legislation might easily be more expensive for society than economic growth with this legislation enacted.

Let us suppose for the moment that our economy would develop without any legislation designed to provide special incentives for the economic development of the distressed areas of the country. In the course of this economic growth, a multitude of firms are continually making decisions about where to locate. New firms are looking for sites, and established firms are deciding whether to expand their operations at existing plants or to build new plants. Not only manufacturers but firms providing services of all sorts are also making decisions about where to locate.

In the absence of any special incentives affecting these many decisions to locate at one point or another in the country, and given the geographical distribution of demand for the products and services the firms sell, they would generally locate where their costs of production plus transportation are minimized. I realize that this generalization calls for qualification, but I would prefer not to take time for that now. This pattern of the location of industry would lead presumably to a situation where the costs of production of the goods and services privately produced in the country would be minimized, or nearly so.

At first glance, this argument seems sound enough and would suggest that we should therefore let the free market determine where firms are going to locate. Yet there is considerable evidence to suggest that this may not be the most efficient way for us to handle the question of the geographical distribution of industry in the country. Our Nation as a whole may well be much better off if we institute some incentives to provide for the geographic diffusion of industry beyond what might result from the operations of the free market.

The principal point underlying this latter argument is that certain important costs associated with the concentration of industry in and around our major cities are not borne by the firms making the location decisions. In other words, the costs which enter into the firm's decision to locate in one place or another do not include all the costs which eventually someone must bear because of the decision to establish a plant at a given point.

As a metropolitan area grows in population, it must expand its school system, its street and highway system, its public transportation facilities, its police and fire protection, its welfare services and the like. Although the argument perhaps cannot be proven conclusively for a variety of reasons I will not take time to discuss, it does seem likely that the costs of providing the various services associated with urbanization may rise, on a per capita basis, as one goes from smaller to larger cities. Some of these costs may find their way, via the tax system, into the costs of operation of the firms locating in the city, and hence deter the firm from locating in the city in question, but many of these costs do not find their way into the cost of operation of the firms. For example, the Federal Government's contribution to the welfare payments in a city are raised through Federal taxes which come in part from firms and individuals located in other sections of the country. Thus individuals and firms all over the Nation are paying some of these costs of urbanization regardless of where the specific taxpayers are located.

We can go beyond this to argue that some costs in addition to those just mentioned are involved as well. When a family moves from one area to another, the strain and unhappiness caused by the departure from familiar surroundings and the adjustment to a new environment is a social or nonmonetary cost. The child who fails to accommodate himself satisfactorily to his new world and becomes a juvenile delinquent gives rise not only to the cost of the social services necessary to deal with his case; the difference between what he contributes to society in his new environment if he is not successfully rehabilitated and what he would have contributed in his original environment can also be a significant cost to society.

Now, migration out of the economically distressed areas can also lead to these areas being drained of their better talent. The quality of life in an area surely suffers when this phenomenon takes place, and this deterioration in the community is another illustration of a nonmonetary cost, borne in this case by those who stay behind.

We could go on to list other costs of this sort, nonmonetary costs of urbanization and migration which might not be reflected either in the costs incurred by the firms locating in the metropolitan areas or by the local governments.

Now, let me emphasize that I am not arguing that we should work to stop further migration or further urbanization of our society. However, as we look at the massive struggle our metropolitan areas now face in their attempts to cope with a whole set of problems associated with urban growth, I cannot help but believe that most city officials would welcome measures which would retard urbanization a bit and give them some time to catch up, so to speak, with the population growth which has already occurred.

As I have said, it is difficult if not impossible to quantify all of these costs of urbanization. For purposes of the consideration of the proposed legislation before us, however, an illustrative figure or two can perhaps be helpful. The experience under the Area Redevelopment Administration indicates that the net cost to the Federal Government of creating one job through ARA projects has been about \$800. This is a one-time cost and not a cost per month or per year. Suppose that one of those jobs had not been created and that the family whose breadwinner would have had the job moved to another area to seek employment, found none, and then became a recipient of public assistance under the program giving aid to families with dependent children. In 1963 the average monthly payment to such families was about \$130. In my own county in California, Alameda County, which consists primarily of Oakland and Berkeley the average payment to such families in March of this year was \$188. If we have the option of creating a job for a one-time cost of \$800 or incurring the cost of a stream of monthly payments of \$100 to \$200 in public assistance, the choice is an easy one indeed.

I will not take time to expand at length or to qualify this simple illustration. We should note, however, that the welfare costs are just one of the many costs which presumably are likely to be increased as our major cities grow. This is especially a problem if the migration to the major cities consists largely of those who are less well trained and educated. Also the family might well receive public assistance even if they were to remain in their original location, so one should really look at the difference in welfare payments under the two sets of circumstances. Nevertheless it does seem to me that \$800 per job created is a very economical way to buy our way out of a whole complex of much more onerous costs, both monetary and nonmonetary.

I have emphasized this \$800 figure, the cost of creating one job under ARA.

I appreciate, Mr. Chairman, that one may question the validity of that \$800 figure; but under the circumstances, I would say even if there is a margin of error of 50 percent in that, it still looks very good.

In considering the proposed legislation, however, we should presumably use some lower figure, thus making this economic development program an even more attractive alternative to paying the costs which might otherwise be incurred. We should use a figure lower than the \$800 drawn from the ARA experience because there appears to be a nearly unanimous agreement that the new approach to the problem will be more efficient than the old.

Perhaps the most important change in the program is the encouragement given to the establishment of economic development districts. This change recognizes that a limited budget for an economic development program can be most wisely spent if geographically it is not spread too thinly. Thus, the proposed legislation encourages development planning in terms of districts each of which consists of a number of redevelopment areas and which contains at least one economic development center. The reasoning here is that in a high proportion of cases, a firm deciding where to locate will be interested in a whole set of public facilities and services available at alternative prospective sites. The cause of redevelopment might therefore be bet-

ter served if at the State level the economic development districts are identified so that economic development can be focused at points the growth of which is not only promising but also likely to benefit surrounding areas.

The rationale for the economic development center idea can be illustrated by a hypothetical case. Suppose a firm considering alternative locations for a new branch plant is studying three sites, one being an industrialized metropolitan area and the other two being towns in redevelopment areas. Suppose that the firm is especially concerned about the environment for its work forces and executives and that neither of the two towns has an adequate hospital or water and sewer system. Now, the firm would presumably choose the metropolitan site. Now, suppose that one of the two towns in a redevelopment area does have a satisfactory hospital but a poor water and sewer system and the other has a poor hospital but a good water and sewer system. The firm might still choose the metropolitan site. But if one of the towns had both types of facilities, the firm might well locate there. The idea of the economic development center recognizes this interest of the firm in some minimum level of public facilities.

In much the same way, the proposed encouragement of regional planning commissions can improve the efficiency of the redevelopment effort. Instead of public funds being expended on useful but uncoordinated projects, they will be used as a part of development plans which hopefully would assure an even greater increase in income and employment per \$1,000 of Federal funds than the already good ARA experience has generated.

In conclusion, Mr. Chairman, I feel that I must, as an economist who recognizes that economics is as much art as science, point out that we cannot be absolutely certain that this new approach to area redevelopment will accomplish all we hope. Policy decisions of the sort we are considering here are always a gamble. I must say, however, that in the case of this proposed program, judging from the information I am familiar with, the odds look very good indeed.

Thank you, Mr. Chairman.

Mr. WRIGHT. Thank you for a very thoughtful and concise statement.

You have focused attention upon several aspects of this overall problem that had not been covered in previous testimony.

We want you to realize your testimony will become part of a printed permanent record of the hearing of this committee and will be given wide distribution. I hope it will be widely read.

I am particularly interested in your comments with respect to the per capita cost of providing the various services associated with urbanization and the relatively higher per capita costs as the towns grow larger. This is a phenomenon that I have never really fully comprehended, but which I have acknowledged because I think it is true.

Utility rates of larger towns, for example, are higher than commensurate service in a smaller municipality. This in itself might be a good argument in favor of trying to keep the small towns alive and on the map.

Dr. HOLTON. Mr. Chairman, I might take this opportunity to qualify that a bit.

There have been some studies done which have attempted to figure out what the costs to the city is of adding, well a thousand new citizens. But there is a great deal of difficulty statistically working with this problem, so that I would like to emphasize again, we cannot really prove this point; but it is my impression that most people who are familiar with this area would argue that beyond some point, at least the cost of increases in the population to the city is very substantial indeed and naturally rises.

Mr. WRIGHT. Well, there is a point of diminishing return. I suppose it is almost imponderable. While we recognize that growth itself is costly to the municipality while it takes place, subsequently we hope it will pay for itself, except that you cannot really do that because, meanwhile, more growth is sapping the bonding and the borrowing capacity of the town.

Also I think the figure of \$800 per job is interesting. Yet that, too, is incalculable because we hope and assume that these ARA loans ultimately are going to be paid back and that it is not all cost even at that.

Dr. HOLTON. Yes. Mr. Chairman, I must say I was impressed with testimony presented, I understand before the committee yesterday, by Mr. Greve. I had an opportunity to look that over this morning and I was very impressed with the fact that a loan of \$395,000, in this case, was generating what, \$250,000 per year in income taxes paid by the firm, plus \$100,000 income taxes paid by the employees.

Just a few projects with payouts of that sort and you can really see what the possibilities are I think for this program.

Mr. WRIGHT. The committee thanks you very much.

Are there questions?

Mr. DORN. I would just like to comment.

Mr. WRIGHT. Mr. Dorn.

Mr. DORN. Doctor, we appreciate your statement. Although we have got some rather bad publicity about the University of California, I am delighted to see that the reverse is true. We are glad to have you before the committee and I realize, of course, that the vast majority of the members of the faculty and the students of the University of California are fine people. I regret this unfortunate publicity. So we are very glad to have you here.

You know, you did propound a very intriguing thought or comment, in regard to the cost of government, the larger the city becomes, the more it expands and grows, the cost goes up to the individual, to the citizen. And yet in many instances, industry, for instance, Coca-Cola and a lot of industries we could name, and the big power companies in my area, actually are reducing their rates almost annually.

I mean, I wonder if you have any further comment on that and why is that true?

Dr. HOLTON. Mr. Congressman, I am sorry I do not understand. Who is reducing their rates?

Mr. DORN. Power companies in my area are almost constantly reducing their rates over a period of years, while the cost of government is going up. I mean this is rather phenomenal. And yet the cost—I just used that as an illustration.

Dr. HOLTON. I dare say—

Mr. DORN. Coca-Cola, even some of your cigar people are still putting out a 5- or 10-cent cigar. I am just wondering, asking for a comment, if you had any thoughts on that, why that is.

For instance, I live in a suburban area here and it does cost more for anything virtually than it does in my hometown in South Carolina; water, electricity, and so forth.

Dr. HOLTON. I think, Mr. Congressman, that over time, certainly, there is a possibility, particularly with utilities, where you have a rate of technological change that is very impressive, it is possible for the rates to fall. But sort of standardizing for time and looking at cities of various sizes at one point in time, then the question is how do the costs to the city of providing all of the services that cities are expected to provide, how do these costs behave with increases in size of the city?

Now, of course much depends on the kind of people you are adding to the population. If you are lucky enough, as some of our cities in California have been, to add primarily well-trained engineers and people with college degrees, and so on, then you are in one kind of position.

But suppose you are in a position like South Chicago or Detroit in the 1930's, let us say; that is another picture altogether.

So I appreciate that there are a lot of variables here and I emphasize this is only a hypothesis I am putting forward, one that is very difficult to prove conclusively, but one which has been commented on by lots of people. I claim no originality on this. I just thought it was important to bring it to the committee's attention in your consideration of this legislation.

(At this point, Mr. McCarthy assumed the chair.)

Mr. DORN. Let me say again, we are happy to have you here and hope you will come back and visit with us again.

I have personal admiration for your great State and for your university. I have been there. I am just delighted you could be with us today. Thank you.

Dr. HOLTON. Thank you very much, sir.

Mr. DYAL. Mr. Chairman.

Mr. MCCARTHY. Mr. Dyal.

Mr. DYAL. Mr. Holton, I would like to refer to page 4 of your statement, if I may, the next to the last paragraph.

Yesterday we had a witness, Mr. Holton, who indicated he was opposed in the main to the regional action program.

As you know, we recently passed the Appalachian bill, which was fundamentally regional in its concept. You and I, coming from the same State, recognize what we have done in the sewers, harbors, and river projects. I wonder if you would like to add a little about the regional concept benefits in this program?

Dr. HOLTON. Mr. Dyal, I think the regional planning commission approach is very much worth trying.

I gather that people who have been close to it are at least fairly optimistic about the Appalachian program, about this experiment. And although we cannot be absolutely certain of the pay-out, I think that here is a case where some experimentation is surely worthwhile. Again, it is a gamble, but it does look to me as though it is a very good one.

The planning of development for some kinds of facilities is benefited if the area is pretty big. If one is looking at power requirements, for example, and all kinds of things, the development of river basins and the like, these may very well cover more than the area that would typically be included in an economic development district.

So I think we should encourage the States and the local governments to engage in this regional planning, so that they can have the kind of society, the kind of distribution of industry that leads to living that is as pleasant as possible for everyone.

Mr. DYAL. As you know, in our area in southern California, we are particularly interested right now in the Southwest Water Plan. We recognize we have been suing one another for years without creating another drop of water. Unless we move into the watershed program and others on a regional basis, we have no opportunity of furnishing these rapidly urbanizing areas with facilities they need to have.

I was pleased in your statement you commented on the regional planning concept.

Dr. HOLTON. I am in full agreement with you, sir.

Mr. DYAL. I might add, while I am not certain, as you indicated, that \$800 is a good figure, and possibly it should be higher; I think we also have to recognize, that \$800 which is produced affects many people, the supplier of his family and all of these programs. So it evens up. I was glad to hear you say it.

Dr. HOLTON. Yes. For the sake of time, I did not want to expand on that, but certainly with the creation of jobs in any one area, we know that suppliers in many other areas are affected, people selling consumer goods to the workers who have higher incomes than before are, of course, benefited. So that it is quite clear that many regions besides the area, the immediate area within which the economic development project takes place, are affected by that project.

Mr. DYAL. I am surely pleased you were able to come and testify.

Dr. HOLTON. Thank you very much.

Mr. DYAL. I join my colleagues in being pleased that you are here.

Dr. HOLTON. Thank you, sir.

Mr. BALDWIN. Mr. Chairman.

Mr. MCCARTHY. Mr. Baldwin.

Mr. BALDWIN. Dr. Holton, as a graduate of the University of California College of Commerce, which your school of business administration was then called, I would like to welcome you to the hearing this morning. We appreciate the fact that you have come before us.

I want to ask a question. This \$800 figure—I might say, one of the things that are confusing right now, as far as the testimony that we have had to date before the committee, is what actual number of jobs have been created by the Area Redevelopment Act. We have had a whole series of reports from the General Accounting Office.

One of the reports from the General Accounting Office states that the Area Redevelopment Administration figures for jobs was overstated by about 83 percent, according to the studies the General Accounting Office made at this point.

I am frank to say I do not know who is right, but I would like just for the record to get an idea as to how this \$800 figure was computed.

Was this computed upon the figures submitted by the Area Redevelopment Administration on the number of jobs they created?

Dr. HOLTON. Yes, Mr. Congressman.

I do not pretend to have examined carefully the manner in which that \$800 estimate was put together, and I can certainly appreciate that there is great uncertainty about that figure.

The uncertainty is especially great when one looks at the number of service jobs in related industries which may be associated with one new job that is created directly in an area project. So, as I indicated, I do not think we should get hung up, so to speak, on this \$800 figure.

I would be happy to work with \$1,600 if you wish. It still looks to me like a very good buy.

Mr. BALDWIN. Primarily I was interested in determining what figures were used in getting this so we would have that in the record as part of your testimony.

Dr. HOLTON. This did come from the statements which ARA has issued, and I do want to make it clear again that I have not examined in any detail how the figure was estimated.

I did press the people to ask if they were prepared to defend that and they said they were, but I did not ask for a detailed defense of it.

Mr. BALDWIN. Thank you.

Dr. HOLTON. Thank you, sir.

Mr. McCARTHY. Mr. McEwen?

Mr. CLEVELAND.

Mr. CLEVELAND. Professor, in reading over your remarks, I have not read them all, but I am wondering; as I read the remarks, I do not notice that you distinguish between the different sections of this bill. I notice you discuss the fact that under the public works section, we improve the community in hopes that industry will move there and create jobs to combat unemployment. I am wondering if you have studied these sections of the bill that have proposed to make direct loans to these industries on the theory that they cannot get loans elsewhere, and whether, as an economist, you feel that this is a wise or a necessary activity for the Government to participate in?

Dr. HOLTON. I have looked at that portion of the bill, Mr. Congressman, and I would argue that, in this case, we should explore the possibilities further of using these loans as a means of encouraging local activity, local firms getting started.

I think that, as I indicated earlier, even just a handful of cases of the sort Mr. Greve was associated with are very impressive indeed.

I certainly do not want to urge that Government lending in any program, in an ARA program or any other, should compete with private industry. But I think that there are strong arguments to the effect that Government lending to firms for these marginal cases which private lending institutions do not want to take on, I would argue that this kind of Government lending can have a very high payout or sufficient payout for the country as a whole to suggest the program ought to be supported strongly.

Mr. CLEVELAND. I just wonder, as an economist, if you feel that it is appropriate or fair for the Government to loan money to these marginal industries that must, by necessity, of course, compete with established industries? This is the question.

Insofar as there is just so much demand for products in the country, it raises the question whether or not they are transferring jobs from one area to another, of really creating new jobs. This is one of the problems we are facing.

Dr. HOLTON. Congressman, I would quite agree that at any one point in time, there is only so much demand for a particular product. And therefore, if one firm is established through a Government loan which competes with another firm in that industry, yes, one can question whether the Government should help to finance this new competition.

On the positive side of the argument, however, I think we can say that over time, the demand for a product is not fixed and that we have recognized for a long while that the economic growth of the country can give us expanding markets. And one can easily imagine the kind of program we are talking of here giving rise to new demands, so that the established firms would have larger markets despite the fact there are more firms in that industry.

Mr. CLEVELAND. I think that is perfectly true, but let's take an industry, one that I happen to be somewhat familiar with, like the pulp and paper industry. Now, it is an established fact, and certainly these statistics are readily available, that the pulp and paper industry in this country is presently operating at less than their capacity. Let's take this as a fact even if it is not a fact for the purposes of my question. Where you have a situation with an industry that is operating at less than its capacity and substantially less than capacity, do you think it is economically wise—not to mention the fairness of it—do you think it is economically wise for the Government to make loans to create more capacity in such an industry?

Dr. HOLTON. Congressman, this would depend on the individual industry.

I can easily imagine a case—and this may well be the case in the pulp and paper industry—where the longrun growth prospects are such that the capacity problem would be expected to be overcome within, let's say, 2 or 3 years. So I would hesitate to argue that the Government should not help finance more capacity in a situation of that sort.

However, if we are talking of an industry that is one of chronic overcapacity, then I think I would argue that one should really look very carefully indeed at a situation of that sort.

(At this point, Mr. Wright resumed the chair.)

Mr. CLEVELAND. Such an industry might be the shoe industry, for example? I think it is the only—

Dr. HOLTON. Yes, I think you are right. Although, here again, one can think of perhaps some specialized lines within shoes where there is promise for growth.

It is difficult to talk about this in an abstract way. Much depends upon the circumstances. So much depends on circumstances of the individual industry.

Mr. CLEVELAND. I do not mean to be abstract about this, because, as I say, one of the sections of this bill that troubles me is the fact that under the Area Redevelopment Administration, loans were made to build pulp and paper mills, tissue mills, and plywood mills, built at a time when those industries in my own district were suffering the re-

sults of oversupply. At the very time the Area Redevelopment Administration was pointing with pride to the establishment of a shoe factory in Indiana, I was reading papers from my district that shoe factories were being closed in my district.

Now, this is the type of thing that bothers me. We have had other examples of that before the committee. I just wanted to know—you are an economist, you are an expert in business, and I wanted to get your views on this.

I have just one more line of questioning. If you were sitting on this committee and you had your choice between the two major sections of this bill—one section, as you know, is the public works acceleration section, which is to improve the community facilities, to let them compete fairly with other communities, more advanced communities, to make their climate more attractive for business—and this is something we have already debated, discussed, and decided in the Appalachian bill. The consensus is that generally this will make a better climate for new industry. We have already decided this is going to be an effective program.

The other section, which gets into this financing section, loans to businesses which apparently are marginal and cannot get loans elsewhere.

Which of these two sections do you feel is the most important if you had your choice between those two?

Dr. HOLTON. If I had to choose between the two of them, I think I would choose the public facilities, the public works portion of the bill. However, I certainly would hope that both portions would be enacted.

(At this point, Mr. Dorn assumed the chair.)

Mr. CLAUSEN. Professor Holton, you are a professor of business administration at the University of California at Berkeley. Have you given us for the record an identification of your personal business background prior to joining the faculty there, sir?

Dr. HOLTON. No, I have not.

I am an academician. I have been in the University of California since 1957, except for an extended leave in 1961 and 1962; I was on a Fulbright research grant to Italy working on problems of regional growth in southern Italy and how the new firms in southern Italy were contending with the problems they faced in this developing environment.

In August of 1962, I became a special assistant for economic affairs to Secretary Hodges in the Department of Commerce; and from February of 1963 through January of this year, I was Assistant Secretary for Economic Affairs with the Department of Commerce.

As part or connected with my academic work, I have done a substantial amount of writing and consulting with firms on the regional growth, the problems of regional growth.

Mr. CLAUSEN. You yourself have not been an entrepreneur?

Dr. HOLTON. No.

Mr. DORN. Mr. McCarthy.

Mr. MCCARTHY. Professor, from your vantage point as a professor of business administration, I wonder if you would comment on the soundness and equity of a situation that has come out here concerning a specific case in the Southwestern United States—Texas-Oklahoma area. For some time now, there has been an overcapacity in the

gypsum industry and, as you know, because of the heaviness of that product, it is a regional industry. You cannot ship it beyond a certain point economically and make a profit. So that you cannot look at the national picture in terms of demand in this industry.

For some time, there has been this overcapacity. Population growth indicates that demand will not reach existing capacity for some years. Despite this, the Area Redevelopment Administration provided a loan to a new competitor in that industry and the result has been layoffs at other plants in Texas, in the area. You just glutted the market. They needed a new gypsum plant, like I said yesterday, like they need a hole in the head.

Now, what do you think of this? Do you think this is a sound approach?

Dr. HOLTON. Mr. Congressman, this is a very difficult problem area and I make no bones about that.

By and large, I think we would all agree that the greater the problem of overcapacity in an industry, why the more reluctant ARA should be to extend loans to new competitors in that field.

So much depends, however, on the specifics of the industry that I would hesitate to offer any conclusion on this.

I would say, from what you have said, it is fairly clear that this is a case of an area that should have been looked at very carefully indeed. Much would depend, as I indicated, on the long-run growth prospects for gypsum in the area. Much would depend, too, on the profit position of these firms; because one does encounter industries where firms are able to operate profitably even though they may be operating at only 75 percent of capacity or so. This does happen.

So beyond making the general point that the greater the problem of overcapacity in an industry, the more carefully, the more reluctant we should be to finance the entry of new firms, I would hesitate to say very much.

One could visualize the situation, for example, in which for the moment, a set of firms in an area may have overcapacity, but the long-run prospects, you know, for 2 or 3 years hence, the demand might have picked up, so the problem of long-run capacity may be quite different from the problem of short-run capacity. So one would have to look very carefully at these individual cases.

Certainly it is doubtful if we are advancing the ball very fast if by creating 100 jobs in 1 area, we eliminate 100 jobs some place else. If you are doing that, then all you are doing—you are really robbing Peter to pay Paul, and that gets very nasty in our environment and, of course, we hesitate to do it.

(At this point, Mr. Wright resumed the chair.)

Mr. McCARTHY. Another side of this "robbing Peter to pay Paul" is this idea, and this is basic, of the East where I am from—I admit there is some parochialism, New Hampshire, New York—paying taxes to subsidize new competitors or, in some instances, the removal of a plant from our area to, say, some place in the South where they have other inducements, ARA, right-to-work laws, other favorable things, assessments at a very reasonable level. I mean what do you think, looking at this from the country as a whole, the equity of the situation where existing industry, existing population, say in one part of the country, would pay its tax dollars to have set up a magnetizing setup

that another part of the country could drain off the industry from those areas that—in effect, their tax dollars help create this?

Dr. HOLTON. This does raise a problem, Mr. Congressman. I think that in this case, despite the fact that individual firms and individual industries may have adjustment problems, whether or not they have more problems of adjustment than they would have otherwise I think is an interesting question which I will not explore. But what we are after here in part is not only the improvement of economic conditions in the distressed areas of the country, but more rapid growth for the country as a whole.

Now, it is difficult for me to imagine, for example, that the New England States have not benefited very substantially from the growth of the rest of the country. Certainly some of the development actions taken by the Federal Government over the years have very clearly helped to expand markets for the products from New England.

Mr. McCARTHY. Do you think the removal of the textile industry from New England to the South helped New England?

Dr. HOLTON. I would not want to answer that question quickly, obviously. Clearly—let me make one point clear. I take it that—Secretary Connor has emphasized this in his testimony—this legislation would be implemented in such a way and administered in such a way so that runaway plants would not be financed. This we have certainly got to avoid.

Looking at the long-run growth of American business, however, it is entirely possible, and I think given enough time, I could put together a pretty tightly reasoned argument to this effect, it is entirely possible that although an industry in a particular region may suffer with the growth of the country and the shift of industry, which we would have with or without any Government program, it is entirely possible that the State in question as a whole is better off.

For example, in about 1850, as I recall, the center of wheat production in the United States was in western Massachusetts. With the opening of transportation facilities to the Midwest, the wheat production in western Massachusetts declined. And actually the historical records show that a number of the towns in western Massachusetts hit their population peak about 1850 or 1860.

Now, it is difficult for me to imagine that the State of Massachusetts as a whole did not benefit in the end from the development activities which really expanded the market in the rest of the country.

Now, sure the wheat producers in Massachusetts suffered; there is no question about that. And so we are in effect saying that, looking at the question of policy for the country as a whole, we may very well go through an adjustment process where some industries and some firms suffer.

My point is that this is a process that goes on even without any Government programs of the sort we are talking of and, on balance, the economic development of the country as a whole and the development of business in the country as a whole may well be benefited if we permit this adjustment process to go on, and taking into account all of the costs that I referred to in my prepared testimony, all the sectors of society, business, and nonbusiness, may well be better off if we have a program of this sort.

Mr. McCARTHY. Thank you.

Mr. WRIGHT. Are there further questions? If not, thank you very much.

Mr. DORN. Mr. Chairman.

Mr. WRIGHT. Oh, yes.

Mr. DORN. Did you have any questions?

Mr. JOHNSON. No.

Mr. DORN. You mentioned being in Italy.

This committee, the Congress is groping with some solution to our unemployed in depressed areas. I am just wondering if there is any significant difference in the approach in Italy and Germany and Japan to this same problem in the United States?

For instance, last fall when I was home, an item came across my desk from Germany indicating: We need 800,000 workers. This went all over the world. They submit they have no unemployment and they are soliciting workers from all over the world to come to Germany and work in industry.

I understand Italy has no really significant hard core of unemployed. Japan I know has none. They have no unemployment.

Now, here are the three countries that fought us in the last war, and yet today—now, aside from the Marshall plan and all of that—that was a long time ago—but in the last 3 years, the conduct of these three countries, particularly Germany and Japan, is such that they are soliciting employees from the United States—they would like for some to come from my district and go to Germany.

So I am just wondering, as an economist with your experience in Italy, is there any major significant difference in what they have done and what maybe we are doing or what we should do?

We have 5 million unemployed; that is of great concern to this committee and to the country. I am just wondering if we are doing something wrong or if there is something we could do that we are not doing?

This to me is rather incredible, that Western Germany has no unemployment and is seeking workers from all over the world to come there. Here we are, although our economy is the best it has been in years, we still have this 5 million unemployed. Yet we have a much larger country, more resources, and I just cannot quite understand it.

If you, I mean, have any statement along that line for the record, I would appreciate it.

Dr. HOLTON. Well, this is quite a subject area, Mr. Congressman. Let me just touch on a couple of points if I may.

First of all, it is true that unemployment in Germany is very low indeed, and in part this is because the growth of the people in the working ages in Germany is very slow right now. At the same time, their economy is booming.

With respect to Italy, there is a very great amount of certainly disguised unemployment, particularly in southern Italy, where people are at work but on farms where their incomes are very low or in other occupations where their income is very low.

Italy has instituted a series of incentive plans to encourage new industries to locate in southern Italy. As far as I can tell, it has been very successful.

I talked at considerable length with about 30 or 40 manufacturers in southern Italy and it is quite clear that, by and large, these firms

are very happy with the experience they have had. These firms, many of them are owned and operated by Italians, some are owned and operated by French parent companies, some by U.S. companies—RCA, for example, is in Sicily—and, by and large, the experience has been very good indeed. These incentives have attracted these manufacturers and there is little question about it that southern Italy, and the country as a whole, is better off because of this.

Mr. CLAUSEN. Would the gentleman yield?

Mr. DORN. Yes.

Mr. CLAUSEN. I did not catch your specific answer as to why you felt Germany had no unemployment problem.

Dr. HOLTON. They have a low unemployment problem because the work force is growing very much slower than ours and will continue to grow slowly during the rest of this decade apparently.

Mr. CLAUSEN. Are there any recommended policies on the part of the Government of Germany that are making a contribution to this economic phenomenon?

Dr. HOLTON. Their policies have led to a particularly favorable position vis-a-vis their balance of payments, so that their exports are running very, very strong indeed.

Mr. CLAUSEN. How do their policies differ from ours?

Dr. HOLTON. I would have to look into this in some detail, Mr. Congressman. I would hesitate to give a thumbnail sketch of this.

Mr. CLAUSEN. I see.

Dr. HOLTON. But I will be happy to prepare a note on this for you if you would like.

Mr. CLAUSEN. I was just wondering if you knew offhand whether or not there were specific incentive policies or what economic policies had been adopted by the Government that seemed to meet with success.

Dr. HOLTON. They have had a complex of monetary and fiscal policies that have worked and this, combined with the fact their work force is growing very slowly, has permitted them to operate with a very, very low level of unemployment.

Mr. CLAUSEN. Of course, I believe that we, as a committee, should also remember when we try to compare ourselves with the countries of Germany, or Italy, or Great Britain, that as a fact, these are simply about the size of one of our States, and it simply appears to me that you would have to look properly within the confines of the State. We are bound to have fundamental problems because of the magnitude of the size of our country.

I would think if we could have substantially better leadership in all the States, we could match a little beyond this.

I think the subsequent result would be for the United States of America to really have a gross product that would be something worth talking about.

Mr. DYAL. Would the gentleman yield?

Is it not true though, professor, that following the war, under the circumstances in which Germany was placed, that they did some of the things we are attempting to do with this public works and economic development bill. They moved into an area of public works.

I recognize Japan created a new rapid transit system with quick and easy movement of people to areas of work and employment. A similar program has been developed in Germany. Is that not true?

Dr. HOLTON. Yes, there are many parallels here. There is no question about it.

I would like to pick up the point made earlier about the size of these other countries.

It would be interesting to take the area of Appalachia and compare it with Holland, let us say, Holland being an independent entity for the most part—it is true, it has commitments to the EEC now that is limited—but within a wide range of possibilities, they can set their own monetary and fiscal policy.

Now, you take, say, the State of California cannot set its own monetary and fiscal policy, and the Appalachian region cannot. A region that would like to grow faster in the United States, even though it may be as big as an entire country some place else in the world, just does not have the option to do all it might if it were independent to accelerate its own rate of growth through its own monetary and fiscal policies.

Mr. CLAUSEN. Are you suggesting we do everything we can to reserve the tax sources to the States themselves to carry it out?

Dr. HOLTON. We have to have special arrangements of some sort. I would hesitate to say anything at this point about just what sort of tax policy changes we should have vis-a-vis the division of taxing authorities between the Federal and State and local governments.

Mr. CLAUSEN. What you say then is that the Federal tax structure in effect inhibits the growth factors in some of the States?

Dr. HOLTON. Well, I would certainly hesitate to say that we should tear down our tax structure and back away to a more regional approach to it.

I think the experience of the Canadians in this regard should slow us up a bit. One of the problems there, I take it, is that the Provinces of Canada do have much more authority vis-a-vis their taxation, than is the case with the States in the United States, and this has apparently led to a great deal of difficulty indeed, far more in Canada than in the United States, in the way of negotiations between the Federal Government of Canada and the Provinces. They have more problems than we do, in part because of the Province's own taxing authority vis-a-vis the Federal Government in Canada is entirely different from ours.

Mr. CLAUSEN. I was only using the analogy that you had presented with respect to Holland.

Dr. HOLTON. Yes. I would urge, Mr. Congressman, in this case, only that since our regions do not have complete autonomy vis-a-vis fiscal and monetary policies, that we have to come up with some special devices to encourage the growth of these areas.

I would hesitate to use as one of those special devices a massive decentralization of taxing authority, however.

Mr. CLAUSEN. Well, of course, it has been the view of many, I am sure, that under the current tax structure, the Federal Government has in effect preempted a lot of the tax sources. I, for one, of course, have been after the earliest possible repeal of the excise tax at the Federal level, releasing this to the States, permitting them to revise their tax structure. They could then carry on programs absolutely.

Dr. HOLTON. I would agree with repealing the excise tax as quickly as we can as long as we avoid repeal of excise taxes in such a magnitude

that we would run into inflationary problems. I think we have to watch out for that. But viewed as a problem my itself, I would certainly agree with you that we should have a repeal of the excise tax, excise taxes in general.

Mr. CLEVELAND. Mr. Chairman.

Mr. WRIGHT. Mr. Cleveland.

Mr. CLEVELAND. There is a good deal of talk in these hearings about unemployment and I am wondering if we have any knowledge of any recent studies on unemployment that you consider definitive?

In connection with this question, I would also like to ask the chairman of the committee if there is any intention to call any witnesses who might be experts on unemployment?

Everybody is talking about these statistical unemployment figures, and I have often wondered if these figures are as bad as some people say they are and who these unemployed are and whether some of the unemployed are employable, even if the jobs were available to them?

Dr. HOLTON. Congressman, there has been a definitive study of the statistical side of the question, this in the form of the report on the unemployment statistics to the President, I believe, or possibly to the Bureau of the Budget. It is known as the Gordon Report; Professor Robert A. Gordon, of the University of California, was chairman of this commission. And they reported about 1½ or 2 years ago, as I recall.

This is a study which looks at the validity of the measurement procedure, does not look at the latter set of questions you are referring to; namely, who are the unemployed and are they employable, etc.?

I would hesitate to recommend any single report that attempts to or any single publication from any source as a definitive study of the unemployment problem.

Mr. WRIGHT. If the gentleman will yield, I would comment to the gentleman from New Hampshire that there have been numerous and somewhat voluminous studies on the subject of unemployment. The Bureau of Labor Statistics reports maintain a running account of the number employed and unemployed.

I am sure those are available to us and we could draw from them in these hearings if it is the wish of the committee.

I suppose the real authority on unemployment, though, would be some guy who cannot get a job. If we got some fellow like that up here he would know more about the sociological impacts.

Mr. CLAUSEN. I think the chairman has made an excellent suggestion.

Dr. HOLTON. Mr. Chairman, I think the best thing to look at to get an overall view of the problem would be the last two manpower reports of the Secretary of Labor to the President.

Obviously there have been lots of articles written in lots of different places on this problem, but I think more aspects of the problem are covered in a relatively smaller number of pages in the manpower report to the President than anywhere else.

Mr. WRIGHT. As you would understand, and certainly would comprehend after being here, there is a temptation on the part of the committee always to delve into all the related and quasi-related issues

of economics and unemployment. We are grateful to you for having been patient with us.

Dr. HOLTON. Thank you very much, Mr. Chairman. It has been a pleasure.

Mr. WRIGHT. We very much appreciate it.

Mr. JOHNSON, did you want to question the witness?

Mr. Holton, I am sorry, I did not realize Mr. Johnson had not had an opportunity.

Mr. JOHNSON. Professor Holton, I just would like to ask a question or two as to the title I of the bill.

As I understood your remarks a little while ago that you would be in favor of including more of the public facilities similar to what was carried on in the Accelerated Public Works program.

Dr. HOLTON. Mr. Congressman, the question that I was responding to was put very specifically, and I tried to put my answer very specifically.

The question was: If you had your choice between spending money either on the public works portion or on the loans, business loans, which would you do? And I argued for the public works. But this is a very difficult decision to make because I would certainly favor going down both roads simultaneously.

Mr. JOHNSON. The point I am trying to make here, are you in favor of including all types of public works? Under the Accelerated Public Works program, we advocated expansion of public community facilities in a portion of that particular act, and in the second year, we did a pretty good job. At the present time, we have a great backlog of projects that have been financed locally as to the engineering, many of the communities have raised their money, their portion, and are waiting for approval. Now, under section I, we are going to eliminate a good many projects that were to go forward by the Government.

I wonder if you are in support of expanding the projects under title I?

Dr. HOLTON. In general, I would say yes. But I would have to think that through much more carefully than I have, frankly, and look at the options. But I get the impression from some of the places I have seen that, by and large, the public works part of this is a pretty good bet.

In eastern Kentucky, for example, I know a town or two where it is fairly clear that the public facilities kind of thing can be very effective indeed. So, in general, I would say let's not shortchange the public works part of this program.

I understand that the \$250 million—it is \$250 million as I recall—in the title I, that this would be at a substantially lower rate than the public works money was being expended under the Accelerated Public Works program.

Mr. JOHNSON. We received information to the effect that there was approximately \$2 billion worth of projects that were already filed with the various agencies downtown. This \$250 million that is now available is a much lesser amount of money than is under the Accelerated Public Works, which was about \$400 million in the first year.

Now, if they are going to take away many of these projects the local government has participated in presently, they have them ready to go, and I do not care whether you build a city hall or county courthouse or what other type of facility you build, you create employment and

you benefit the entire very broad spectrum all across the Nation, you might say, supplying materials for that type of facility.

I think we have got more money there under the Accelerated Public Works program, especially the second year, whether you look at it from the standpoint of community facilities, than any other program, ARA included.

Dr. HOLTON. Mr. Congressman, I would agree that the \$250 million figure should probably be higher. But before saying it ought to go up to \$2 billion, I would want to think a lot more about the inflationary aspects of this. You know, what other Government programs might be financed with that kind of money and whether the trade off here is between this program and others is the way we would want it, and so on. So I would hesitate to go up to the \$2 billion figure certainly.

Mr. WRIGHT. The Chair might comment, we do want to leave a little bit in the Treasury for some of the flood control projects up in north California.

Mr. BALDWIN. Thank you.

Mr. JOHNSON. I was not recommending the \$2 billion, but I certainly think that this should be doubled. I do not think that these other community facility projects should be eliminated.

Dr. HOLTON. I would agree certainly that the \$200 million figure looks low.

Mr. CLEVELAND. Mr. Chairman, I would like to suggest to the gentleman from California that if he wants to get the money to double the public works section of the bill, all he has to do is to take out the loan provisions and just switch that over to the other part of the bill. It might be a happy solution.

Mr. JOHNSON. Well, I would say to the gentleman from New Hampshire, certainly these programs have worked very well. I am a strong supporter of the old accelerated public works. I think the Government got more for the dollar in the second year of that operation than any other program we have ever put forth.

Mr. WRIGHT. Thank you very much, Mr. Holton.

Dr. HOLTON. Thank you, Mr. Chairman.

Mr. WRIGHT. We have a witness who has been here since yesterday but was not able to be heard at that time.

Mr. Sam Boddy, Jr., of the Chelan Industrial Council of Wenatchee, Wash., former director of the Washington State Department of Commerce and Development.

We thank you for having been patient with the committee and bearing with us here. We would like to have you here today, sir, and would be very pleased if you would come forward and give us your statement.

STATEMENT OF SAM BODDY, JR., MANAGER, CHELAN INDUSTRIAL COUNCIL, WENATCHEE, WASH.

Mr. BODDY. Thank you.

I have a very brief statement.

Chairman Fallon and other distinguished members of the committee, as your chairman has ready indicated, my name is Sam Boddy, and presently I am executive vice president of the Chelan Industrial Council, in Wenatchee, Wash.

I would hasten to point out we are more or less a rural and agricultural based area, and any comments I may make this morning are based on the activities of ARA in the Pacific Northwest.

The organization I work for is a countrywide, privately financed group of dedicated men whose sole purpose is developing new industry in Chelan County.

I have been in industrial work professionally for the past 10 years. Five years with the Washington State Department of Commerce, 3 of those years as manager of the industrial development division and 2 years as director of the department.

In 1962, I was president of the Western States Council for Economic Development. This was a group of department of commerce directors of 13 Western States, and this organization was the official Economic Advisory Council for the Governors of the 13 Western States.

I submit the above information only to give some qualification for my comments on H.R. 6991.

The very short time ARA has been in operation it has in my opinion done an outstanding job in areas of consistent unemployment. ARA not only has supplied much needed risk capital to stimulate new industries and create new employment, but it has participated in creating an atmosphere that is immeasurable in dollars and cents.

For the past decade industrial development was very much like motherhood: Everyone was in favor of it. In the Pacific Northwest where I have had my experience, every community, city, county, and State official was in favor of industrial development, but mostly on a hit-and-miss basis. No one was really doing much about it.

Since the inception of ARA and the fulfillment of the requirement to develop an overall economic development plan, interest of local citizenry has reached a new high in helping themselves. For example, in Chelan County alone, over 100 people worked night and day for 4 months developing our overall economic development plan. This not only created personal interest, but also created genuine interest in all of our public officials. Other counties in Washington State have done the same. This spirit has permeated to the point where we now have in Washington State 47 organizations, such as the one I represent, with paid staff working to better their community's economic growth.

ARA cites, as their record of achievement, 548 industrial projects approved, creating 115,000 direct and directly related jobs as of January 31, 1965.

One of their most important achievements which their cold statistics do not reveal is what I refer to as a fringe benefit of ARA. With your indulgence I would like to cite an example:

In January of 1963 a processor of canned apple juice submitted an application to expand their facilities to produce frozen apple juice concentrate. After working with ARA for several months, a project was developed to the point its feasibility was desirable to private financing. They stepped in and took over the project. As a result of this expansion, this company last year processed 50,000 tons of apples, paying approximately \$50 per ton for apples, that were previously sold for \$5 per ton, and in some instances dumped as waste because of lack of market.

This project alone contributed \$2,250,000 in new money to the economy of the orchardist in north central Washington and created 80 new jobs and can be attributed directly to the beneficial activities of ARA.

I could go on and cite other examples of ARA's benefit to our community, but I am sure you are aware by now that I am in favor of this proposed bill and respectfully urge your favorable action in approving this proposed legislation.

Without appearing too preposterous, may I suggest in closing you give ARA the authority to complete all phases of industrial financing. It seems to me repetition of effort to refer projects to SBA for their approval after ARA approval.

The staff of ARA is highly competent and could finalize all loans and eliminate the confusion that presently exists and has a tendency to prolong and discourage applicants.

Thank you for the privilege of appearing before you and your indulgence in listening to me.

Mr. WRIGHT. Thank you very much, Mr. Boddy.

Are there questions on my right?

On my left?

If not, the committee wishes to express its appreciation to you for having been with us.

Mr. BODDY. Thank you, sir.

Mr. WRIGHT. I am sure it will be helpful.

Mr. Nathaniel Keith.

Mr. Keith is president of the National Housing Conference here in Washington, D.C.

We will be happy to have you come forward, Mr. Keith.

The committee will be pleased to hear your testimony.

STATEMENT OF NATHANIEL KEITH, PRESIDENT, NATIONAL HOUSING CONFERENCE, WASHINGTON, D.C.

Mr. KEITH. Thank you, Mr. Chairman.

I have a brief prepared statement, Mr. Chairman, which with your permission I will read.

Mr. WRIGHT. By all means.

Mr. KEITH. I greatly appreciate this opportunity to present the views of the National Housing Conference on the proposed Public Works and Economic Development Act of 1965.

Our organization, which was founded in 1931, consists of community leaders, professionals, businessmen, labor leaders, public interest representatives and public officials from all sections of the country who share a strong interest in sound programs for housing and community development.

While the primary focus of the National Housing Conference is on the provision of satisfactory housing and related facilities for the American people, our area of interest covers the whole physical environment of American communities. This include satisfactory schools, parks, playgrounds, recreational and cultural facilities, and public utilities. It includes the redevelopment and renewal of slums and blighted areas. And it includes the provision of land and facilities for modern industry and commerce as the essential economic base for healthy communities.

The National Housing Conference has long recognized that the achievement of these objectives in economically depressed areas in this country requires a comprehensive and continuous approach to raise economic levels as well as to raise the standards of housing and community facilities. The close interrelationship between unemployment, underemployment, poverty, and deprivation on the one hand, and poor housing, poor schools, and inadequate community facilities and utilities on the other hand is inescapable.

For this reason, the NHC strongly supported the enactment of the Area Redevelopment Act in 1961 as a much needed experimental program to help the economic upgrading of depressed areas. For the same reason, we supported the Public Works Acceleration Act in 1962. Likewise we supported the Economic Opportunity Act of 1964, which clearly has a direct relationship to the problems of the 27 million persons living in the depressed sections of the country as well as to the deprived groups in our population in American communities generally.

In our opinion, the successful, even if limited, results of the Area Redevelopment program clearly demonstrate the need for broader and continuing approaches to meeting the acute economic problems of the depressed areas in this country. We have studied the President's message on area and regional economic development and the provisions of the proposed Public Works and Economic Development Act of 1965. We believe that these proposals would be of substantial benefit and I am therefore pleased to register the full support of the National Housing Conference for this important legislation.

In particular, we endorse the following provisions and principles of the bill:

First, the authorization of Federal grants of \$250 million per year for public works and development facility projects in depressed areas is in our opinion directed effectively at the root problem of establishing a suitable framework for industrial and commercial development. Likewise, we believe the authorization for supplementary grants which would increase the Federal participation up to 80 percent if justified by the economic circumstances of the area is a realistic recognition of the financial stringencies of many local governments in those areas.

Second, we believe the reduction of the local public participation in business development loans to 5 percent from 10 percent under the Area Redevelopment Act, repayable concurrently with the Federal loan, should facilitate broader application of such loans to depressed areas.

Third, we believe the provisions for 2-percent Federal interest rebates on private development loans in distressed areas and for 90-percent Federal guarantees of private working capital loans should broaden the participation in these programs by private capital.

Fourth, we strongly endorse the provisions of section 403 and of title V to encourage and assist the establishment of economic development districts and regional action planning commissions for broad and coordinated approaches to expand the economic base of the depressed sections of the country.

Fifth, we believe the bill's provisions for continuing annual appropriations of the various proposed program funds constitutes a realistic recognition of the long-term nature of programs for the upgrading of most economically depressed areas and the importance of continuity.

In conclusion, on behalf of the National Housing Conference, I would like to express our strong support for the proposed Public Works and Economic Development Act of 1965 and to recommend favorable action by this committee.

Thank you, Mr. Chairman.

Mr. WRIGHT. Thank you very much, Mr. Keith, for having been here.

Any questions?

Mr. McCARTHY. Mr. Chairman, if I were on a judicial panel, I would probably have to disqualify myself at this point, because Mr. Keith is an old friend of mine for whom I have the highest regard. He made a great contribution to the rejuvenation of Buffalo as our main consultant there for a number of years. As a personal friend, I am awfully pleased to see him here today.

Thank you.

Mr. KEITH. Thank you very much.

Mr. WRIGHT. Thank you.

Are there other comments?

Thank you very much, Mr. Keith, for appearing before us.

Mr. KEITH. Thank you, Mr. Chairman.

Mr. WRIGHT. Is Mr. Hamric here?

Mr. Bethune?

This concludes the list of witnesses for today.

The committee will convene again, I am informed, on Tuesday next at 10 o'clock. The Secretary of Commerce will be here at that time.

Mr. CLEVELAND. Mr. Chairman.

Mr. WRIGHT. Yes, Mr. Cleveland?

Mr. CLEVELAND. For our information, what other witnesses will we have before the committee?

Mr. WRIGHT. It is my undersanding that beginning Tuesday next, we are to have the Secretary of Commerce, representatives of the General Accounting Office, and I am not certain what other witnesses have been scheduled. ARA officials then will be back to answer questions that have been developed. A GAO representative will be here.

Mr. CLEVELAND. As the chairman may realize, some of my questions have been directed toward the loan features of this bill, and some of my questions have indicated that with the SBA in this field, I question whether or not we need this ARA loan program.

Would it be possible to have someone from the SBA before this committee for the purpose of addressing themselves to what the SBA does or does not do in this field?

Mr. WRIGHT. I am informed that Mr. Foley did testify on the Senate side. I see no real reason why we should not do this here if it is the wish of the committee.

Mr. CLEVELAND. One other thing, if the chairman will continue to indulge me.

I also would be interested in having a witness, either made available to me perhaps or to the committee, in connection with this unemployment problem.

As I say, this is something that we all talk about, we all read about, and we are doing a great many things in connection with unemployment. As the chairman knows, we are passing development training

acts, the education acts we are passing legislation with to provide technological education and improving the unemployment picture. I do not want to be casual about this and I know that unemployment is a tough problem, but I also think it might be helpful to the committee if we did know more about the unemployed.

Mr. WRIGHT. The Chair would be pleased to undertake, and I am sure the committee staff will cooperate, in the selection of any material or information that the gentleman from New Hampshire would benefit by having.

The committee had hoped to conclude the public hearings section of these deliberations on Tuesday next. I am informed that the chairman a week or some matter ago asked members of the committee if they had any desires at that time, and none were forthcoming save for those that have been heard.

Of course, all of us have indulged ourselves at times—certainly I have—perhaps more lengthily than we should in questioning the witnesses, but that is the prerogative of the committee and the members of the committee.

I would say to the gentleman from New Hampshire, if he has some specific requests for witnesses, that it might be a good plan for him to discuss this with the counsel and the minority counsel as well as the chairman of the committee, and we will be glad to try to accommodate all the members to the extent we possibly can.

I would hope that we could conclude in rather short order.

Mr. CLEVELAND. Yes.

The only formal request we had is to have Mr. Foley or his deputy come before the committee and address himself just to this one point.

Mr. WRIGHT. I think that is a reasonable request.

We will try to cooperate in that and see if we can establish contact with the Small Business Administration and ask Mr. Foley or his representative to be on hand.

If there is no further active business, the committee will stand adjourned until Tuesday next.

(Whereupon, at 11:30 a.m., the committee was recessed, to reconvene at 10 a.m., Tuesday, May 18, 1965.)

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

TUESDAY, MAY 18, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON PUBLIC WORKS,
Washington, D.C.

The committee met, pursuant to adjournment, at 10:05 a.m., in room 2167, Rayburn House Office Building, Hon. Jim Wright presiding.

Mr. WRIGHT. The committee will be in order.

To begin this further session on the Public Works and Economic Development Act of 1965, we are honored to have with us the Secretary of Commerce, Mr. John T. Connor, who at our request has returned to answer any further queries the committee might wish to pose to him.

The Secretary has explained that he must catch an airplane a little later in the morning; therefore, with the indulgence of the committee, I hope that we can be as considerate as possible.

The Secretary is accompanied by Mr. Harold Williams, who is the Deputy Administrator of the Area Redevelopment Administration; Mr. Thomas W. Harvey, Chief Counsel of the Area Redevelopment Administration; and Mr. William Batt, Jr., who is the Administrator.

We are honored and pleased to have you and we thank you for having come back and for having been willing to share with us what further thoughts or comments you may have in this regard.

Do you have a statement to make to us or, as I understand it, you are here at our request to answer whatever questions we may want to ask you?

**STATEMENT OF JOHN T. CONNOR, SECRETARY OF COMMERCE;
ACCOMPANIED BY WILLIAM L. BATT, JR., ADMINISTRATOR,
AREA REDEVELOPMENT ADMINISTRATION, HAROLD W. WIL-
LIAMS, DEPUTY ADMINISTRATOR, AND THOMAS W. HARVEY,
CHIEF COUNSEL—Resumed**

Secretary CONNOR. That is right, Mr. Chairman. I will be glad to answer whatever questions I can.

My statement was completed when I was here before.

Mr. WRIGHT. And a very good statement it was, a very concise and a very comprehensive one.

Secretary CONNOR. Thank you very much.

Mr. WRIGHT. Mr. McCarthy.

Mr. MCCARTHY. Mr. Secretary, like yourself, I just came out of private enterprise, and while I have severed my connections as you

have, I cannot sever the connection of memory from my experiences. I would like to ask you a question about the basic idea of the Area Redevelopment Administration, the idea of the Government subsidizing one's competitors.

Here we have a situation where, in the East, where I come from, we pay a disproportionately large amount of taxes, and some of this tax money goes to subsidize competing companies. I am thinking specifically of a case where the Area Redevelopment Administration made a loan to Dirks Forest, Inc., to set up a gypsum plant at Nashville, Ark., in a part of the country that was already suffering from overcapacity of gypsum products, in Texas and Oklahoma. The result has been that there were layoffs at some of these other plants. And while it did create employment at Nashville, Ark., the result was because there was an overcapacity that will not be fully utilized until the next decade, you simply transferred jobs from one part of the area to another and you created unemployment.

I wonder if you think this is an equitable arrangement?

Secretary CONNOR. Well, Congressman McCarthy, on the general philosophy, I do think it makes sense for the Federal Government to give incentives for the starting and the growth of industry in parts of the country that are underdeveloped economically. I think that this is very sound, because the Federal Government in its welfare and other programs has already assumed some responsibility for people in areas like this and I think if through the initial encouragement of economic enterprises these people can be given gainful employment so that they become taxpayers rather than continuous taxeaters, then I think that our whole economy benefits, and certainly the people themselves who are able to get this employment benefit, and their friends and neighbors who share indirectly.

So on the general philosophy, I think this is a very sound program. The whole concept of economic development on a regional basis has now been accepted in many parts of the world.

It is true that private enterprise follows a normal course of development and automatically takes care of the development of many regions. But there are regions in this country and in other countries in the Western World that would not be developed, or at least not for many, many years, were it not for some governmental incentives that guide private industry into these locations.

Now with respect to the specific case which you mentioned, we do have a policy of not encouraging the growth of industries in situations that are already taken care of from a competitive point of view.

I think Mr. Williams can talk specifically about this particular case that you mentioned.

Mr. WILLIAMS. Mr. McCarthy, if you remember, at that meeting in Buffalo when I first met you and spoke on the area redevelopment program, I made the statement that as far as we in ARA were concerned, that there never had been brought to our attention a proved case where a single individual had been thrown out of work as a result of an area redevelopment project.

At that point, the chairman of the gypsum company in Buffalo, whose name escapes me at the moment, came up to me afterwards and said, "I have a case where this has happened," and that it happened in connection with that loan in Arkansas to which you referred.

I said, "Sir, I will investigate this immediately and get you a report." I then immediately proceeded to investigate and I found that, contrary to the report this gentleman had, the gypsum company in Arkansas had not even started operations yet and was not producing any gypsum.

I thereupon proceeded to write to the chairman of the company in Buffalo and told him this and asked him if he had any further information which would help me track down this report. He wrote me back and thanked me and said that he would let me know in the future further on this question.

I have never heard from him since, so it is my judgment on the basis of that correspondence that he may have been misinformed about the report that people were out of work as a result of that loan.

Mr. McCARTHY. Well, the main point that I made was that this industry was already oversupplied in this part of the country. I do not think there is much doubt about that. I mean, the idea of the Government subsidizing a new competitor in an area where you already have an overcapacity in our particular commodity does not strike me as being a very wise public policy.

Secretary CONNOR. Congressman McCarthy, I think it would be helpful if I read at least an excerpt from this policy statement on this particular question. It is dated January 29, 1964, but it follows a similar policy statement that was in effect for a period before then. The pertinent part reads as follows:

ARA will not finance new capacity in industries experiencing a longrun gap between production and capacity except where, one, the excess capacity is obsolete or outmoded; or two, the effect of the new capacity would be to provide stronger competition with foreign production; or three, there is a regional insufficiency of productive capacity; or four, such excess capacity is only temporary because there is a strong growing national demand as evidenced by profits in the industry and plans for expansion within the industry; or five, the applicants can demonstrate that their product or service will expand present markets and will therefore not adversely affect the present markets of existing domestic producers.

From that policy statement, this question of excess capacity in an industry is a very important one and our administration procedures go into this point very carefully before a specific application is approved where this point is involved.

Mr. McCARTHY. Well, if each of those criteria were met, such a situation would not develop.

Secretary CONNOR. Well, that is right. As Mr. Williams has indicated, we do not think it did develop in this particular case.

Mr. McCARTHY. Thank you very much.

Mr. WRIGHT. Are there further questions?

Mr. HARSHA. I have a question, Mr. Chairman.

Mr. WRIGHT. Mr. Harsha.

Mr. HARSHA. Mr. Secretary, since this committee has not handled ARA legislation before, it would be helpful from my understanding of section 202 of the bill if you would furnish step by step what is required for an industry or business to secure a loan under the provisions of section 202.

Secretary CONNOR. Yes. We do have a procedure on this and I think that Mr. Batt should take us through it step by step.

Mr. BATT. The first requirement, of course, Mr. Harsha, is that the industry be located in an eligible area, meeting the criteria of the act, which is either an area of long-term, chronic, persistently high unem-

ployment, or such as those north and east of Cincinnati, southeastern Ohio, or a long-term poverty, low-income area.

Now, secondly, the area has to have requested participation in the act. They have to have made a positive request that they would like to be in it. Then they have to have provided an overall economic development plan.

Now, assuming for the moment that the company in question is in such an area and is eligible, then the application is made to ARA outlining in rather abbreviated form what their needs are. That is then passed upon by the ARA in Washington to see whether or not it meets the requirement of the act generally, whether or not it meets the requirement the Secretary has just pointed out about being in a growing industry, whether or not it is consistent with the plans of the area, and so forth.

We pass upon it and then, in the past, we have asked SBA to check out whether or not there is a reasonable prospect of repayment and to do the banking part of it for us.

Then the SBA men in the field will get additional data, such as would be supplied to a bank or an insurance company. They make their evaluation and recommendation to us and we take final action approving the loan, and the loan is announced and disbursed as soon as that can be arranged and as soon as the applicant meets the requirements of any conditions laid down by the loan approval.

Mr. HARSHA. Now, as I understand it, the Government may loan not to exceed 65 percent of the capital improvement. Where does the other 35 percent come from?

Mr. BATT. Typically, the first mortgage comes from a local bank, or sometimes, if it is too heavy for a local bank to carry by itself, it will bring in a correspondent bank from a neighboring big city. The law permits the Federal Government to take second position in order to encourage such bank participation, so that the bank will take a first-position mortgage for typically 20 percent; the Federal Government will lend a maximum of 65 percent, and then this leaves the balance of 15 percent, which under the existing act is provided 10 percent by the community and 5 percent by the entrepreneur.

The proposal in the new act is for this to be reversed, the entrepreneur to provide 10 percent and the community 5 percent.

This 15 percent is in last position, equity position, behind both the banks and the Federal Government.

Mr. CRAMER. Will the gentleman yield?

Mr. HARSHA. Yes.

Mr. CRAMER. Will you tell us what the justification is for shifting the responsibility percentage?

The obvious objective is to not require the local community to put up as much as in the past.

Mr. BATT. That is absolutely correct. There are two changes in the new act in this regard. I think the communities have perhaps been more insistent upon this than any other single point. The community participation and the entrepreneurial participation will still total the same thing. There will be no increased cost to the Federal Government and no increased risk to the Federal Government, but the community now will be able to be paid off as fast as the Federal Govern-

ment, instead of waiting for 20 or 25 years until they can get their first dollar back. That is a very important change.

The second one, as you point out, they will only have to put up 5 percent and the entrepreneurs 10 percent. This will permit them to do much more with their community industrial development funds, which are typically raised from the local people by voluntary contributions. We have had many, many loans which have not been able to come to fruition, because this load has been such a severe one on the back of the community.

Mr. CRAMER. You mean that 10 percent loans on the local community is too much, but 65 percent loans on the Federal Government is not?

Mr. BATT. That is correct, sir.

Mr. CRAMER. In effect, if you want to carry the argument to its logical conclusion, no local contribution from the local community would be even more desirable?

Mr. BATT. The feeling of the administration and the Congress has always been that a contribution locally is most valuable, and the experience in the last 4 years has proved that this is true; that where the community participates in the act, in each project, this is tremendously helpful to the success of the project.

I recall some testimony before this committee by Mr. Greve on the Sequoyah case, where he felt that the participation of the community was most valuable.

Mr. CLEVELAND. Will the gentleman yield to me for a question at this point?

Mr. WRIGHT. In other words, Mr. Batt, we are dealing typically with impoverished communities, are we not?

Mr. BATT. Yes.

Mr. WRIGHT. The communities that most desperately need this assistance are those which ironically find it most difficult to raise cash money locally, are they not?

Mr. BATT. That is correct.

Mr. WRIGHT. I can imagine, for example, a situation in a small town, hard hit by many years of disadvantage, where we have lined up an industry that might require \$1 million to get started. Under those circumstances, the requirement that we go out among the little retail merchants and what entrepreneurial marginal small businesses might exist in that community and try to raise \$100,000 in hard cash would be almost prohibitive, would it not?

Mr. BATT. Yes, Mr. Chairman. That is our problem.

Mr. WRIGHT. I have had some experience of this type as a mayor at one time of a little town of some 12,000 people. We did things on occasion to try to make it attractive for industry to come to this little town to build the business structure from which a new prosperity might flow.

I know what it is to try to raise that kind of money from these small-town merchants. It is not that they do not want to give; it is that they do not have it to give.

So if we disqualify the town that cannot raise from among its citizens and the slender patrimony of its little business \$100,000 in hard cash, and disqualify it from being eligible thereby to have an

infusion of new economic lifeblood by a \$1 million industry, we defeat the purpose of the act, do we not?

Mr. BATT. Yes, sir.

Mr. CLEVELAND. At this point, would the gentleman yield?

Mr. HARSHA. I will yield to Mr. Cramer.

Mr. CLEVELAND. Will the gentleman yield for a question at this point?

Mr. CRAMER. Will the gentleman yield?

Mr. HARSHA. All right, I will yield.

Mr. CLEVELAND. This assertion by the gentleman from Texas as to the \$100,000 cold cash, I have always been under the impression local participation could also be represented by real estate.

I would like to have that point clarified. Because this has happened in my district and I will match disadvantaged towns with the gentleman from Texas anytime he wants to. But this 10 percent has not been a hurdle, at least not in my part of the country.

One of the alleviating factors has been it can represent real estate, very generously appraised by the gentleman from ARA. I do not think it necessarily has to be hard cash. I stand to be corrected if I am wrong.

Mr. BATT. It can be in part real estate if the real estate is part of the project.

Mr. CRAMER. Any type of local contribution.

Mr. HARSHA. I will yield to the gentleman from Florida.

Mr. CRAMER. The comments from the gentleman from Texas are interesting, but we have here the eligible redevelopment areas, which was the list I asked be submitted and it has been handed down. I assume you have it or are familiar with it.

In these small towns, depressed areas, these areas that cannot meet the local 10 percent responsibility are such towns as Oakland, Calif.; San Diego City, Calif.; Miami City, Fla.

I do not think that fits into the description of the gentleman from Texas as communities that just cannot meet, at least through some form of contribution, 10 percent of its responsibility.

Would you care to comment on that, Mr. Secretary?

Secretary CONNOR. Yes.

Well, Congressman Cramer, this change in the legislation that we are requesting does not have to be used in all cases. It is just in the very severe case that we would need the authority to waive the local 5-percent contribution. But our philosophy is to keep the local participation as substantial as possible, because we think that this does provide great incentive for the local people to get behind the project and make it a success.

Mr. CRAMER. I would like—if the gentleman would yield further—on May 6, 1965, the General Accounting Office made a report to the effect that under section 6, as to how it had been carried out under the present law, the report points out: the failure of a community to respond so as to derive the benefit of the project does not necessarily mean it is not unable to participate, but may be lack of community support for the program.

Would you care to comment on that?

Mr. BATT. Mr. Cramer, the community has to support the project because they have to approve of the application in the first place.

These communities, or most of the ones we deal with, of course, are very small and medium sized, and do have difficulty in raising some of these substantial sums of money, particularly the second time around.

Mr. HARSHA. I would like to ask you this question: the 15-percent equity capital, which you referred to in your explanation to me previously, if this 15 percent is obtained through a private loan, is this loan eligible for the 2-percent interest rebate authorized by section 202(a)?

Mr. BATT. No, sir.

Mr. HARSHA. It is not? All right. Now, section 202(b)(9) and (d), I believe, provide that except in certain instances, not less than 5 percent of the cost of the capital approved shall be supplied by the State or subdivision thereof or by the community or area, which is nongovernmental in character.

Can this 5 percent be in the form of a repayable loan for the purpose of stock?

Mr. BATT. Yes, sir; either one.

Mr. HARSHA. Now can I ask this question: Is it possible for a public works or development facility to be 100 percent federally financed under this bill by grant in the amount of whatever limitation the law authorizes for the cost of the facility, together with the Federal loan for the remainder of such cost?

Mr. BATT. Yes, sir, they can borrow the balance from the Federal Government if they cannot borrow it on the private market.

Mr. HARSHA. Now, is this a requirement of your Federal loan, that first they must be denied or refused by a private lending institution?

Mr. BATT. The other financing must not otherwise be reasonably available.

Mr. HARSHA. What do you mean by "reasonably available"?

Mr. BATT. Well, the alternative financing must be available to them on reasonable terms. If it is, this of course requires interpretation, thus by "reasonable" we could mean at the going commercial rates.

Mr. HARSHA. If private financing were available at, say, 5½ percent interest, and this is what all private financing—rate of interest—is demanding in the area at that time, yet the people making the application may want, under these small business loans, to get 4 percent because it is a depressed area and so forth. Who decides whether 5½ percent is reasonable or not reasonable?

Mr. BATT. Well, under the acts the Secretary would have that responsibility. And generally the criterion which the act would lay down would be if the loan were available on such terms that the project could go forward.

Let me give you an example. We had an applicant come to us—this often happens, but I remember one in particular—which was an exceedingly well-financed company that wanted to apply for a loan under our program, said it would make him more competitive; but it was quite clear to us that they were able to finance this through other channels, through their own earnings or through bank credit, established credit channels, and so we turned them down. The project went ahead and they were able to get private financing.

Mr. CRAMER. Will the gentleman yield on that point?

Mr. HARSHA. Yes.

Mr. CRAMER. Well, in other words, if an industry says that if they have to pay $5\frac{1}{2}$ percent or 6 percent interest on a loan, that in their opinion they would not locate in this area, you will take that into consideration as to whether they will get bond interest loan, in what amount?

What would be the rates?

Mr. BATT. No, to industry the rate is 4 percent. Under this act, the formula would come out $4\frac{1}{8}$ percent.

Mr. CRAMER. That is on the basis of the bond issue rate?

Mr. BATT. On the basis of borrowing costs to the Federal Government.

Mr. CRAMER. The Federal Government borrowing the funds, interest rate involved. Then you have the discretion to make a decision; based upon that evidence from the community, you could then make a lower rate interest loan?

Mr. BATT. Under the new act, of course, you would have the additional tool that if this is a company that could normally go to private sources for financing, you could pay 2 percent of the interest cost and not make a Government loan.

Mr. CRAMER. In other words, it would be reasonably able to get a loan elsewhere? One of those reasons would be that the industry says they would rather have a lower loan and think it might be risky to put a plant there if they didn't get the lower loan. Is that not correct?

Mr. BATT. Yes, sir. If this loan, if this were essential to locating a plant at that particular location, that would be a factor.

Mr. CRAMER. That is right. Then are you not, in effect, encouraging the financing of ventures that private enterprise feels is too risky to give a lower rate; the Federal Government says we will take it on even though it is risky? Are you not, in effect, financing more risky business?

Mr. BATT. Yes, that is correct. We are, quite true.

This is one of the reasons for the addition of this 2 percent interest subsidy, so we would be able to get stronger businesses in these areas.

Mr. CRAMER. And a further hurdle, the basic concept, which of course is what is the whole ARA approach, of how do you get over the hurdle of putting this otherwise risky business in a more favorable competitive position with private enterprise manufacturing the same product without the benefit of Government subsidy?

Is that a sound national approach as it relates to unsubsidized private industry versus subsidized private industry?

Mr. BATT. These loans are available, of course, to every company.

Mr. CRAMER. But only if they locate in redevelopment areas?

Mr. BATT. That is correct. But any company can do so. And then we do guard against this competitive factor by the policy which the Secretary read into the record.

Mr. WRIGHT. The Chair would like to clarify one point.

Mr. CRAMER. Will the gentleman yield to the Chair?

Mr. WRIGHT. The gentleman does not need to yield to the Chair. The Chair wants to clarify the point.

Mr. Batt, I think it is possible that the Chairman may have misunderstood the answer to one of Mr. Cramer's questions. As I understand, he postulated a situation in which an industry could secure

conventional financing through private institutions at, let us say, 5½ percent interest. Let me assume that this is the going rate of interest. This industry then would come to your agency and say that we just do not believe we will locate down there at this town if we have to pay that 5½ percent interest; therefore, we would prefer to have a loan from you.

Now, the questions which intervened before finally we got what might be interpreted as an answer, I think, might have thrown off the context in which this question was asked.

If I am correct, under a situation like that described by the gentleman from Florida, this industry would not be eligible for a loan from your agency. Is that correct or incorrect?

Mr. BATT. Under the new act, of course, they would not be eligible for a loan; they would be eligible for the 2 percent interest subsidy.

Mr. WRIGHT. Yes. Having first acquired their financing through private sources, is that correct?

Secretary CONNOR. Or having it available, Mr. Chairman.

Mr. WRIGHT. But you would not extend the loan with Government money; you would require them, instead, to secure their financing privately and be eligible for this 2 percent interest benefit; is that correct?

Secretary CONNOR. Yes, Mr. Chairman.

The main purpose of this subsidy provision is to enable us to attract to these depressed areas businesses that are sound financially which can arrange for their private financing, but which would not otherwise go into this particular region because of some competitive disadvantages, higher cost of operation because of not having certain public facilities, or for some other good economic reason.

But in lining up the pros and cons of that particular venture, the company could point out that if they had a subsidy to the extent of 2 points in the interest, then their operating costs in being in that operation would be fully competitive.

This is the kind of company we would like to start attracting into these areas, because their chances of success in the venture are much greater.

Mr. WRIGHT. I do not want to belabor the point. I just want it clear in the record that if private financing were available at, let us say at 5½ percent, and if this were the going rate of interest, this would not be regarded as an unreasonable financing situation, assuming the amortization period and other matters at the going rate.

Secretary CONNOR. No, sir. This proposed change in the law, which would give us this additional tool in the form of a rebate, incentive of 2 percentage points interest, would enable us to handle it on a basis whereby the cost to the Government would be kept to a minimum, the private financing facilities would be used, and the companies still could be attracted to this underdeveloped area.

Mr. WRIGHT. Thank you.

Mr. HARSHA. Mr. Secretary——

Mr. CRAMER. Would the gentleman yield to make sure the gentleman from Texas has not now confused the record?

Mr. HARSHA. Yes.

Mr. CRAMER. The distinguished Secretary said yes, the effect of this is to permit banks to consider the original loan, and therefore they

would not make the loan. In effect, what you are doing, are you not, is subsidizing branches of companies or new enterprises that cannot themselves, or are not solid enough themselves, or solvent enough themselves, to establish their own business or branch business without a subsidy?

Secretary CONNOR. Congressman Cramer, this is one of the purposes of the legislation.

Mr. CRAMER. So if you have a sound company, like General Motors, Ford, what have you, they are not going to have an opportunity to get this Federal bonus?

Secretary CONNOR. Oh, I beg to differ, Congressman Cramer.

In a large company that has a plant site location program, quite frequently they will look at four or five plant sites, and having adequate financial resources, it can make a choice.

Now, if one of those plant sites is in an underdeveloped region, because of the lack of certain facilities and added costs thereby, they might be disposed not to locate there.

Mr. CRAMER. Right.

Secretary CONNOR. Even though it might be a labor surplus market to which they otherwise would be attracted. But in their final evaluation, if we can offer them 2 percentage points in their interest, this reduces their operating costs over a period of time, makes that plant site competitive, and they would be attracted to it.

Mr. CRAMER. So, in effect, the Government subsidy makes them artificially attracted to an area where otherwise they might not be?

Secretary CONNOR. Yes, and we feel it is justified.

Mr. CRAMER. Does not that also leave the basic policy question: Is that sound, to give this area redevelopment area an advantage over another area that may be just barely over 5 or 6 percent unemployment and trying to hold its own, but it does not qualify for redevelopment and they have put their resources and their know-how into it?

They have been somewhat successful, but they are penalized. They get this industry bid out from under them by virtue of the Federal subsidy. Is that fair? Is that sound public policy?

Secretary CONNOR. Congressman Cramer, we think it is, because so long as there are these areas that are worse off economically, we think it drags down the whole country, and it certainly produces poor developmental possibilities for the people in these regions. It is a question——

Mr. CRAMER. That can have the effect, can it not, then, of eventually making depressed areas out of areas that, if they did not have this unfair competition, would remain nonredevelopment and nondepressed areas?

Secretary CONNOR. Well——

Mr. CRAMER. If it is a marginal area.

Secretary CONNOR. It becomes a question of degree. If this program is successful so that the regions that are now depressed get up the economic ladder, then I imagine Congress might want to take another look at the tests to see whether or not they should be broadened.

Mr. CRAMER. They might get up the economic ladder as a result of Federal subsidy, but at the expense of another community that goes down the economic ladder at the same time, because of the unfair competition for industry.

Secretary CONNOR. Not necessarily, Mr. Cramer, because that other area is still able to attract other businesses.

Mr. CRAMER. Not with this kind of competition perhaps; not with Federal subsidy competition. That is the point.

Secretary CONNOR. No, but that other area by definition does not meet the test.

Mr. CRAMER. You will admit it makes it more difficult for nonre-development areas to compete in the attracting of industry business?

Secretary CONNOR. Yes, sir, it does, of course.

Mr. CRAMER. All right.

Secretary CONNOR. There is an advantage given under this legislation to the areas that are worse off. That is the purpose of the legislation.

Mr. HARSHA. Now, Mr. Secretary, under provisions of sections 201 and 202, the authority of the Secretary to "purchase evidences of indebtedness" and "to make loans" appears to be created as two separate things, with an appropriate limitation being placed upon the making and guaranteeing of loans, but apparently—it appears to me at least—there is no appropriation limitation upon the purchase of evidences of indebtedness.

My question is this: Are these two authorities intended to be separate, or is it intended the terms "purchase of evidences of indebtedness" and "making loans" be synonomous to constitute one single authority, with the appropriation being applicable to both?

Secretary CONNOR. I think Mr. Batt is more familiar with this than I am.

Mr. BATT. This is supposed to be the same, Mr. Harsha.

Mr. HARSHA. It is supposed to be the same. Then the appropriation limitation would be applicable to both qualifications?

Mr. BATT. That is correct.

Mr. HARSHA. "Purchase of evidences of indebtedness" and "to make loans"?

Mr. BATT. That is correct.

Mr. HARSHA. Now, on May 10, if I understand it, the Deputy Administrator of ARA, Mr. Williams, testified that a total of 991 areas would be eligible for assistance under this bill.

Now, he further broke down these areas as follows: Unemployment, 524 areas; low median income, 273 areas; Indian reservations, 39 areas; and ARA development areas, 155 areas.

Now, a list of these areas has been furnished the committee, but it was not broken down as to these four categories.

Could you submit for the record a list of all areas that would be eligible for assistance under this bill broken down into these four categories?

Secretary CONNOR. We will be glad to do that, Mr. Harsha.

Mr. HARSHA. Thank you.

Mr. HARSHA. Now, under section 202(a), payment by the Federal Government of 2 percent of the interest on private industrial and commercial loans is subject to a limitation of not to exceed \$5 million for the annual cost of new contracts approved in any one year.

Such contracts are limited to a 10-year duration, so it would appear that this limitation would permit the obligation of \$5 million for the first year, \$10 million for the second year, and an additional \$5

million annually thereafter until the total obligation limitation reaches \$50 million for the 10th year, where it would level off at \$50 million annually in perpetuity. Is this correct?

Secretary CONNOR. Mr. Harsha, the way this works out under an amortization schedule, the \$5 million is the limit in the first year, and then \$9.5 million in the second, based upon certain assumptions. It gets up to a total limitation of \$30 million in the 10th year.

We will be glad to supply that table for the record if you would like.

Mr. HARSHA. All right. Thank you very much, Mr. Secretary.
(The information follows:)

Comparison of 2 points interest cost between even reduction of principal and even payment method

[Table in millions of dollars]

	Based on even reduction of principal		Based on even payment, principal, and interest	
	Outstanding debt balance	Subsidy of 2 points	Outstanding debt balance	Subsidy of 2 points
Liability at end of:				
1966-----	250	5.0	250	5.0
1967-----	475	9.5	481	9.6
1968-----	675	13.5	692	13.8
1969-----	850	17.0	882	17.6
1970-----	1,000	20.0	1,049	21.0
1971-----	1,125	22.5	1,193	23.9
1972-----	1,225	24.5	1,311	26.2
1973-----	1,300	26.0	1,402	28.0
1974-----	1,350	27.0	1,465	29.3
1975 and thereafter-----	1,375	27.5	1,497	30.0

Mr. WRIGHT. If the gentleman will yield—would the gentleman yield at this point?

Mr. HARSHA. Yes, Mr. Chairman.

Mr. WRIGHT. You would have a cumulative effect which would ultimately reach a maximum of \$30 million?

Secretary CONNOR. Yes, sir, Mr. Chairman.

Mr. WRIGHT. The first year would be \$5 million, which would be a 2 percent interest benefit.

If that is the case, this \$5 million would generate some \$250 million in new plant investment, would it?

Secretary CONNOR. Yes; that is right. It has the leverage effect, because since it is applicable in these situations where private financing is required, the availability of this 2 percent interest rebate would make available for the whole program a total of \$250 million.

Mr. WRIGHT. So that from the standpoint of Federal money invested for the purpose of generating the kind of economic activity that creates jobs, it strikes me that this might be the least expensive way in which the Federal Government would create a climate for private investments if for \$5 million invested on the part of the Federal Government we can generate a total investment of \$250 million of private capital in job-creating new enterprise, equipment, and material. We would achieve more this way, I would think, than through other devices; such as our tax benefits that we try to make possible for industry. On a strictly dollar-and-cents basis, this would be quite productive; would it not?

Secretary CONNOR. Mr. Chairman, we think it has great potential; but until we have actually tried it out for a period of time, we cannot state with complete assurance that the whole program is going to work.

The test will be whether or not, with this incentive, these strong industries will be motivated to come into these underdeveloped areas.

We have watched a similar program operate in Belgium to good effect, and now West Germany has a similar program.

We think it is worth trying out in this country because, as you point out, if it does work the cost to the Federal Government will be at the lowest possible level.

Mr. WRIGHT. What we are trying to motivate them to do is not to move from one area to another, but to expand their operations, for new and additional people.

Secretary CONNOR. Yes, sir; it will be to attract new industry into an underdeveloped area, and once there, to expand there.

Mr. CRAMER. Mr. Chairman, will the gentleman yield?

Mr. HARSHA. Let me ask one question, then I will yield. I have one other question before I leave.

Mr. Secretary, I want to ask you this: As I understand, the bill provides any area which has already been designated a redevelopment area under ARA, regardless of whether it qualifies as an eligible area under any other provision of the bill, is eligible for assistance under the bill until the first annual review of eligibility is conducted in accordance with section 402.

Now, as I understand it, there are already 155 areas eligible under ARA designation. But if I understand the bill correctly, the time of the first annual review is not specified in the bill. Presumably it could be as much as a year, or possibly longer, after enactment of this act.

Now, do you have any objection to providing in the act the first annual review of eligibility of these areas under ARA designation which would be completed at some definite term or time following the enactment of the law?

Secretary CONNOR. Mr. Harsha, I do not think there would be any objection to that. Under our present plan, the first annual review will be conducted in the spring of 1966. We think that that is the amount of time needed in order to do this.

So if the completion date is specified sometime after that, this would be a reasonable requirement, I think.

Mr. HARSHA. Sometime after the spring of 1966?

Secretary CONNOR. Yes, sir.

Mr. HARSHA. Would you object to it being sometime before that?

Secretary CONNOR. Well, we have to wait for the availability of figures which determine this. We do not expect that they will be available until the spring of 1966. So we could not do it before that.

Mr. HARSHA. I see. Well, now, this thing of 1966 may be March, April, or May. What? When are the figures normally available, let us put it that way?

Mr. BATT. The Senate committee, Mr. Harsha, suggested that since the annual employment statistics for 1965 would not be available until the spring of 1966, they advised the Secretary of Commerce: It is our

intent that the first annual review should be completed prior to June 30, 1966.

That will be quite feasible.

Mr. HARSHA. Prior to June 30?

Mr. BATT. We do not get the figures until April or May.

Secretary CONNOR. That will edge into the early summer, technically.

Mr. HARSHA. I will yield to the gentleman from Florida.

Mr. CRAMER. I, too, have to leave the room, Mr. Chairman. But this list of eligible redevelopment areas is not broken down into the titles under which they would qualify. Could we have that?

Secretary CONNOR. Yes, Mr. Cramer, we will supply that breakdown.

(The breakdown follows:)

COUNTIES ELIGIBLE FOR DESIGNATION AS REDEVELOPMENT AREAS, SECTION 401
(a) (1),¹ S. 1648—89TH CONGRESS

ALABAMA:

Chilton.

Walker.

ALASKA:

Election District 1 (formerly Nos. 1 and 2) Ketchikan-Prince of Wales.

Election District 2 (formerly No. 3), Wrangell-Petersburg.

Election District 5 (formerly No. 6), Lynn Canal-Icy Straits.

Election District 6 (formerly Nos. 7 and 8), Cordova-Valdez.

Election District 7 (formerly No. 9), Palmer-Wasilla-Palkeetna.

Election District 9 (formerly No. 11), Seward.

Election District 10 (formerly No. 12), Kenai-Cook Inlet.

Election District 13 (formerly No. 15), Bristol Bay.

Election District 14 (formerly No. 16), Bethel.

Election District 15—part (formerly No. 17), Kuskokwim.

Election District 16—part (formerly No. 20), Upper Yukon.

Election District 17 (formerly Nos. 21 and 22), Barrow-Kobuk.

Election District 18 (formerly No. 23), Nome.

Election District 19 (formerly No. 24), Wade Hampton.

ARKANSAS:

Cleveland.

Conway.

Crawford.

Franklin.

Independence.

Johnson.

Logan.

Perry.

Polk.

White.

CALIFORNIA:

Del Norte

El Dorado

Lassen

Madera

Mendocino

Modoc

Nevada

Plumas

San Benito

Santa Cruz

Stanislaus

Sutter

Trinity

Tuolumne

Yuba

Oakland City

San Diego City

COLORADO:

Archuleta

Conejos

Costilla

Huerfano

Teller

FLORIDA:

Holmes

Sumter

Miami City

GEORGIA:

Banks

Bryan

Dade

Fannin

Jasper

Jones

Murray

Pike

Towns

Treutlen

Union

IDAHO:

Benewah

Blaine

Boise

¹ Sec. 401(a)(1)—Unemployment; Sec. 401(a)(2)—Income; Sec. 401(a)(3)—Indian Reservations; Sec. 401(a)(5)—Continuing Designations.

COUNTIES ELIGIBLE FOR DESIGNATION AS REDEVELOPMENT AREAS, SECTION 401
(a) (1),¹ S. 1648—89TH CONGRESS—Continued

IDAHO—Continued

Bonner
Clearwater
Elmore
Shoshone
Teton

ILLINOIS:

Alexander
Calhoun
Franklin
Gallatin
Hardin
Jersey
Johnson
Massac
Pope
Pulaski
Saline
Union
Williamson

INDIANA:

Clay
Crawford
Dearborn
Greene
Lawrence
Ohio
Pike
Scott
Starke
Sullivan
Vermillion

KENTUCKY:

Bath
Bell
Boyd
Breathitt
Carlisle
Carter
Clay
Crittenden
Edmonson
Elliott
Estill
Floyd
Graves
Greenup
Harlan
Jackson
Johnson
Knott
Knox
Leslie
Letcher
Livingston
Lyon
Madison
Magoffin
Martin
Menifee
Nelson
Perry
Pike

KENTUCKY—Continued

Rockcastle
Rowan
Russell
Trigg
Wayne

LOUISIANA:

Livingston
Natchitoches
Pointe Coupee
Sabine
St. Landry

MAINE:

Androscoggin County
(Lewiston-Auburn):

Cities of:

Auburn
Lewiston

Town of Lisbon

Aroostook County
(Fort Kent):

Towns of:

Eagle Lake
Fort Kent
Frenchville
St. Agatha

Plantations of:

Allagash
New Canada
St. John
St. Francis
Wallagrass

Hancock County
Washington County

MARYLAND:

Dorchester
Garrett
Somerset

MASSACHUSETTS:

Bourne-Wareham, Barnstable
County, town of Bourne.

Plymouth County, town of Ware-
ham.

Fall River, city of Fall River.

Bristol County, towns of:

Somerset
Swansea
Westport

Newport County, R.I., town of
Tiverton.

Gloucester, city of Gloucester.

Essex County, towns of:

Essex
Rockport

Newburyport, city of Newbury-
port.

Essex County, towns of:

Amesbury
Ipswich
Newbury
Rowley
Salisbury
West Newbury

¹ Sec. 401(a) (1)—Unemployment; Sec. 401(a) (2)—Income; Sec. 401(a) (3)—Indian Reservations; Sec. 401(a) (5)—Continuing Designations.

COUNTIES ELIGIBLE FOR DESIGNATION AS REDEVELOPMENT AREAS, SECTION 401
(a) (1),¹ S. 1648—89TH CONGRESS—Continued

MASSACHUSETTS—Continued

Provincetown.
Barnstable County, towns of:
Provincetown
Truro
Plymouth, towns of:
Kingston
Plymouth
Plympton

(See also Rhode Island), Providence-Pawtucket.

MICHIGAN:

Alcona
Alger
Alpena
Arenac
Baraga
Benzie
Charlevoix
Cheboygan
Chippewa
Clare
Crawford
Delta
Dickinson
Gogebic
Huron
Iosco
Iron
Lake
Luce
Mackinac
Manistee
Marquette
Montmorency
Oceana
Ogemaw
Presque Isle
Schoolcraft

MINNESOTA:

Atkin
Beltrami
Cass
Clearwater
Crow Wing
Hubbard
Itasca
Lake
Lake of the Woods
Mahnomen
Mille Lacs
Morrison
Norman
Pennington
Red Lake
St. Louis

MISSISSIPPI:

Attala
Franklin
George
Marion
Perry

MISSOURI:

Butler
Morgan

MONTANA: Park

NEVADA: Lincoln

NEW JERSEY:

Cape May
Newark City

NEW MEXICO:

Mora
Rio Arriba
Sandoval
San Miguel
Taos
Torrence

NEW YORK:

Essex
Franklin
Fulton
Greene
Hamilton
Montgomery
Orleans
St. Lawrence
Schoharie

NORTH CAROLINA:

Avery
Carteret
Cherokee
Clay
Currituck
Graham
Macon
Mitchell
Swain
Yancey

NORTH DAKOTA

Mountrail
Rolette

OHIO:

Adams
Belmont
Brown
Clermont
Hocking
Jackson
Lawrence
Meigs
Perry

OKLAHOMA:

Adair
Atoka
Cherokee
Coal
Delaware
Haskell
Hughes
Johnston
Latimer
Le Flore
McClain
Mayes

¹ Sec. 401(a)(1)—Unemployment; Sec. 401(a)(2)—Income; Sec. 401(a)(3)—Indian Reservations; Sec. 401(a)(5)—Continuing Designations.

COUNTIES ELIGIBLE FOR DESIGNATION AS REDEVELOPMENT AREAS, SECTION 401

(a) (1),¹ S. 1648—89TH CONGRESS—Continued

OKLAHOMA—Continued

Muskogee
Nowata
Okfuskee
Pittsburg
Rogers
Sequoyah
Wagoner
Roger Mills

OREGON:

Josephine
Yamhill

PENNSYLVANIA:

Kittanning-Ford City:

Armstrong
Bedford

Johnstown:

Cambria
Somerset

Clearfield-Dubois:

Centre:

Boroughs of Phillipsburg
and South Phillips-
burg.

Township of Rush

Clearfield

Jefferson (part):

Boroughs of:

Brockway
Falls Creek
Reynoldsville
Sykesville

Townships of:

Snyder
Washington
Winslow

Berwick-Bloomsburg, Columbia:

Ashland Borough (part)

Beaver Township

Benton Borough

Benton Township

Berwick Borough

Bloomsburg Town

Briar Creek Borough

Briar Creek Township

Catawissa Borough

Catawissa Township

Cleveland Township

Fishingcreek Township

Franklin Township

Greenwood Township

Hemlock Township

Jackson Township

Locust Township

Madison Township

Main Township

Mifflin Township

Millville Borough

Montour Township

Mt. Pleasant Township

North Centre Township

Orange Township

PENNSYLVANIA—Continued

Orangeville Borough

Pine Township

Roaringcreek Township

Scott Township

South Centre Township

Stillwater Borough

Sugarloaf Township

Meadville: Crawford

Uniontown-Connellsville:

Fayette

Greene

Punxsutawney, Jefferson:

Barnett Township

Beaver Township

Bell Township

Big Run Borough

Brookville Borough

Clover Township

Corsica Borough

Eldred Township

Gaskill Township

Heath Township

Henderson Township

Knox Township

McCalmont Township

Oliver Township

Perry Township

Pinecreek Township

Polk Township

Porter Township

Punxsutawney Borough

Ringgold Township

Rose Township

Summerville Borough

Timblin Borough

Union Township

Warsaw Township

Worthville Borough

Young Township

Scranton: Lackawanna

Wilkes-Barre-Hazleton: Luzerne

Sharon-Farrell: Perry

Pottsville-Lehighton:

Schuylkill

Susquehanna

Wyoming

Philadelphia City

TENNESSEE:

Campbell

Cocke

Cumberland

Dickson

Greene

Grundy

Johnson

Rhea

Robertson

Scott

¹ Sec. 401(a)(1)—Unemployment; Sec. 401(a)(2)—Income; Sec. 401(a)(3)—Indian Reservations; Sec. 401(a)(5)—Continuing Designations.

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COUNTIES ELIGIBLE FOR DESIGNATION AS REDEVELOPMENT AREAS, SECTION 401 (a) (1),¹ S. 1648—89TH CONGRESS—Continued

TEXAS:

Jim Hogg
Kinney
Maverick
Val Verde
Webb
Zapata

UTAH:

Beaver
Carbon
Duchesne
Emery
Garfield
Juab
Salt Lake
Summit
Wasatch

VERMONT:

Grand Isle

VIRGINIA:

Dickenson
Lancaster
Northumberland
Richmond
Russell
Tazewell
Westmoreland
Wise
Independent city: Norton

WASHINGTON:

Okanogan
Pend Oreille
Skagit
Stevens
Yakima

WEST VIRGINIA:

Barbour
Boone
Braxton
Cabell
Calhoun
Clay
Fayette
Gilmer
Greenbrier
Hardy
Lincoln
Logan
McDowell
Marshall
Mason
Mercer
Mingo
Monroe
Morgan
Nicholas
Ohio
Pendleton
Pocahontas
Preston
Raleigh
Randolph
Roane
Summers
Taylor
Tucker
Upshur
Wayne
Webster
WISCONSIN:
Iron
Menominee

COUNTIES ELIGIBLE FOR DESIGNATION AS REDEVELOPMENT AREAS SECTION 401(a) (2),¹ S. 1648 (89TH CONGRESS)

ALABAMA:

Barbour
Bullock
Conecuh
Crenshaw
Greene
Hale
Henry
Lowndes
Marengo
Perry
Sumter
Wilcox

ARKANSAS:

Chicot
Cleburne
Fulton
Izard
Lafayette
Lee
Lincoln

ARKANSAS—Continued

Madison
Marion
Monroe
Newton
St. Francis
Scott
Searcy
Sharp
Stone
Van Buren
Woodruff

GEORGIA:

Atkinson
Baker
Brooks
Burke
Calhoun
Candler
Clay
Dooly

¹ Sec. 401(a) (1)—Unemployment; Sec. 401(a) (2)—Income; Sec. 401(a) (3)—Indian Reservations; Sec. 401(a) (5)—Continuing Designations.

COUNTIES ELIGIBLE FOR DESIGNATION AS REDEVELOPMENT AREAS, SECTION 401
(a) (2),¹ S. 1648—89TH CONGRESS—Continued

GEORGIA—Continued

Early
 Glascock
 Hancock
 Irwin
 Marion
 Miller
 Quitman
 Randolph
 Schley
 Seminole
 Stewart
 Sumter
 Taliaferro
 Taylor
 Terrell
 Warren
 Webster
 Wilcox
 Worth

KENTUCKY:

Adair
 Allen
 Butler
 Casey
 Clinton
 Cumberland
 Lawrence
 Lee
 McCreary
 Metcalfe
 Monroe
 Morgan
 Owsley
 Robertson
 Wolfe

LOUISIANA:

Avoyelles
 Catahoula
 East Carroll
 Evangeline
 Franklin
 Madison
 Red River
 St. Helena
 Tensas
 West Carroll

MISSISSIPPI:

Amite
 Benton
 Bolivar
 Calhoun
 Carroll
 Choctaw
 Claiborne
 Coahoma
 Covington
 De Soto
 Greene
 Holmes
 Humphreys
 Issaquena

MISSISSIPPI—Continued

Jefferson
 Jefferson Davis
 Kemper
 Leake
 Madison
 Marshall
 Montgomery
 Noxubee
 Panola
 Quitman
 Sharkey
 Smith
 Sunflower
 Tallahatchie
 Tate
 Tippah
 Tunica
 Webster
 Wilkinson
 Yalobusha
 Yazoo

MISSOURI:

Carter
 Douglas
 New Madrid
 Ozark
 Ripley

NORTH CAROLINA:

Avery
 Duplin
 Gates
 Greene
 Hyde
 Jones
 Madison
 Northampton
 Robeson
 Warren

NORTH DAKOTA:

Oliver

OKLAHOMA:

Choctaw
 McIntosh
 Pushmataha

SOUTH CAROLINA:

Allendale
 Calhoun
 Clarendon
 Lee
 Williamsburg

SOUTH DAKOTA:

Todd

TENNESSEE:

Bledsoe
 Claiborne
 Clay
 Fayette
 Fentress
 Hancock
 Hardeman
 Haywood

¹ Sec. 401(a)(1)—Unemployment; Sec. 401(a)(2)—Income; Sec. 401(a)(3)—Indian Reservations; Sec. 401(a)(5)—Continuing designations.

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COUNTIES ELIGIBLE FOR DESIGNATION AS REDEVELOPMENT AREAS, SECTION 401 (a) (2),¹ S. 1648—89TH CONGRESS—Continued

TENNESSEE—Continued

Jackson
Lake
Lauderdale
Macon
Meigs
Overton
Perry
Pickett
Stewart
Van Buren

TEXAS :

Delta
Grimes
Houston
Leon
Madison
Rains
San Augustine
San Jacinto
Starr

VIRGINIA :

Cumberland
Lee

COUNTIES ELIGIBLE FOR DESIGNATION AS REDEVELOPMENT AREAS, SECTION 401(a) (3),¹ S. 1648 (89TH CONGRESS)

ARIZONA :

Fort Apache
Gila River
Hopi
Navajo (Arizona, New Mexico,
and Utah)
Papago
Salt River
San Carlos

IDAHO :

Fort Hall
Nez Perce

MINNESOTA :

Northern Minnesota (includes
Leech Lake, Nett Lake, Red
Lake, and White Earth)

MISSISSIPPI :

Choctaw

MONTANA :

Blackfeet
Crow
Flathead
Fort Belknap
Fort Peck
Northern Cheyenne

NEBRASKA :

Omaha-Winnebago

NEW MEXICO :

Acoma Pueblo
Isleta Pueblo
Laguna Pueblo
Zuni

NEW YORK :

Cattaraugus
Allegany

NORTH CAROLINA :

East Cherokee

NORTH DAKOTA :

Fort Berthold
Standing Rock
Turtle Mountain

SOUTH DAKOTA :

Cheyenne River
Crew Creek and Lower Brule
Pine Ridge
Rosebud
Sisseton
Yankton

UTAH :

Uintah and Ouray

WASHINGTON :

Colville
Yakima

WISCONSIN :

Northwest Reservations
(Bad River, St. Croix, Lac
Courte, Oreilles, Lac du Flam-
beau, Red Cliff)

WYOMING :

Wind River

COUNTIES ELIGIBLE FOR DESIGNATION AS REDEVELOPMENT AREAS, SECTION 401(a) (5),¹ S. 1648 (89TH CONGRESS)

ALABAMA :

Autauga
Bibb
Choctaw
Clarke
Coosa
Dallas
Elmore
Fayette

ALABAMA—Continued

Jackson
Lamar
Lawrence
Macon
Marion
Pickens
Russell
Washington

¹ Sec. 401(a) (1)—Unemployment; sec. 401(a) (2)—Income; sec. 401(a) (3)—Indian reservations; sec. 401(a) (5)—Continuing designation.

COUNTIES ELIGIBLE FOR DESIGNATION AS REDEVELOPMENT AREAS, SECTION 401

(a) (5),¹ S. 2648—89TH CONGRESS—Continued

ALASKA:

Election district No. 3 (formerly
district No. 4), Sitka
Election district No. 8 (formerly
district No. 10) Anchorage
Election district No. 11 (formerly
district No. 13) Kodiak
Election district No. 15 part
(formerly district No. 18)
Yukon
Election district No. 16 part
(formerly district No. 19) Fair-
banks

ARIZONA:

Apache
Coconino
Mohave
Navajo

ARKANSAS:

Ashley
Baxter
Crittenden
Desha
Drew
Faulkner
Hot Spring
Jackson
Little River
Montgomery
Nevada
Phillips
Pope
Randolph
Sevier
Yell

CALIFORNIA:

Siskiyou

COLORADO:

Fremont
Las Animas
Montezuma

CONNECTICUT:

Bristol

DELAWARE:

Kent
Sussex

FLORIDA:

Calhoun
Franklin
Jackson
Jefferson
Lafayette
Liberty
St. Lucie
Suwannee
Walton
Washington

GEORGIA:

Baldwin
Barrow
Bullock
Carroll

Chattahoochee

Crisp
Dawson
Dougherty
Elbert
Forsyth
Franklin
Habersham
Hart
Heard
Henry
Jefferson
Jenkins
Johnson
Laurens
Lee
Liberty
Lincoln
Lumpkin
McIntosh
Macon
Meriwether
Montgomery
Oglethorpe
Paulding
Polk
Pulaski
Rabun
Screven
Sumter
Talbot
Tattnall
Telfair
Toombs
Twiggs
Walton
Washington
Wayne
White
Wilkes

HAWAII:

Hawaii

IDAHO:

Boundary
Idaho
Kootenai

ILLINOIS:

Bond
Hamilton
Jefferson
Macoupin
Perry

INDIANA:

Clark
Harrison
Monroe
Orange
Perry
Ripley
Spencer
Switzerland

¹ Sec. 401(a)(1)—Unemployment; sec. 401(a)(2)—Income; sec. 401(a)(3)—Indian reservations; sec. 401(a)(5)—Continuation designation.

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COUNTIES ELIGIBLE FOR DESIGNATION AS REDEVELOPMENT AREAS, SECTION 401
(a) (5),¹ S. 2648—89TH CONGRESS—Continued

IOWA:

Appanoose
Monroe

KANSAS:

Cherokee
Crawford
Rice

KENTUCKY:

Barren
Green
Hart
Lewis
Lincoln
Logan
Muhlenberg
Powell
Pulaski
Simpson
Warren
Washington

LOUISIANA:

Acadia
Allen
Concordia
Lafayette
St. Martin
Tangipahoa
Washington

MAINE:

(Limestone):

Towns of:

Grand Isle
Limestone
Madawaska
New Sweden
Stockholm
Van Buren

Plantations of:

Caswell
Cyr
Hamlin
Westmanland

Remainder of Aroostook (except
Fort Kent, Limestone, and
Patten)

Knox County: Town of Waldo-
boro

Lincoln County (except town of
Waldoboro).

MARYLAND:

Allegany
Calvert
Washington

MASSACHUSETTS:

Dukes County (Martha's Vine-
yard)

Lowell:

City of Lowell

Middlesex County, towns of:

Billerica
Chelmsford
Dracut

MASSACHUSETTS—Continued

Tewksbury
Tyngsborough

New Bedford:

City of New Bedford
Bristol County, towns of:

Achushnet
Dartmouth
Fairhaven

Plymouth County, towns of:

Marion
Mattapoisett

North Adams:

City of North Adams.

Bershire County, towns of:

Adams
Clarksburg
Florida
New Ashford
Savoy
Williamstown

Franklin County, town of
Monroe

MICHIGAN:

Antrim
Emmet
Grant Traverse
Gratiot
Houghton
Kalkaska
Keweenaw
Leelanau
Menominee
Missaukee
Ontonagon
Osceloa
Otsego
Wexford

MINNESOTA:

Carlton
Cook
Douglas
Kanabec
Koochiching
Pine
Roseau

MISSISSIPPI:

Chickasaw
Clarke
Clay
Copiah
Grenada
Jasper
Lafayette
Lawrence
Leflore
Neshoba
Newton
Oktibbeha
Pike
Pontotoc
Simpson

¹ Sec. 401(a)(1)—Unemployment; Sec. 401(a)(2)—Income; Sec. 401(a)(3)—Indian Reservations; Sec. 401(a)(5)—Continuing Designations.

COUNTIES ELIGIBLE FOR DESIGNATION AS REDEVELOPMENT AREAS, SECTION 401
(a) (5),¹ S. 2648—89TH CONGRESS—Continued

MISSISSIPPI—Continued

Walthall
Warren
Washington
Winston

MISSOURI:

Bollinger
Dent
Grundy
Howell
Iron
Lafayette
Madison
Mercer
Oregon
Reynolds
St. Francois
Ste. Genevieve
Shannon
Stone
Taney
Texas
Washington
Wayne

MONTANA:

Granite
Lake
Ravalli

NEBRASKA:

Boone
Cuming
Custer
Dawson
Garfield
Greeley
Howard
Loup
Nance
Sherman
Valley

NEVADA:

Mineral

NEW HAMPSHIRE:

Carroll
Coos
Grafton

NEW JERSEY:

Atlantic
Cumberland
Monmouth
Ocean
Passaic

NEW MEXICO:

Catron
Colfax
Guadalupe
McKinley
San Juan
Santa Fe
Socorro
Valencia

NEW YORK:

Clinton
Schenectady
Wayne
Buffalo City

NORTH CAROLINA:

Alleghany
Anson
Ashe
Beaufort
Bladen
Cleveland
Halifax
Hoke
Pitt
Tyrrell
Watauga

OHIO:

Gallia
Guernsey
Highland
Morgan
Noble
Pike
Ross
Scioto
Washington
Cleveland City
Toledo City

OKLAHOMA:

Grady
Lincoln
McCurtain
Marshall
Murray
Okmulgee
Ottawa
Pontotoc
Seminole

OREGON:

Clatsop
Hood River
Lincoln
Sherman
Wasco

PENNSYLVANIA:

Altoona: Blair
St. Mary's: Cameron
Clarion
Clinton
Sunbury-Shamokin-Mount Carmel:
Columbia: Borough of Centuria
Montour
Northumberland
Snyder
Union
Forest
Fulton
Huntingdon

¹ Sec. 401(a)(1)—Unemployment; Sec. 401(a)(2)—Income; Sec. 401(a)(3)—Indian Reservations; Sec. 401(a)(5)—Continuing Designations.

COUNTIES ELIGIBLE FOR DESIGNATION AS REDEVELOPMENT AREAS, SECTION 401
(a) (5),¹ S. 2648—89TH CONGRESS—Continued

PENNSYLVANIA—Continued

Indiana: Indiana

Lewiston

Juniata

Mifflin

Lycoming

McKean

Monroe

Pike

Potter

Sullivan

Tioga

Venango

Warren

Wayne

RHODE ISLAND:

Providence-Pawtucket:

Bristol County, R.I. (all)

Kent County (all)

Newport County (part):

Town of Jamestown

Cities of:

Central Falls

Cranston

East Providence

Pawtucket

Providence

Woonsocket

Providence County (all)

Washington County, towns of:

Exeter

Narragansett

New Shoreham

North Kingston

Richmond

South Kingston

Bristol County, Mass.:

City of Attleboro

Towns of:

North Attleboro

Seekonk

Norfolk County, Mass.:

Towns of:

Bellingham

Franklin

Plainville

Wrentham

Worcester County, Mass.:

Towns of:

Blackstone

Millville

SOUTH CAROLINA:

Aiken

Bamberg

Barnwell

Beaufort

Berkeley

Chester

Chesterfield

Colleton

Darlington

Dorchester

SOUTH CAROLINA—Continued

Hampton

Jasper

Kershaw

Lancaster

McCormick

Marlboro

Orangeburg

Sumter

SOUTH DAKOTA: Shannon

TENNESSEE:

Benton

Decatur

De Kalb

Grainger

Hardin

Houston

McNairy

Marion

Morgan

Putnam

Roane

Sequatchie

Tipton

Unicoi

Union

Wayne

TEXAS:

Anderson

Angelina

Bowie

Camp

Cass

Cherokee

Dimmit

Franklin

Freestone

Frio

Harrison

Henderson

Jasper

Lamar

Marion

Morris

Nacogdoches

Newton

Panola

Polk

Red River

Robertson

Rusk

Sabine

Shelby

Smith

Terrell

Titus

Trinity

Tyler

Waller

Wood

Upshur

¹ Sec. 401(a)(1)—Unemployment; Sec. 401(a)(2)—Income; Sec. 401(a)(3)—Indian Reservations; Sec. 401(a)(5)—Continuing Designations.

COUNTIES ELIGIBLE FOR DESIGNATION AS REDEVELOPMENT AREAS, SECTION 401
(a) (5),¹ S. 2648—89TH CONGRESS—Continued

UTAH: San Juan

VIRGINIA:

Buchanan

Carroll

Fluvanna

Grayson

Scott

Independent city of Galax

WASHINGTON:

Chelan

Clallam

Douglas

Ferry

Kittitas

Lewis

Pacific

San Juan

WEST VIRGINIA:

Doddridge

Hampshire

Harrison

Jackson

Kanawha

Lewis

Marion

WEST VIRGINIA—Continued

Mineral

Putnam

Wyoming

WISCONSIN:

Ashland

Bayfield

Burnett

Douglas

Florence

Forest

Juneau

La Crosse

Langlade

Lincoln

Marinette

Oneida

Price

Rusk

Sawyer

Taylor

Vilas

Washburn

WYOMING: Lincoln

Mr. CRAMER. Now, I mentioned in this new definition, on page 3, lines 10 and 11—it is a new definition, is it not, “development facility usage”?

Secretary CONNOR. Mr. Batt is the authority on definitions, Mr. Cramer. Yes.

Mr. CRAMER. I did not mean to suggest the Secretary should answer that.

It is used on page 3, line 11; page 7, line 14 and 15. If you could find—

Mr. BATT. Yes, I see it right here, Mr. Cramer. Thank you.

The purpose—

Mr. CRAMER. What is included in that? It is a new term, is it not?

Mr. BATT. Yes. What we are anxious to define here is the economic effect of the development facility, of the public works in question.

We are after that kind of public works which will help the area to grow economically.

Mr. CRAMER. Give us some examples.

Mr. BATT. We will be happy to give you a list.

Mr. CRAMER. I believe you testified previously, on May 10, in which you said: “The way the bill is now written, we believe that direct and supplementary grants will be eligible for waterlines and waterworks related to industrial and commercial development; sanitary storm sewers related to industrial and commercial development; industrial parks, especially land development and utilities; police and fire stations related to commercial and industrial development”—of course, I assume any police and fire stations would be related to development.

Mr. BATT. Yes, sir.

¹ Sec. 401(a) (1)—Unemployment; Sec. 401(a) (2)—Income; Sec. 401(a) (3)—Indian Reservations; Sec. 401(a) (5)—Continuing Designations.

Mr. CRAMER. Those are necessary public industries. So your "related to industrial development" means nothing?

Mr. BATT. They relate very definitely, because they relate to insurance rates of interest.

Mr. CRAMER. Nor do they relate to water sewage treatment plants: there would be no question of industrial development there. But to get to the point that I am really interested in is tourism facilities.

Mr. BATT. Yes, sir.

Mr. CRAMER. They are included, are they not?

Mr. BATT. Yes, sir.

Mr. CRAMER. As mentioned?

Mr. BATT. Yes, sir.

Mr. CRAMER. As mentioned. So we are right back where we started from some time ago, where swimming pools, golf courses, and ski slides can and will be included if the local community asks for them under the "tourism facility" aspect of the program?

Mr. BATT. No, sir.

Mr. CRAMER. So long as they make contribution to industrial development?

Mr. BATT. That is a very large reservation, Mr. Cramer.

We also testified that day that playgrounds, swimming pools, and golf courses not related to tourism would not be eligible.

Mr. CRAMER. I understand.

Mr. BATT. So just a community requesting it for their own community purposes would presumably not bring it under the act.

Mr. CRAMER. In requesting it, it is obvious they are going to suggest it is related to the encouragement of industry to come into the area. Without adequate facilities——

Mr. BATT. No, sir, that is not the meaning of the condition. The condition we are talking about is where well-rounded tourism facilities, such as we have helped finance in Mr. Kee's State of West Virginia, simply have to have these things to make the project economically viable. We have helped finance under the present act very substantial expansion of the public parks, the State parks of West Virginia, which we think are going to be a great attraction for the increase of tourism.

You simply cannot have an adequate tourist facility, in many cases, without some of these facilities.

Mr. CRAMER. Does tourism have to have a relationship to "development facilities usage"?

Secretary CONNOR. Congressman Cramer, we do have a policy guideline, which in part reads as follows, and which I think is helpful:

"It is the policy of ARA to accept for consideration only those projects relating to the tourist and recreation industry which are part of a comprehensive plan by a redevelopment area for tourists and recreation development. Such a program should be substantial, well conceived, and varied in its content without going beyond the limits of feasibility, given the nature of the area's local conditions and resources. At the same time, the program should provide for features unique enough to attract tourists who are not otherwise residents of the area itself."

So this becomes then a question of fact. If the proposed project for a swimming pool is in the middle of something that could not conceivably attract tourists, this would be disapproved.

Mr. CRAMER. I am sure you realize there is considerable criticism of the ARA relating to this.

Secretary CONNOR. Mr. Cramer, I have reviewed this tourism part of this whole program, and I think it makes completely good sense, because there are certain parts of the country where you cannot put industry for geographical—

Mr. CRAMER. You are treating tourism as an industry?

Secretary CONNOR. Absolutely. And I think it makes great sense for these areas to have tourism facilities. This is now part of the whole national program of "See the U.S.A.," which is important to us in our balance-of-payments deficit situation. So we have reviewed this and think it is one of the strongest parts of the program.

Mr. CRAMER. I understand.

Do you know also there was considerable criticism of building ski slides with Federal money?

Secretary CONNOR. There may be criticism.

Mr. CRAMER. This would still permit this to be done?

Secretary CONNOR. Oh, yes, sir; and these projects are well justified financially. We have had great success with the ski slide type of project.

Mr. CRAMER. I understand.

Now, this is a question of policy for Congress, as to whether Federal funds ought to put people in the ski slide business.

The second question relates to hotel and motel facilities. They, too, have been criticized, putting Federal money into the financing of hotels and motels, and it still could be financed under this legislation?

Secretary CONNOR. Yes, sir; but here, again, we have had a good experience with the hotels and motels that have been financed under this program.

Mr. CRAMER. I understand that. As a matter of policy, Congress has to make the decision; is this a wise investment of Federal money, putting this subsidized industry in competition with private enterprise, nonsubsidized?

Secretary CONNOR. Yes, sir; it is a policy question for Congress.

Mr. CRAMER. I want to make sure this definition would include those facilities under the circumstances set up.

Secretary CONNOR. Yes; it does.

Mr. WRIGHT. Would the gentleman yield briefly for a very brief—

Mr. CRAMER. Well, off the record—

(Discussion off the record.)

Mr. WRIGHT. This is a matter of some importance to the gentleman from Florida and to me. We come from a southern clime, Mr. Secretary; he is from Florida and I am from Texas, and nature has not endowed our country with the wherewithal to have ski slides.

Why could you not expand this to apply also to water skiing operations? Then we would have some water sports perhaps. [Laughter.]

Secretary CONNOR. I think, Mr. Chairman, water skiing facilities would qualify.

Mr. WRIGHT. Oh, very good. Very good. [Laughter.]

Mr. CRAMER. I would suggest to the gentleman from Texas, there are many people from Florida who feel the Federal Government ought not to subsidize water skiing facilities. As a matter of fact, we feel nature has endowed the great State of Florida with sufficient environ-

mental benefits that we do not have to get the Federal Government in to subsidize us for what nature has given us in bountiful supply.

We feel what is going to happen with Federal Government subsidizing some of the other areas, they are going to take our tourists and Florida will not be quite as green.

Mr. WRIGHT. Off the record.

(Discussion off the record.)

Mr. CRAMER. Well, there have been numerous other criticisms of the program, as I am sure the Secretary knows, and Mr. Batt, relating particularly to GAO reports. Time would not permit me to go into them in detail, but it appears to me in reading the legislation that very little has been done to try to conform to those objections and prevent the areas of criticism—some of them I think unquestionably justified. It is a separate arm of the Government that is supposed to look at these things objectively, and it appears to me that there has not been a good enough job done in trying to conform the legislation to those objections in preventing the criticism that has almost destroyed this program.

Secretary CONNOR. Well, Congressman Cramer, we have given close attention to the points raised by the General Accounting Office. Where the criticisms have had to do with administrative practices, and so forth, they certainly have been taken into consideration and the practices changed accordingly.

What we are talking about here is a major policy question, which is open to Congress to determine; that is, whether funds available in this program of economic development should be limited to projects having to do just with industry as it has been traditionally defined.

We do not think this makes good sense, because tourism can be one of the greatest industries in this country. We think there is a public interest in trying to expand the definition so that the tourism facilities can be financed in part under this act, because this does provide employment of exactly the right kind that is needed.

The country today faces a real problem in the growing unemployment of unskilled people, particularly teenagers and particularly non-white teenagers. In this tourism part of this bill, we have the possibility of providing more unskilled jobs. We think this is a national problem which will be helped by the legislation.

Mr. CRAMER. Well, GAO made a number of recommendations. For instance, one recommendation was that there should be specifically defined, and limited, the meaning of the term "public works Federal service for Government usage," and yet those general terms are still in the bill.

Another recommendation was to require the Secretary to demonstrate before approving the project and writing into the legislation proscribed language that definite relationship will have to be proven to exist between the project and the new permanent employment opportunity.

Along the lines we discussed the other day, Mr. Chairman, that there should be some relationship to the amount of Federal Government going into a project and the number of jobs to be acquired, you cannot put \$10 million in to create two, three, or six jobs. Yet the language of the legislation does not set out a test; the legislation does not set out a test of any provision on this point.

Secretary CONNOR. Yes, sir; this is a fact that we do take into consideration. It would be a test that would be very difficult to define in legislation, and we think it would be too limiting; because we are not interested just in industries that provide the maximum number of jobs if that particular industry does not fit into the environment. There are some situations where the provision of an industry with a lesser number of jobs makes much better economic sense.

Mr. CRAMER. Well, under that test, would you put \$1 million into an industry that fits into your test on that side if it created only 10 jobs?

Secretary CONNOR. Of course not, sir.

Mr. CRAMER. Then why would you object to Congress writing such a test into the legislation?

Secretary CONNOR. We think it would be too limiting, because these facts change from case to case. We think this is something that should be left to the Administration and we think that the tests that are applicable in the Administration make good sense.

Mr. CRAMER. Well, another recommendation—I am citing some examples—is that they recommend that section 201, dealing with loans, public works, and development facilities, and section 202, loans and guarantees, that for instance separate authorizations under those sections instead of lump sums should be provided.

Mr. BATT. We would object to the separate authorizations, Mr. Cramer, because it tends to put us into a straitjacket and sometimes a certain category of loan is exhausted before another category of loan, and that particular part of the program has to grind to a stop. It seemed to us that the experience of the last 4 years indicated the greatest possible flexibility was to be desired.

Mr. CRAMER. In other words, your agency would like to have unlimited discretion and you would like to have Congress give it to you.

The point I am making is: Do we not have the responsibility of directing you through the legislations to make sure you accomplish the objectives Congress wants accomplished?

Secretary CONNOR. Mr. Cramer, I just want to point out that this bill covers about 49 pages.

Mr. CRAMER. Yes.

Secretary CONNOR. And it does contain detailed restrictions on what we can do.

Mr. CRAMER. I am citing some examples of where it is not restricted or proscribed, and this is one.

Secretary CONNOR. That is right. And it is up to Congress, of course. But we are recommending that, in this particular situation, flexibility be left, because experience indicates it can be more fruitfully administered.

Mr. CRAMER. I understand. And most of the executive agencies that testified want us to give them relatively unlimited discretion in these matters, because they are better able to exercise it than Congress is to write the language into the law.

That is the point I am directing my interrogation to. I personally think we should write it into the law on occasion, particularly when it is being abused. If there has been a program abused, according to the criticism, it has been ARA, in my opinion.

Now, here is another example——

Secretary CONNOR. Just so the record is clear, I would like to disagree.

Mr. CRAMER. I said "in my opinion." I did not mean to associate you with that remark.

Secretary CONNOR. Thank you.

Mr. CRAMER. For instance, to limit loans with industrial and commercial facilities—this is GAO's recommendation—to 65 percent of new capital expenditures so that the value of existing facilities would not be affected to determine the project cost.

What is wrong with that?

Secretary CONNOR. Mr. Harvey.

Mr. HARVEY. Yes. This item came up for discussion, I believe, in the earlier session here. You are talking about limiting the Government participation to only that which is a new part of the project.

The question is, I think, the criticism of the fact ARA had previously allowed to be included in the aggregate project parts of existing assets of an enterprise.

I think GAO accepts the idea that if it is a new use to which the property is being put, that this is acceptable. In other words, if there is a piece of land that is already owned and the new building is being built on it, they would say that would be all right to include that land. They would say that is clearly a new use.

The kinds of problems we have, are where machinery, say, is not now being fully utilized, but as a result of our building, let's say, new packaging machinery or facilities, that presently only partially utilized machinery can be more fully utilized to create more jobs, then is this not a new use of that machinery?

It certainly is an expanded use, and the question is whether or not the act is sufficient to cover this sort of situation.

Or the situation may involve the use of machinery for a new purpose in producing a new product line. We think that this might constitute certainly a new use.

If they would accept this definition, there would not really be any great difference between us. But in cases of need, we have allowed previously acquired assets to be included as a part of the project and as meeting the requirement of the contribution required from an applicant, where they were essential, in a physical sense, to the accomplishment of the expanded industrial activity.

We think those cases really could be described as involving a new use where there really was an expansion.

Mr. CRAMER. Do I understand then you object to writing that kind of language into the bill, 65 percent of Government expenditures?

Mr. HARVEY. We certainly would not mind legislation that would really carry out the interpretation I have just given. We think the present language is subject to it and we would not mind being bound by this sort of interpretation.

We understand that it is 65 percent of the aggregate cost of a project.

The question is, how much is aggregate cost of a project, whether you can consider previously acquired assets.

Mr. CRAMER. You would not want us to spell it out?

Mr. HARVEY. I do not know. If adequate language could be chosen, we would not have any particular objection.

Mr. CRAMER. Maybe we can negotiate that.

Mr. WRIGHT. Off the record.

(Discussion off the record.)

Mr. CRAMER. The GAO made the recommendation that there be required determination of an area eligibility where the area no longer meets the criteria set forth in section 401, rather than just authorizing such termination.

I know you are familiar with the GAO criticism of areas no longer meeting the criteria continuing to receive, carrying on under the act.

Would there be any objection to that proposed amendment requiring that they be de-designated?

Mr. BATT. Is that the areas that have had temporary crises in their economy?

Mr. CRAMER. No. All of them. Section 401.

Secretary CONNOR. Congressman Cramer, there are situations, of course, where you do great harm by an abrupt termination of a particular project. Even though there has been an area change, there is a need to taper off in some cases.

Mr. CRAMER. Then you object to conforming to that GAO suggestion?

Mr. BATT. The present method we think is quite adequate, because when the Secretary of Labor tells the Secretary of Commerce that the unemployment in the area no longer exists, we put these areas on notice and terminate them—if the situation has not deteriorated in the interim—at the end of the interim period.

Mr. CRAMER. The language appears on page 24, lines 21 and 22. As I understand it, this is new language. It says “on the basis thereof”—that is, annual review—“the Secretary may terminate or modify the designations of such areas in accordance with objective standards which he shall prescribe by regulation.”

Mr. BATT. That is correct, sir. The purpose of the annual review is to get away from having to review the entire situation every month on the basis of additional data provided by the Department of Labor. We think this is an enormous advance, and we were reassured to see the Senate committee concur in this suggestion.

Secretary CONNOR. Congressman Cramer, we would like to have the opportunity to think about this a bit, and then we could give a recommendation on it.

Mr. CRAMER. Well, that is new language, is it not? Modify designation?

Secretary CONNOR. Yes. The GAO suggestion, as I understand it, would make it obligatory rather than discretionary, and we would like to think about that.

Mr. CRAMER. Mr. Secretary, I also would like to get what this means, “modify the designation.” It cannot be a halfbreed; either it is or is not conforming to the definite test on 401(b) and 401 (1) and (2).

Mr. BATT. Sometimes an area may have in their economic situation improved, so that they are not, for example, under the supplementary section of the act eligible for the maximum supplementary benefits. But they may still be eligible for 50-percent benefits under title I of the act. That is what “modify” meant. They may not go out of the program completely; they may go to a lower benefit ratio.

Mr. CRAMER. Well, as I read it, it does not say that. It says "modify designation of such area in accordance with objective standards which shall be prescribed by regulations," meaning you have authority under this to pass any regulation to modify the ARA designation.

I mean, it looks to me like it is a blank check to do exactly what you want to do with it.

Secretary CONNOR. Mr. Cramer, I think that language can be improved, and we will have some suggestions on it.

Mr. CRAMER. Maybe I should quit while I am ahead, but I have one more question, Mr. Chairman; then I have to go over to the Rules Committee.

This bill, as I understand it, does not provide for an expiration.

Mr. BATT. No, sir; it does not. The Senate committee provided a 5-year review for title I of the act.

Mr. CRAMER. Do you not think that Congress ought to put some termination at some time so we can take another look at it? That the authorizing committee—I know what the answer is probably going to be, the Appropriations Committee can look at it all the time; I am talking about this committee. I am talking about the authorizing committee. Should not Congress have the period for the effectiveness of the act limited to some number of years, so that we can take another look at it?

Mr. BATT. The recommendation of the Administration is that there be none.

The Senate has amended this. The Senate committee amended it so that you get a review at the end of a 5-year period, which is perfectly satisfactory.

Mr. CRAMER. Do I understand, then, we are to assume that you are putting \$520 million a year into this program, but it is never going to be solved? We are going to have to do this forever?

Mr. BATT. No, sir; you are going to have a review of the program, particularly the one with the largest amount of grants in it, at the end of a 5-year period, according to the recommendation of the Senate committee.

Mr. CRAMER. I am talking about the bill before us, the bill we have before us. We have no way of reviewing this, the authorizing committee, do we?

Secretary CONNOR. No, sir. This provides for an indefinite duration. We think continuity in these programs is extremely important.

Mr. CRAMER. Well, I do not know of many programs Congress has not given continuity if they are worth their salt—and some of them that are not worth their salt have been given continuity. I do not think there is anything to worry about setting a reasonable period of time, an expiration date, at which time we can take another look at it. The Secretary would not agree to any period of time—5, 10, 15, or 20 years? Is not this problem ever going to be met?

Secretary CONNOR. Obviously it is within the prerogative of Congress to set a limitation on this. We are recommending it be of indefinite duration.

Mr. CRAMER. Then are you admitting by that that this unemployment need for area redevelopment is going to be with us at the cost of \$520 million a year and APW, the accelerated public works, indefinitely?

Secretary CONNOR. Yes, sir, that is the present outlook.

Mr. CRAMER. And that also means these new areas that are being authorized to be set up, these development areas, such as Appalachia, to be set up, little Appalachias all over the country are likewise going to be with us indefinitely?

Secretary CONNOR. Well, the situation will change from time to time in a particular region, but we think there will be need for this kind of authorization, for at least one such regional commission, for the indefinite future.

Mr. BATT. If you read the Appalachian bill, the Congress put a 5-year limitation date. It would be up to Congress, as each additional regional commission came in for legislation, to examine the question of termination at that point.

Mr. CRAMER. On that point—I am not trying to cut you off, but I mean the regional development districts do not require congressional approval.

Secretary CONNOR. Not for the establishment of these commissions; no, sir.

Mr. CRAMER. So how does Congress get into the picture? We are not in the picture on that at all.

When we pass this authorization, you can set up these Appalachian regional commissions all over the country. Congress will have no review on an authorization.

Mr. BATT. There is no funding for these, though, under this program, except for planning money, Mr. Cramer. You have that opportunity.

Mr. CRAMER. As I read it under section 503, the regional technical and planning assistance, we will pay 100 percent of the administrative expenses for 2 years, 50 percent thereafter, indefinitely.

Secretary CONNOR. Yes, sir; for planning purposes, this is the proposal.

Mr. CRAMER. And there is a \$15 million annual authorization for that with no time limitation?

Secretary CONNOR. That is correct, sir.

Mr. CRAMER. So, in effect, actually the bill we have before us, would it be correct to say, if an area redevelopment-accelerated public works—little Appalachia regional commission approach to this problem were made, that if this is passed in its present form, this will cost \$520 million a year indefinitely?

Secretary CONNOR. Subject to the action of the Appropriations Committees and proposals of the administration; yes.

Mr. CRAMER. We are talking about authorization.

Secretary CONNOR. Yes; that is the proposal.

Mr. CRAMER. And your recommendation would be against even setting some time limitation on this act so that the authorizing committee of Congress would look at it at a subsequent date to decide maybe they want to modify it, maybe they gave you too much authority, maybe they gave you too little—I doubt it from reading the bill—maybe they gave you too much authority so we are not supposed to take another look at this legislation 20 years from now?

Secretary CONNOR. Well, this is our position, sir.

Mr. CRAMER. Well, I just have one comment; and that is, that this is a rather amazing presentation when we are supposed to be in a

period of the most affluent society in the history of our Nation and our economy is supposed to be moving to a greater extent than ever before in the history of the country, and we are supposed to give endless authority for these three major costly programs without even the Congress having a chance to look at it at a later date by putting a time limit on it? That is what you are requesting. I just—my only comment is it is a rather amazing proposal under these circumstances in my opinion.

That is all I have, Mr. Chairman.

Mr. WRIGHT. Thank you, Mr. Cramer.

Let the Chair comment at this point, with gratitude to the Secretary, that he has shared his time very generously with this committee.

We had a sort of gentlemen's agreement with the Secretary that we would try to get him away as early as we can. He has a plane to catch and he has some other pressing appointments. I know there are other members of the committee who would like to ask questions, but with their indulgence, may I ask that all of us try as far as possible to be brief?

Mr. Kee had asked me at an earlier point if he might be recognized, also Mr. Sweeney for a brief questioning.

Of course, all members of the committee will be given an opportunity for questioning the Secretary; but maybe the Chair should ask that we try to be as considerate of him as he has been of us? He has spent 2 hours with our committee earlier in these hearings and has spent an hour and a half with us today already, a total of $3\frac{1}{2}$ hours.

Mr. EDMONDSON. I wonder if we could not have unanimous consent to limit the time of each member not to exceed 5 minutes, in order to give every member a chance to ask questions?

Mr. KEE. I would take 2.

Mr. WRIGHT. Would there be objection to such procedure?

Without objection then, we will proceed on that basis.

As per our earlier commitment, the Chair recognizes the gentleman from West Virginia, Mr. Kee.

Mr. KEE. Thank you, Mr. Chairman.

Mr. Secretary, there is one basic point that I would like to have clarified for the record, sir. The first thing is directed to Mr. Batt, and the other will be to you.

Under the authorization of the Area Redevelopment Administration and the accelerated public works program, there was absolutely no authority for the Federal Government, your agency, to go into a community and say, "Look, we are going to solve all your problems."

Under the act, which you have administered in an excellent fashion, it was up to the local people, No. 1, on their own initiative to work out by themselves their overall economic development program. Following that, it was up to the local people themselves—we are talking about the county groups now under both ARA and the accelerated public works program—it was up to them to come in with an application to your agency for approval. That is correct, is it not?

Mr. BATT. Yes.

Mr. KEE. In other words, the success of the program would depend upon the local initiative we have at home.

I would like to state also for the record, we have heard some comments here about ski slopes and things of that nature. I want the

record to show that through the work of ARA, that you folks came in down in West Virginia when we had problems and our people frankly did not know where to turn, in any way, shape, or form. Because of the work you did, you opened up our economic development future. We know that our future in southern West Virginia is the field of tourism.

What you have approved in southern West Virginia has been these revenue-producing facilities. Golf courses and ski slopes and these other things are merely an added attraction, so that these revenue-producing facilities will pay for themselves, will pay out and will create employment.

Now, I have heard this comment about discrimination. I do not see any discrimination in this; if my understanding is correct, our gross national product has increased \$14 billion in the first 3 months in this year.

Secretary CONNOR. Somewhat over \$14 billion; yes, sir.

Mr. KEE. I believe I am correct in that.

All right, then; with the President's tax cut message coming in, it is going to grow tremendously.

Now, my main question to you, Mr. Secretary—and I think you made an excellent statement, I want to commend you—these multi-county districts or these multistate districts are still going to be dependent not on the Federal Government, not upon you going down or sending representatives down and saying we are going to solve this for you; you are still going to be dependent on the multicounty groups, whether it is multicounty groups within the States or multistate groups to get together and come in with a little technical assistance, of course, to help. But it is their responsibility, sir, is it not, to come in with a feasible application for you to consider, whether it is for loans or your public facilities, or whether it is loans to help an industry? That is correct, is it not?

We go back to the point that it is up to the local citizens in these areas or in these districts now to have the initiative and do their own job, is that not correct?

Secretary CONNOR. Yes, Mr. Kee; local initiative is basic to the whole program.

Mr. KEE. Fine. That is one thing that I just wanted to be sure and clear for the record, Mr. Secretary.

Secretary CONNOR. Yes, sir.

Mr. KEE. I am certainly grateful to you and thank you very much.

Thank you, Mr. Chairman.

Mr. WRIGHT. Mr. Sweeney.

Mr. SWEENEY. Mr. Batt, I would like to direct one question to you.

Our office has been recently advised by yours that a large geographical area abutting Lake Erie—to wit, Ashtabula County—has been withdrawn from the program because of a report received by your office from the Secretary of Labor. In that situation, there were two major cities in the county—city A being Ashtabula and city B being Conotton—presented a problem where Ashtabula had made a splendid recovery insofar as its employment is concerned and the sister city continued to lag behind the general economy in the area.

As I understand it, under the existing law, the Secretary and yourself as Administrator of ARA, you are without any discretionary

authority to continue the program in a particular county, such as that; is that correct?

Mr. BATT. That is correct, sir, if it is a one-labor-market area.

Mr. SWEENEY. In other words, the labor market area is defined according to State standards; is that correct?

Mr. BATT. State, and approved by the Federal Government.

Mr. SWEENEY. So in my State, the State of Ohio would determine and carve out an area on a county basis; is that correct?

Mr. BATT. Generally that is the rule throughout most of the United States. Again, that is by agreement with the Federal Bureau of Employment Security.

Mr. SWEENEY. If the overall county employment were to rise above the national level, then that county would be cut and severed from any further participation in the program; is that correct?

Mr. BATT. That is correct. That is correct.

Mr. SWEENEY. Now, as I understand it, the improvement the Secretary speaks of this morning vests within the Department some discretion to continue the program in those areas where there is real merit for its continuance; is that correct?

Mr. BATT. No, sir. We would still be governed by the same standard procedure where the labor market area situation was improved and the area became no longer eligible under the criteria set out under the act.

Mr. SWEENEY. If you had a large geographical area, a county let us say 50 miles across, and there was a very acute distressing unemployment in the easterly end, and there was a recovery occurring on the westerly end, is it a fact even under the improvements in this bill, that ARA assistance would be cut off from the area to the east?

Mr. BATT. That is correct.

Secretary CONNOR. Yes, sir.

Mr. SWEENEY. How would you define the language as contained on page 23, line 5, which reads:

The size and boundaries of redevelopment areas shall be as determined by the Secretary.

Would that vest the Secretary with any discretionary power to define the area as a continuing unemployment area?

Secretary CONNOR. Congressman Sweeney, as you see, that is subject to the provisos that follow, and Mr. Williams is pointing to subdivision (4), which refers to a labor area as defined by the Secretary of Labor, a county, or a municipality with population of over 250,000. So these are the limitations on the authority granted to the Secretary.

Mr. SWEENEY. Well, is it not a fact, Mr. Secretary, that area development—that is, the increase in an area's potential to provide employment—depends in a great number of instances upon the energy that the local municipal officials, such as township people, mayors, county commissioners, apply to participating in these Federal programs? Has that been your experience?

Secretary CONNOR. Yes, sir; the local initiative is extremely important.

Mr. SWEENEY. In other words, if this county labor designation remains in the bill, you would have no authority to continue now?

Secretary CONNOR. That is correct.

Mr. SWEENEY. The situation that I described to you, is that rather unique or is it common for you to encounter this as a problem?

Mr. BATT. It is rather unusual, Mr. Sweeney. There are a couple like that. There is one south of you, too. The problems in getting below a labor market area become monumental because there are no data collected, either by the decennial census or by the Bureau of Employment Security. So you have no way of getting current information, no way of determining when or if a situation improves on an objective basis.

Mr. SWEENEY. Do you as an Administrator of the program—if I might interrupt—feel you are somewhat restricted by being confined to the State designation as to what would constitute an area?

Mr. BATT. No; this is really the only way it can practically be administered, to limit it to these areas.

Now, the philosophy here is that if it is the labor market area, which is defined as within a commuting district as a whole, that is becoming prosperous, then the people in the relatively depressed sector of that labor market area ought to be able, with training available under MDTA, with no geographic limitations, to be able to fit into jobs in the more prosperous segment of the labor market area. This is the philosophy.

Mr. EDMONDSON. Will the gentleman yield?

Mr. SWEENEY. I will be happy to.

Mr. EDMONDSON. There has been some discussion in the committee of a possible amendment which would provide that if a labor market area or area redevelopment county has been classified as a distressed area, area of high unemployment, for a period of more than 50 percent of the time during the experience of ARA, that that area should be considered eligible for inclusion within this program when this program is approved for a period of time, at least to give you an indication as to whether or not the improvement which might be present at this time is transitory or a permanent condition.

I would like to get the opinion, if I could, of the Secretary or Mr. Batt on that amendment.

Mr. BATT. Mr. Edmondson, we have a grandfather clause in here which would extend the benefits to everybody now in the act, or in the act at the time it is enacted, for a period of a year, to take care of any such inequities and make sure any improvement was valid.

Would this not cover your point?

Mr. EDMONDSON. Would the grandfather clause cover the situation—if the gentleman will yield further—

Mr. SWEENEY. Glad to.

Mr. EDMONDSON (continuing). Which, at the time this bill was enacted, a county was no longer classed as an area redevelopment county, but which had been for a period of more than half the experience of ARA a depressed area?

Mr. BATT. No, sir, it would not; if it is not eligible today, it would not be covered.

Mr. EDMONDSON. If I could have it, I would like a comment on that amendment as to possibly meeting the situation Mr. Sweeney is talking about and giving more leeway to the Administrator to utilize this program.

Mr. SWEENEY. If the gentleman will yield—I sensed that the withdrawal of ARA as it applied to Conneant, Ohio, was with some degree of regret, in discussion with your Department. I offer the point that perhaps rather than attempt to restrict the authority of the Administrator, insofar as the use of some discretionary authority when you are midstream or perhaps far down the line in some program, we ought to broaden the discretionary authority of the Administrator to maintain and continue some of these programs.

I have no further questions.

Secretary CONNOR. Mr. Chairman, on this request, we would like to give it some thought. We would be glad to provide a recommendation.

Mr. SWEENEY. Thank you.

Mr. WRIGHT. Thank you, Mr. Secretary.

Mr. Howard.

Mr. HOWARD. I would like to ask Mr. Batt a question on the technicalities of section 101. I believe the Federal grants available in the participation of the Federal Government would vary according to the degree of unemployment, whether it be 60, 70, or even up to 80 percent of the total cost for an individual project.

Mr. BATT. That is correct, sir.

Mr. HOWARD. If there is an area comprising two counties declared eligible for these funds and within that area four or five towns plan a regional sewer system, for instance, would Federal participation depend on those individual communities or on the entire area?

Mr. BATT. Oh, no; in the labor market area. That is the only way any data is kept, Mr. Howard.

Mr. HOWARD. In other words, anywhere in that area, any community would be eligible for the same percentage of Federal funds?

Mr. BATT. That is correct, sir. We would plan to do it the same way we ran APW. That is, we published it all well ahead of time, so any local mayor, city manager, and everybody else knew exactly what the ground rules were before they applied.

Mr. HOWARD. In such a regional plan, if a large Federal installation should join in as a partner in the sewer system, would this have any effect on the participation under this bill for the communities?

Mr. BATT. The only limitation is that from all Federal sources the funds cannot exceed 80 percent.

Mr. HOWARD. I see. There would not be—well, the Federal Government would take care of 100 percent of their share in this regional system?

Mr. BATT. I would rather take a look. I take it you have a particular case in mind.

Mr. HOWARD. Yes.

Mr. BATT. We had better look at the individual case before we make any—

Mr. HOWARD. In New Jersey there is a very large military installation there and one or two of the towns planning to join in this happen to be rather wealthy areas. They would come in for the same percentage as the overall area has been designated?

Mr. BATT. If they are in the designated area, yes.

Mr. HOWARD. How about private industry taking part in a regional sewer system? They would get no funds for any percentage of their part in the regional sewer system; is that right?

Mr. BATT. No, sir; no grant funds.

Mr. HOWARD. Private-profit industry. But they may join in this and be a partner in it or the regional system would not be declared ineligible because it had one-fifth of the system paid for and used by a private industry?

Mr. BATT. We would have to look at it; but, on principle, it seems this ought to be encouraged.

Mr. HOWARD. Thank you. Thank you, Mr. Chairman.

Mr. WRIGHT. Are there further questions?

Mr. EDMONDSON. Mr. Chairman, I would like to take about 2 minutes to first compliment the Secretary and Mr. Batt, and Mr. Williams and Mr. Harvey, for, I think, a splendid presentation.

Secretary CONNOR. Thank you very much, sir.

Mr. EDMONDSON. And if I might also correct any possible impression that silence might give assent to criticism of the work of the ARA, when you look at it in the broad picture of what it has accomplished—because notwithstanding criticisms that have been directed at it, I am one who believes it has done an outstanding job and has been very well administered. I have the greatest respect for Mr. Campbell and his folks with GAO, I think they are among the greatest quarterbacks that we have on the Washington scene—but they are Monday-morning quarterbacks by the nature of their job. They do not have to make decisions on the spot. They do not have to make the immediate reactions to situations that have to be made by the administrators of a big program like this.

I hope they continue to be frank with us and diligent with us in their criticisms, but I hope the criticisms when they are directed will not eclipse the major achievements of an organization like ARA, which I do think are very outstanding achievements.

Secondly, I would like to commend you for standing by your guns on the proposal this program should be of indefinite duration and not have a fixed time limit placed upon you.

In my way of thinking, you are coming into us with a request for tools, for equipment to do a job that has to be done across the country in many different areas of the country. It would be shortsighted to say we can do this job in 10 years or we can do this job in 5 years.

The tools of development may need to be with us for a much longer period of time than that, and it would be shortsighted in terms of getting economic thinking directed at regional development to say we want you to think regionally about your economic problems for 10 years or for 15 years.

I think you are wise to come—as a matter of fact, on our basic development programs in which we seek to get development of a river basin, multipurpose developments on a river, we do not say we are going to develop it for 10 years or 15 years. We authorize a developmental approach on a river basin. Whether it is down in central or southern Florida or whether it is on the Arkansas, or wherever we put it, we expect to continue that development over the period of time necessary to get the job done.

I think your position you have taken on the term for this program is a wise one. It have my wholehearted support, as well as the legislation.

Thank you, sir.

Secretary CONNOR. Thank you very much.

Mr. WRIGHT. Mr. Blatnik.

Mr. BLATNIK. Mr. Chairman, I have just a brief comment.

In joining my colleague from Oklahoma and the chairman, we appreciate, Mr. Secretary, the special effort that you made to be with us for the convenience of the committee, particularly those on the minority who had good reason for additional questions. I know, because I helped make arrangements with you.

The Secretary, Mr. Chairman, had to cancel two, perhaps three, appointments, canceling a very important schedule of his own, some appointments of national importance. He was unavailable as of Monday morning, with good reason for not being here. He made himself available Monday afternoon. He shifted his schedule again to be here this morning. He is departing shortly after this noon, leaving town for an important engagement.

I express the appreciation of the whole committee certainly, and myself, for the splendid cooperation and for the most constructive testimony presented here.

Secretary CONNOR. I am glad to be able to do it, sir.

Mr. WRIGHT. Thank you very much, Mr. Secretary.

May I ask one question at this point? I have seen the figure representing the number of accelerated public works projects as of November 1, 1963, as being some 2,842 projects under the accelerated public works program. Do you have the current figure of the total number of loans that have been made to enterprises under the Area Redevelopment Administration?

Secretary CONNOR. We do have it, sir. It will take just a minute to locate it.

Our total is 399 as of March 31, 1965.

Mr. WRIGHT. As of March?

Secretary CONNOR. March 31.

Mr. WRIGHT. Thank you very much.

Are there others who would like to ask questions?

Mr. KUNKEL. Just one question, one thought I would like to leave with you. I would like for you to think of it carefully.

I am forced to disagree with my good friend from Oklahoma on this point.

I would like you to think over carefully the possibility of putting a time limit on this program. That does not indicate any hostility to the program, but it has always been my feeling that if any agency was required to come in to Congress every so often and be subjected to inquiry, it helped to keep the agency on its toes and much more, and that it made the efficiency of the agency greater for that reason.

Also I do think we should have an opportunity for review. In other words, I think Mr. Cramer made a very important point. I wish you would consider carefully and go over the possibility of putting a time limitation in this bill.

Secretary CONNOR. Thank you, Congressman Kunkel.

Mr. Batt has a comment based on experience.

Mr. BATT. We do get a very intensive going over by both Appropriation Committees, the House and Senate.

Mr. KUNKEL. Yes, but—excuse me for interrupting, but the point is you cannot have legislation on an appropriation bill. If there are certain things that need to be corrected, and I think there are a few that should be corrected in this program, then it has to be done by the authorizing committee. The Appropriations Committee cannot do that under the House rules, because it cannot have legislation to an appropriation bill. Therefore, I think it is quite important to come back to the legislating committee every so often.

Mr. BATT. We did come back a couple years ago when we needed help on this 10-percent requirement. I think there would be no hesitation to come back in the future.

I think the philosophy behind this is the test period has been run. That was the purpose of the 5-year limitation the first time around. The program has proved its usefulness. There was no time limitation on the accelerated works act, which is part of this, part of this legislation.

The problem is that this is the tool, as the Secretary has pointed out, that every other country in Western Europe has.

We know that the depressed industries that are now causing this problem are coal, hard and soft; and iron; and lumber. But we do not know what the depressed industries may be 5, 10, or 15 years hence—and nobody can tell us. We might have problems in other industries which are now very prosperous.

This is not a static economy; it is a dynamic economy. One of the prices is the necessity to readjust. And this is simply a readjustment machinery. It is a set of tools, as Congressman Edmondson pointed out.

Mr. KUNKEL. Would it help you to readjust if you came before the committee and presented the picture?

Mr. EDMONDSON. Will my colleague yield to me?

Mr. KUNKEL. Certainly.

Mr. EDMONDSON. The bill before us does provide—section 706, page 43—for a comprehensive and detailed annual report.

I share the opinion of the gentleman, having a regular review of the accomplishments of the agency would be a healthy thing, and I would see no reason why we could not have them come up and appear for questioning in connection with their annual report, which is done by some agencies, I know by the authorizing committees, rather than leaving it to the Appropriations Committee to ask for a period of examination with reference to the items covered by the annual report.

I thank you for yielding.

Mr. WRIGHT. May I make an observation? The Secretary has been very patient and very generous with his time, as Mr. Blatnik explained, canceling other appointments.

I am advised that the Secretary really must leave at this time for a very crucial engagement, which has already been delayed.

Our colleague, Mr. Cleveland, has been patient also, and has had some questions. Perhaps others have.

Additionally, our colleague from West Virginia, Mr. Hechler, has been here all morning awaiting the opportunity to appear and has yielded to the Secretary to appear first.

I wonder if it would be agreeable to the rest of the committee if we might excuse the Secretary at this point and then, if such other questions as we have might appropriately be addressed to and answered by Mr. Batt and his associates—would that be a workable agreement, Mr. Kunkel?

Mr. KUNKEL. If it is agreeable to Mr. Cleveland, why, it is certainly agreeable to me.

Mr. WRIGHT. Could such questions as you have be appropriately answered by the other members of the party, Mr. Cleveland?

Mr. CLEVELAND. There were a couple of my questions I would like to have the Secretary answer, but I am sure that one of his people here can probably relay the questions to him.

If he thinks they are worth answering, he can be kind enough to give the answers to us.

Mr. WRIGHT. Fine. I am sure any such questions as Mr. Cleveland might direct that could not be factually and duly answered by another member of the party could be presented to you.

Secretary CONNOR. We would be very glad to do that, Mr. Chairman. Yes.

Mr. KUNKEL. Is that satisfactory to everybody else on our side?

Mr. WRIGHT. Mrs. Reid, you have been silent and decorative.

If there is no objection on the part of any of the members of the committee, then, with many thanks and much appreciation for your help and for having been with us, Mr. Secretary, we will excuse you at this time.

Secretary CONNOR. Thank you very much, Mr. Chairman. I do appreciate this. There are quite a few people waiting for something else. Thank you.

Mr. WRIGHT. Thank you, sir, for having been with us.

(At this point, Secretary Connor withdrew from the room.)

Mr. WRIGHT. Mr. Kunkel, do you have further questions?

Mr. KUNKEL. I have no further questions.

Mr. WRIGHT. Mr. Cleveland has been waiting for some time this morning to ask questions.

Mr. CLEVELAND. I would like to find out more about this new device of the interest bonus. What I would like to find out is if, in effect, it really is giving practically an interest-free loan, bearing in mind the fact that a large company, such as the type described by the Secretary as the one they want to approach to come into a disadvantaged area, if the interest they pay—say a 6-percent loan only costs them 3 percent, because the payment of interest is deductible, and then with the 2 percent coming in on top of that, given a 6-percent loan, this in effect gives the industry a 1-percent loan.

Is that not correct?

I want to be sure I understand the mechanics of it. You are giving the business what, in effect, would be a 1-percent loan?

(At this point, Mr. Blatnik assumed the chair.)

Mr. HARVEY. Congressman, I do not think the mathematics would quite work out. From 6 percent, they would get 2 percent off, which would be equivalent to a 4-percent loan.

Mr. CLEVELAND. When industry—we will postulate successful industry—the kind you want to encourage to come into one of these areas, if they borrow money at 6 percent, it is costing them 3 percent?

Mr. HARVEY. If you would apply their taxes and the fact interest is a deductible expense and they are in the 50-percent tax bracket, I suppose you might arrive at that conclusion, that for successful industries in that tax bracket, anything that costs them \$1 really only costs them 50 cents; that may be correct.

Mr. CLEVELAND. I am trying to understand the mechanics of this device. The end result——

Mr. HARVEY. This would reduce the interest costs of these effectively 2 percent; that is correct.

Mr. CLEVELAND. One percent.

Mr. HARVEY. It would reduce it by 2 percent.

Mr. CLEVELAND. Well——

Mr. HARVEY. From what their otherwise effective interest rate would be, it would be 2 percent lower than that. It would reduce it by 2 percentage points.

If they had a 3 percent——

Mr. CLEVELAND. Let me put the question another way: The industry gets a 2-percent loan.

Mr. HARVEY. It is paid to them or is on their account actually, yes.

Mr. CLEVELAND. It is paid to them and then they——

Mr. HARVEY. But only for this purpose. They would have to apply it for this purpose.

Mr. CLEVELAND. The next question I want to ask you is: Have you abandoned the concept that was written into the Appalachia bill and thoroughly explained to us, brought it to us, that the second trust governmental help along the lines of this bill and Appalachia would be confined to those areas with a significant potential for growth? Has that been thrown out the window in this bill? Yes or no.

Mr. BLATNIK. Mr. Batt.

Mr. BATT. The Senate report is very good on this subject. It points out that the scale of assistance must be sufficient to make a significant impact on the economic structure of an area. Designation of too many areas reduces the possibility of providing aid sufficient for any area to break out of the circle of poverty, so aid must be concentrated where it is most needed.

This is, as you point out, Congressman, the philosophy of the Appalachian Act.

The regions to be aided, whether multistate or multicounty, should be large enough to provide a resource base for self-sustained growth and to support the full range of community services and public utilities, yet not so large that a considerable share of the aid fails to reach the communities in distress.

The present Area Redevelopment Act program is based on——

Mr. CLEVELAND. I am not clear—excuse me. Are you reading?

Mr. BATT. I am quoting from the Senate committee report.

Mr. CLEVELAND. The report on what?

Mr. BATT. On this bill.

Mr. CLEVELAND. I want your opinion.

Mr. BATT. Our feeling is that there are many things which can be most effectively done at the labor market area level, which is usually the county level; many things which can be done most effectively at the multicounty level, and many can be effectively done on a regional level.

Our bill would not rule out any approach.

Mr. CLEVELAND. In other words, the language of the Appalachia Act and the concept of the Appalachia Act, Federal aid will be confined to those areas with significant potential for growth, that is not your yardstick, or rules, or guidelines for this legislation?

Mr. BATT. Ours is not so limited. It does concentrate help. It also permits the neediest areas to get assistance.

Mr. CLEVELAND. You can understand the bill is confusing for members of this committee who have heard a battery of experts in this area come before this committee and reassure us that in the Appalachia bill, the money would be confined to those areas with significant potential for growth.

It is a little disheartening to have another battery of experts come up here and say this concept is not important enough to incorporate in this type of legislation.

Mr. BATT. We would be able to do much more of the growth kind of thing under this bill than we could do before, Mr. Cleveland, but it is not as exclusive as the Appalachian bill in this regard.

The Appalachia program certainly was not designed to rule out all other kinds of help, all other programs. It was simply to provide extra assistance to the Appalachian area, as I understand it.

Mr. CLEVELAND. The point I am trying to make, Mr. Batt—and I think the committee should keep this in mind too—that one of the reasons advanced for the Appalachia bill was based on the experience of ARA. They had decided—by “they,” I mean a capital “T,” and I mean the experts downtown—that the money would be confined to those areas with significant potential for growth. I find it disheartening to find, so soon after that protestation of new-found wisdom, we have people before the committee who dismiss this as not a significant factor.

Mr. EDMONDSON. Will the gentleman yield?

Mr. CLEVELAND. Yes.

Mr. EDMONDSON. Did not the Appalachia bill represent not only the thinking downtown, but a number of Governors of the States who proposed a number of conditions and operating requirements on the Appalachian bill? Is that not a correct statement to make, that it was not the exclusive product of the Department of Commerce, but rather came out of a series of meetings and recommendations from a number of the States participating in the Appalachian Development Commission?

Mr. CLEVELAND. We listened to the expert witnesses on the Appalachian bill that this language I quoted, that its thrust would be confined to those areas of significant potential for growth. I received the distinct impression this was information, this was a significant new addition of that bill that came from the Department of Commerce, or downtown, based on the experience with ARA, the accelerated public works, and there was great pride of authorship in it from the executive department. It was something that made an impression on me and I remember it.

I am just sorry to see so soon after that wonderful discovery that, with programs like this, there should be some limitation to areas where this potential for growth is going back out the window again.

That is all.

My time is limited by this 5-minute rule. If I have not already used it up, I have just a few other questions.

I am going to make this in the form of a comment, because there is not time to have the answer.

I am very concerned by the fact that although you have a grandfather clause and those areas that are now covered by the act will be in the act, as I understand it, after your first annual review, you can pick areas that are now covered by this act to receive these benefits out of the act. That is a correct statement, is it not?

Mr. BATT. If they are no longer eligible, that is correct.

Mr. CLEVELAND. Right. And of course——

Mr. BATT. The question is not "can"; we must.

Mr. CLEVELAND. This, of course, to me is disheartening, because I know you stress unemployment as one of the important criteria.

I know I have areas in my district where employment statistics are not a true criterion; because, by and large, when one of our industries fail or lays off the people, they do not go onto the unemployment rolls; they get in their cars and drive sometimes a matter of 50, sometimes a matter of 75, or 100 miles, and obtain employment. For this reason, there is an out-migration in these areas. But these areas are seriously disadvantaged. They decline. But they do not meet the unemployment statistics.

I know they would not be eligible. They came in initially under the Proxmire amendment. It is going to be disheartening to me to think they will be in this act, but only for a year or so.

Another series of questions I wanted to ask but time does not permit is about the coordination between areas, ARA, the loan sections of ARA, and the Small Business Administration.

I am troubled by the fact that we have a Small Business Administration that is meant to help small businesses and provide loans for them, but apparently they are not fulfilling their function insofar as the loan section of this ARA legislation is necessary.

Again, we do not have time to develop that, but Mr. Blatnik has promised me Mr. Foley will come to our committee in executive session to develop that point; because I am concerned, as many people are, to see two agencies of the Government operating somewhat in the same field.

If it is either necessary to give you people the business loan function—I am not saying it is not, but if it is, it means the Small Business Administration I do not think is doing its function.

The final point I have to make very briefly, and this is in answer to a very interesting point of my colleague from Oklahoma, Mr. Edmondson, in which he compared some of our authorizations for large dams with this continuing authority.

At least it seems to me when we do get the authorization for a large dam or we have before us the amount the dam is going to cost, the location of the dam, what it is going to do, what the benefits are going to be, flood control, and hydroelectric power, and recreation, and I think if you distinguish between the authorization that we give for development of such a project and a program such as this——

Mr. EDMONDSON. Will the gentleman yield on that?

My reference was not to a dam; it was to a river basin authorization, which, when you start out, you frequently do not know how many

dams you are going to have on it, how many locks you are going to place on it.

On our Arkansas River, we have a significant difference in the number of dams and locks on it now than what it was intended to cover when we started out.

Mr. CLEVELAND. On that one point, do you not have to come back for modification? Dams that have to come before this committee?

Mr. EDMONDSON. We just passed an increase in monetary ceiling, but it did not modify in any way the overall basin authorization. We just upped the monetary ceiling.

Mr. BLAKNIK. If there are no other questions—sorry.

Mr. HENDERSON. Mr. Chairman.

Mr. BLATNIK. Mr. Henderson.

Mr. HENDERSON. Mr. Batt, the language on page 5, you admit there are certain types of grants authorized under this act that are not otherwise authorized as grants, Federal grant-in-aid programs, and I think I caught that you mentioned police stations and fire stations.

Could you expand on types of grants that you had some experience with or that you envision would be authorized by your agency?

Mr. BATT. Yes, sir. We put that in the record before, but we will be happy to repeat it.

We are talking here—

Mr. HENDERSON. If it is in the record, I will certainly obtain it from there. I wanted to be sure it was in the record.

Mr. BATT. It is in the record. We put it in last time we were here.

Mr. HENDERSON. Fine. Could I ask one further question? Do you envision, if it meets the other requirements of the bill that you would participate in, say, a municipal draining project? I am thinking of one that would not qualify under the Corps of Engineers. If you tie that to economic and industrial development, would that be one of the projects that you could possibly participate in?

I am thinking of storm drainage, one that would again not qualify under the Water Pollution Sewer Treatment Act?

Mr. HARVEY. Congressman Henderson, I would think that if storm drainage were necessary in order to accommodate an industry, or to make possible the utilization of a site for industrial purposes, it would certainly be within the objectives of this legislation; yes, indeed.

Mr. HENDERSON. Very good.

Thank you, Mr. Chairman.

Mr. BLATNIK. Thank you very much, Mr. Batt.

We have our colleague, Congressman Ken Hechler, who has been waiting here since 10 o'clock this morning.

Congressman, we appreciate your patience and we understand, those of us who know the leadership role you have played in ARA and the public works in the past several years, not only in the committee and off the floor but leadership on the floor, to enact all of these programs, we know the deep interest and the knowledge you have on these programs. Only your unabating belief in the need for this program keeps you here for so long. We appreciate your standing by to accommodate certain members of the committee with the Secretary of Commerce.

**STATEMENT OF HON. KEN HECHLER, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF WEST VIRGINIA**

Mr. HECHLER. Thank you, Mr. Chairman.

My remarks this morning will be confined to title I of the pending bill which is being considered by the committee; namely, the \$250 million for grants for public works and development facilities.

When the President sent the draft of the bill down to this great committee on the 31st of March, he indicated that this bill will take advantage of the experience of the very successful accelerated public works program, which was in effect in 1962 and 1963.

The accelerated public works program, Mr. Chairman, is the most effective program that the Federal Government has ever devised for stimulating economic growth and for reducing unemployment. It was simple, quick, direct, and free of red tape. We can testify particularly to its effectiveness in the State of West Virginia.

I believe, Mr. Chairman, and I will submit brief testimony this morning to support my belief, that the amount of \$250 million suggested to be authorized in this bill is pitifully small and grossly inadequate. Mr. Chairman, I submit that this amount should be increased to at least \$750 million annually, and I will indicate specifically why I support this belief.

When this bill was authorized by this great committee and by the Congress of the United States in September of 1962, and after it was funded in October of 1962, in my congressional district, the Fourth Congressional District of West Virginia, in December of 1962, we assembled a group of experts in community facilities, planning, engineering, hospitals, sewage treatment, and public health. A team of these experts went out to each county in the Fourth Congressional District, of which there are 13. We held meetings morning, noon, afternoon, and evening, to acquaint the county officials, the city officials, and all the local officials with the details of this accelerated public works program, how to qualify and how to apply.

Without exception, each of these counties and scores of communities therein submitted applications, and I think that all over the country, all that you have to do is to ask your mayors, your city council members, your city managers to learn the outstanding success of this program.

As early as January 1963, it was announced that applications on accelerated public works had exceeded available funds. There is at present a backlog of some \$750 million applications for accelerated public works which cannot be filled because of lack of funds.

Now, under the criteria, Mr. Chairman, of this pending bill, the Secretary of Commerce has indicated that only \$450 million of this backlog will actually be eligible under the bill. I submit, therefore, that it is grossly inadequate to authorize an amount of only \$250 million, which is scarcely half of the eligible backlog of \$450 million.

I further submit, Mr. Chairman, that the backlog of \$450 million is not a correct measure of the need for accelerated public works throughout the Nation.

Mr. BLATNIK. Mr. Hechler, is it not true that instructions were sent out by the APW, directly under order of the ARA and the Secretary of Commerce, instructing the municipalities not to submit any

further applications? A few more trickled in despite that, with quite a good deal of effort on the local level in terms of findings, design work, engineering work, consultants they had to employ in many cases, and some bond issues had been voted upon. They were short of local participation in financing funds. In spite of that, the total was way over half a million dollars?

Mr. HECHLER. The chairman is correct. There would have been many, many applications had there not been a direct order discouraging further applications, as the chairman points out.

I would like to point out a specific example also how, in essence, the stoppage of the program and the failure to give it adequate support has broken faith with the communities.

I received a telephone call yesterday morning from the mayor of Barboursville, W. Va., who has been holding for over a year funds which have been raised by a special levy for the improvement of streets in Barboursville. It has gotten to a point where industries wishing to establish in that community have been turned away by the inadequate streets. The people in the community are up in arms about the fact that they voted the special levy, and now they don't have the streets. They do not know whether to go ahead with 42 percent of the streets or exactly what to do.

I feel, Mr. Chairman, that this title of the bill is so important to the objective which this bill designs to serve that I trust that the committee will have forthrightness and frankness to face up to the situation and vote \$750 million instead of \$250 million.

Mr. Chairman, I would like to add one other observation on this point. I serve on a new committee, the Joint Committee in the Organization of Congress, which has met for the past 2 weeks. Witness after witness who has appeared before that committee has made the point that Congress has reached a crisis in the history of its development as a coordinative branch of Government, and that Congress must seize the initiative on legislation, initiative which it all too often has yielded to the executive branch of Government.

I feel, Mr. Chairman, very strongly that this bill affords an opportunity for the Congress to exert its initiative on public works.

The President has stated, the Secretary of Commerce has stated, the administration has stated its position that \$250 million is all that is currently needed to be authorized. But I submit that here is an opportunity for Congress to exert its independent judgment and to increase this amount to the amount needed.

Mr. BLATNIK. The gentleman makes a very impressive and convincing statement as to the needs. There is no question about the fact you have been in touch with responsible organizations, the League of Cities, formerly known as the League of Municipalities, the Congress of Mayors. They have an enormously difficult problem, and the Chair is speaking for himself, the chairman is very sympathetic to the gentleman's wishes and would like to assure him the Chair will do whatever he can to increase the limitation.

Mr. CLEVELAND. I want to ask Mr. Hechler if he realizes the \$250 million authorization for grants is an annual authorization?

Mr. HECHLER. Yes. I realize that fact.

Mr. CLEVELAND. You would recommend \$750 million annually?

Mr. HECHLER. This is correct, \$750 million annually; because \$250 million a year, if I may say to the gentleman from New Hampshire, would only, in 3 years, meet the current backlog of \$750 million.

Mr. CLEVELAND. I have been interested in the remarks. I gather from what you say that the part of this bill that you consider the most constructive is the public works section.

Mr. HECHLER. This is the portion of the bill to which I am confining my testimony this morning.

I believe it has been the most effective, I would say to the gentleman from New Hampshire.

Mr. CLEVELAND. In casting about for ways to raise additional money for the public works section of the bill, it has been suggested, I make the suggestion and I think others have made the same suggestion, that readily available within the four corners of the bill is at least another \$250 million for some of the other provisions in the bill that are perhaps less to the liking of some of the members of the committee, particularly the loan feature of the bill.

I think the thing that troubles many members of the committee about the loan feature of the bill is you will frequently have situations where loans are being made to industries competing with industries back in your own district.

I do not really think I have to ask you the following question, but some of the other members of the committee suggested, in view of the largess recently bestowed upon some parts of the Nation, including your districts, the suggestion has been made in some of the questioning excluded from the benefits of the public works section might be those sections of the country which have already received this largess, known as Appalachia.

Mr. HECHLER. I think the gentleman's question answers itself adequately.

Mr. CLEVELAND. Is it not nice to be able to ask a question you do not have to wait for the answer to?

Mr. HECHLER. I thank the gentleman for his rhetoric.

I might point out, under the eligibility terms of the pending bill, only 6 or possibly 8 of the 13 counties in my congressional district would be eligible, which is another—

Mr. CLEVELAND. It is, because other counties not included were included in the other benefits under the Appalachian bill.

Mr. HECHLER. I will not accept the gentleman's characterization of the Appalachian bill as "largess."

Here is an important point: there is nothing in the Appalachian bill that covers water systems, as I understand it, and there is nothing that would cover streets and other public facilities, such as are included under title I of the pending bill. I think these are very necessary programs for economic growth.

Mr. CLEVELAND. We had several witnesses who recommended we include water systems in the Appalachian bill, but that bill came to us from the Senate in perfection, and we were not allowed to make any amendments.

Mr. HECHLER. This affords the gentleman an excellent opportunity to carry out his wishes in this particular bill.

Mr. BLATNIK. Mr. Kee?

Mr. KEE. Mr. Chairman, I would like to associate myself completely with your very kind remarks when you presented my distinguished colleague from West Virginia.

Ken, I want to congratulate you on your excellent statement.

I want to support you, sir, on your measure to increase this amount under the bill.

Mr. BLATNIK. Thank you.

Mr. Wright.

Mr. WRIGHT. I would like, Mr. Chairman, if I may, also to congratulate the gentleman from West Virginia. He always is an assiduous, thoughtful, constructive Member of this Congress. He also, in my judgment, is a very effective Member of Congress. I think he is universally respected by all of his colleagues and I like to hold him up as an exemplary Member of the U.S. Congress. He reflects credit on the entire body.

Mr. BLATNIK. Thank you very much, Mr. Hechler. We appreciate that.

We will now hear from one of our Members, Congressman Olsen from Montana.

STATEMENT OF HON. ARNOLD OLSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MONTANA

Representative OLSEN. Mr. Chairman, thank you very much for granting me this opportunity to urge the passage of this act, and to give you some background on the assistance the Area Redevelopment Administration has given in my State of Montana.

The State of Montana has made significant economic progress during the past several years, even though economic rate of growth was low and the unemployment problems were serious. This is evidenced by the fact that the Area Redevelopment Administration has announced the redesignation of seven redevelopment areas in Montana. We know that part of the improvement in the economic climate of our State is due to the ARA program.

Montana, as you all know, is one of the largest States of our great Union. We are proud of our State and the tremendous importance that it holds for the growth and strength of our country, not only for the present but for the future.

There are many natural resources that are still untapped in Montana. These resources will continue to grow in ever greater importance as they are needed for the growth of the general economy.

Montana is known as the Treasure State. Some of the mineral resources will be vitally important in the immediate years ahead. There are many important minerals in the State other than the copper for which it is so generally known. Our timber reserves will continue to grow in importance as new innovations and uses for timber are found and needed for our growing population.

Most important, and perhaps the least known, are the resources that lie within our borders are those that relate to tourism and recreation. Ours is a beautiful State that can offer much to the growing American needs in the broad field of recreation and the great outdoors.

And lastly, we are especially proud of our human resources. We are aware of the many well-trained young people who leave our State

in search of employment opportunities that they cannot find at home. Therefore, we favor the important work that has been done by the ARA. To us it means progress.

In recent years there has been extended discussion of the economic situation in Montana. One of the points frequently brought out is that the rate of economic growth in our State is less than the national average and that the State is thus plagued with unemployment problems. Ours is primarily a raw material economy. Historically, the three main supports of the economy have been mining, lumbering, and agriculture. This still holds true today, except that a change of transition toward a more diversified economy appears underway.

It is at this very time of transition that a program such as the ARA is important to our people. We know that Area Redevelopment Act has done much to set the stage for greater economic growth and expansion. This was done in several ways.

The Accelerated Public Works was a real lifesaver to many of our smaller communities that were struggling to upgrade their basic utilities such as water, sewer, and sewerage treatment facilities, that are so vitally needed if a community is to grow. The benefits and the total impact that will be derived from the 91 public works projects approved for the State which cost the Federal Government \$7,362,000, will be hard to estimate.

We are confident that this aspect of the ARA program will have a much more lasting effect than just the estimated 8,853,000 man-hours of temporary employment that were provided.

In the area of training, ARA approved and financed 22 training projects in our State, at a total cost of \$309,000. Six hundred and fifty-seven workers were trained. Many of these were young people just entering the labor market who needed this little extra boost to get them started on a career. ARA has approved 15 technical assistance studies for the State at a total cost of \$295,000. Several of these studies are still being conducted, and it may be several months before the final reports are written. These studies cover some of our most important resources. Special emphasis has been placed on developing our recreation and tourism potential.

Seven of the redevelopment areas in Montana are Indian reservations. It is only natural that a large part of the redevelopment effort should be directed toward the 31,000 Indians enrolled as members of the several tribes. Approximately 18,000 Indians reside on the reservations. The economic conditions there are by far the most distressing in our State. Although much remains to be done to help the Indian, many Indians have achieved success in farming and business on the reservation or by work away from the reservation. Many have attained social situations comparable to the non-Indians in the area. The Indian lands in Montana comprise $5\frac{1}{4}$ million acres or approximately $5\frac{1}{2}$ percent of the State's total area. About 30 percent of the Indian land is tribally owned and the remainder is owned by individual Indians or their heirs. The economic problems related to the Indian on his land will continue to be a challenge, not only for the Indian but for all Americans.

We believe that the ARA has made a good start in helping many of our communities establish active committees interested in doing something about their local economic problems. We should not permit these important community planning groups to die on the vine.

The new bill as it is now constituted, provides two significant changes that will make the work of the local committees and local leaders easier. We are especially happy to see the change in title II of the act which reduces the community's share of the financing of a project from 10 to 5 percent. The communities most in need are the ones that find the raising of the local share most difficult. This change, therefore, is realistic and practical.

Another important improvement that is incorporated in title II of section 202(a)(2) to guarantee loans for working capital made to private borrowers by private lending institutions in connection with projects in redevelopment areas. This provision should make it easier for projects in the redevelopment areas to secure the total financing needed to get commercial projects fully and soundly underway.

Montana is a growing State. It will continue to have areas with special and acute problems as it moves to diversify its economy. It is truly the Treasure State, rich in natural resources of land, water, timber, minerals, fish, and wildlife. Development of the State will progress as it has stemmed—from the people. We invite the Federal Government, through the adoption of the Public Works and Economic Development Act, to participate in the growth of the Big Sky Country, and its bountiful natural resources for the enrichment of not only the State but the Nation as a whole.

Thank you, Mr. Chairman.

Mr. BLATNIK. Thank you, Mr. Olsen.

The Chair has an announcement to make. We are running into conflicts. We had hoped to continue this afternoon at 2 o'clock.

The witnesses from GAO, Mr. Campbell and his associates, have been here all morning and are perfectly willing to be here all afternoon. We have just received word there will be a meeting scheduled for 2 o'clock preventing many members from being present. Mr. Campbell cannot be here tomorrow morning, but I believe the rest of his staff can—is Mr. Pin here in the room?

Mr. Pin and the rest of the staff from the General Accounting Office will be here available tomorrow morning—and, Mr. Batt, you and your associates will be here and you can follow up with any answers, rebuttal to the questions, or presentation made by the General Accounting Office tomorrow.

So the hearings for today are adjourned. The committee will resume hearings at 10 o'clock tomorrow morning.

(Whereupon, at 12:22 p.m., the committee adjourned, to reconvene at 10 a.m., Wednesday, May 19, 1965.)

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

WEDNESDAY, MAY 19, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON PUBLIC WORKS,
Washington, D.C.

The committee met, pursuant to adjournment, at 10:10 a.m., in room 2167, Rayburn House Office Building, Hon. Jim Wright presiding.

Present: Messrs. Fallon (chairman of the committee), Wright, Dorn, Roberts, McCarthy, Kee, Howard, Dyal, Cramer, Harsha, Cleveland, Halleck, Mrs. Reid, and Mr. Martin.

Mr. WRIGHT. The committee will be in order.

The final session, we hope, of public hearings on the bill, H.R. 6991, the Economic Development Act of 1965, is about to begin. We are hopeful that we will be able to conclude our public hearings this morning.

We have had exhaustive testimony from many sources. At the request of some of the members of the committee, the representatives of the General Accounting Office have been asked to be with us and they were with us all day yesterday at which time they had hoped to appear.

The Comptroller General, Mr. Campbell, was here. It is not possible for him to be here today but he is ably represented by several of his associates who work with him in the General Accounting Office.

Prior to the introduction of these gentlemen I should like to introduce for the record of the committee hearing an analysis prepared by our staff of the various pertinent points raised in the General Accounting Office's reports, and an analysis of such action as has been taken in some of these cases to comply with the recommendations and suggestions of the General Accounting Office.

Without objection, this document will become a part of the record of the hearings at this point.

(The analysis follows:)

GAO REPORT OF JUNE 3, 1964

OVERSTATEMENT OF NUMBER OF JOBS CREATED UNDER THE ACCELERATED PUBLIC WORKS PROGRAM

GAO found that the reports pertaining to the accelerated public works program reported to Congress and other interested parties by the Area Redevelopment Administration (ARA) contained significant overstatements as to the number of jobs estimated to be created by the accelerated public works projects approved by the Community Facilities Administration (CFA) and the Housing and Home Finance Agency (HHFA) as delegate agencies. The estimates were overstated by about 128 percent. It is to be noted that GAO checked 190 projects of the 2,842 projects approved by CFA as of November 1, 1963.

GAO also found that the reports contained overstatements with regard to the number of actual man-months of work created by CFA-approved projects already under construction. GAO found that the CFA projects were overstated by about 83 percent. GAO obtained this percentage from a review of data relating to 497 of 1,228 CFA projects under construction as of November 1, 1963.

The overstatements resulted from inaccurate estimates by the applicants for grants and from the CFA use of these inaccurate estimates, rather than contractor payroll information, to calculate the amount of actual on-site employment. It is to be noted that CFA projects account for almost one-half of all funds appropriated for the accelerated public works program.

ACTION TAKEN

After being advised of the GAO findings, the ARA revised the format of its report and also changed the method of determining on-site man-months of employment.

As of February 1964 the ARA directory of approved APW projects no longer includes cumulative data on the number of on-site man-months of work created by APW projects. Instead, it shows only the number of persons employed on-site on the last regular working day of the week ending nearest the 15th day of the month. The participating agencies were instructed to report to ARA on the same basis, in an effort to obtain timely and accurate data on the number of employment opportunities generated.

GAO recommended that in order to improve the reliability of the information reported in the directories of the approved APW projects, the ARA Administrator take steps to periodically verify the information reported by the participating agencies. The Administrator of ARA advised that ARA will give serious consideration to this recommendation.

GAO REPORT OF JUNE 25, 1964

ASSISTANCE UNDER THE PUBLIC WORKS ACCELERATION ACT TO AREAS NO LONGER BURDENED BY SUBSTANTIAL UNEMPLOYMENT

GAO found that grants over \$21 million had been made for 85 projects in areas which were no longer burdened by conditions of substantial unemployment at the time the grants were consummated. It is to be noted that under the policies currently followed by the agencies reviewed by GAO, grants are consummated for areas which are no longer sufficiently burdened by unemployment to qualify for such assistance, provided that the area was qualified at the time administrative approval of its application occurred.

GAO had been informed by officials of the agencies concerned (1) that it would be unfair to deny assistance to areas which become ineligible during the period required for agency processing procedures because the areas had an investment of time and money in the project, (2) that a firm cutoff date for determination of eligibility was necessary because areas were frequently being designated and dedesignated as eligible areas, and (3) that they felt their policies were legally sound, and in accord with the reasonable exercise of administrative judgment.

It is GAO's opinion that the policies, practices, and procedures which resulted in grants of about \$21 million to areas after the areas have recovered from their burdens of substantial unemployment were not in furtherance of the purpose and intent of the Public Works Acceleration Act and should be revised. They feel these policies have also resulted in grants to nondepressed areas at a time when there was a large backlog of APW applications from depressed areas which could not be met because of the shortage of APW funds.

Their recommendations were that Commerce adopt a policy and devise procedures to preclude grants to areas which become ineligible during the grant processing procedures and that the participating agencies are to advise applicants that all approval action is taken prior to the time of formal grant agreement is made would be conditional upon the areas' being eligible for APW program assistance at the time of formal agreement.

ACTION TAKEN

ARA, by letter of September 21, 1964, replied that it had agreed with delegate agencies to use the date of ARA clearance of a project as the effective date for establishing eligibility for an APW grant. Inasmuch as communities applying

for APW grants incurred considerable expense and undertook considerable work to do so, it was "the strong desire of the administering agencies to avoid the denial of a grant merely because of administrative requirements in the final stages of processing."

ARA rejected the GAO findings and recommendations, claiming their actions were result of administrative determination and proper in terms of purpose of the legislation.

GAO REPORT OF AUGUST 1964

UNAUTHORIZED ASSISTANCE TO SEEMINGLY NONDEPRESSED AREAS UNDER THE PUBLIC WORKS ACCELERATION ACT AND THE AREA REDEVELOPMENT ACT

GAO found that through January 1, 1964, about \$7.4 million authorized by the Public Works Acceleration Act and the ARA for assistance to depressed areas and projects had been approved in seemingly nondepressed areas on the basis that one area in each State could be designated a redevelopment area. It was GAO's opinion that designation on this basis was not authorized by the Area Redevelopment Act.

ARA officials had stated that their regulations permitting seemingly nondepressed areas to be designated as redevelopment areas were based on the provision of section 5(b) of the act which specifies that in making designations under this section "The Secretary shall endeavor to distribute the projects widely among the several States." ARA officials have stated also that making the 5(b)6 area designation was the only way that real effect could be given to the requirement that the projects be distributed widely among the several States.

It is GAO's view that the regulations which permit ARA to designate relatively nondepressed areas as redevelopment areas are not in accord with the basic intent of the Area Redevelopment Act or the specific provisions of section 5(b) of the act in that the areas so designated are ineligible for assistance under that act.

GAO backed up their argument by citing specific counties in Hawaii, New Hampshire, Vermont, and Delaware.

ACTION TAKEN

ARA by letter of October 6, 1964, stated that although of belief their action carried out the intent of Congress, Agency would not approve additional projects in the areas in dispute.

Belief of the Administrator had been that the act was permissive but not mandatory, and that ARA clearly had authority to provide that at least one area in each State be designated as eligible.

GAO REPORT OF OCTOBER 1964

ACCELERATED PUBLIC WORKS ASSISTANCE APPROVED FOR AREAS UNDER CONSIDERATION FOR TERMINATION OF ELIGIBILITY

GAO found that about \$26 million had been spent or committed for accelerated public works projects in areas of the Nation which the Secretary of Labor had found were no longer burdened by substantial and persistent unemployment according to the criteria of the statutes or regulations. These areas received assistance because the Area Redevelopment Administration's policy permitted the approval of accelerated public works program grants to such areas during the 7- to 13-month period when the ARA was considering whether to terminate the depressed area designations.

The Secretary of Labor is required to obtain the facts concerning unemployment upon which the ARA bases its actions. As the Secretary had already found that the areas were no longer sufficiently depressed by unemployment to qualify for designation and as the purpose of the Public Works Acceleration Act was to provide immediate assistance to areas presently burdened by substantial unemployment, it was alleged that assistance during the delay period could not be considered to be promoting the objectives of the act to the degree that they would be promoted by assistance in areas where the conditions of substantial and persistent unemployment were known to continue to exist.

The regulations for the area redevelopment program provide that a redevelopment area's status, so designated under the standards of unemployment, may not be terminated unless there has been a significant reduction in the rate of

unemployment and such reduction has continued for a reasonable period of time. GAO's review showed that the "reasonable period of time" from the date ARA is notified by the Department of Labor that the area no longer meets the criteria for designation, to the date of termination, has ranged from 7 to 13 months and has averaged 10 months through May of 1964.

The Administrator of the ARA advised GAO that it would be harmful to the ARA program to turn eligibility on and off because of a small temporary dip in unemployment rates, and that secession of APW assistance to areas immediately after ARA received the Secretary of Labor's notice would cause difficulties because some areas again become eligible for assistance.

ACTION TAKEN

By letter of November 16, 1964 the ARA accepted the recommendations contained in the GAO report; i.e., that "if the APW program is continued, the Secretary of Commerce adopt policies which will result in deferring approval of APW applications for assistance from all areas which the Secretary of Labor finds no longer meet the criteria for designation as redevelopment areas."

ARA added that it was working with representatives of the Labor Department to improve termination procedures then in use, for the purpose of making revisions in the system to shorten the time needed to terminate an area's eligibility as a redevelopment area.

GAO REPORT OF OCTOBER 1964

EMPLOYMENT OPPORTUNITIES IN FEDERALLY AIDED PROJECTS GENERALLY RESTRICTED TO INDIVIDUALS HAVING FUNDS TO INVEST IN BUSINESS VENTURE

GAO reported that the ARA in fiscal year 1963 approved a \$140,000 industrial loan to Cowlitz Forest Products, Inc., Chehalis, Wash., and the effect of the loan on unemployment problems in Lewis County, Wash., disclosed that the borrower generally required prospective employees, as a condition precedent to employment, to make substantial investments in the business venture without being given an opportunity to participate significantly in the management thereof. This condition resulted in the denial of equal opportunity for employment for unemployed persons within the redevelopment area.

Potential employees, in order to secure a job, were required in substance to make substantial investments; to assume the greatest risk of loss and to have little if any voice in the management of the company. It is to be noted that these potential employees purchased nonvoting preferred stock. Conversely, a select group of individuals invested less than \$6,000 to acquire about 59 percent of the common stock, thereby securing control over the management of the company.

The borrowers' practice of requiring investment as a condition to employment was in effect during the period of time in which the Small Business Administration (SBA) as delegate agency for the performance of certain functions and duties under the Area Redevelopment Act, conducted its evaluation of the borrower's project proposal and loan application. Although information contained in the project document should have been sufficient to raise a question as to the compatibility between the employment practice and the purposes of the program, neither the ARA nor the SBA appears to have been aware of the objectionable practice until after the loan approval period, although prior to actual disbursement of the funds.

ACTION TAKEN

ARA by letter advised it was issuing a policy statement which would prohibit approval of projects where an investment is required in order to obtain employment. Also directed ARA and delegate agency staff to be diligent in exposing situations of the type prohibited.

GAO REPORT OF NOVEMBER 1964

IMPRUDENT ACTION TAKEN IN APPROVING LOANS TO ASSIST THE ROUSTABOUT CO., FRACKVILLE, PA.

GAO feels the ARA acted imprudently in approving financial assistance involving loans in the total amount of \$342,000 to the Roustabout Co., Frackville, Pa. The approval of the loans may result in a potential loss to the Government of about \$230,000. It is to be noted that the Roustabout Co. submitted applica-

tions to the ARA requesting that loans be made to assist in financing a plant for the production of a three-wheel light delivery vehicle. The SBA, pursuant to its delegation of authority from the Secretary of Commerce, reviewed the overall feasibility of the project in light of the criteria established for the evaluation of loans to potential borrowers applying for assistance under the ARA program. On the basis of its analyses, the SBA recommended that the ARA decline to make loans to the Roustabout Co. because there was not basis for a determination, as required by the statute that repayment of the loan was reasonably assured.

GAO noted that one of the SBA functions under this program is to make recommendations to the ARA on the basis of its expert knowledge and skills and a detailed review of the economic feasibility of proposed projects, and urged that in the absence of any information clearly negating same, SBA's recommendations should be followed.

On March 28, 1963, the loans were closed and Federal funds totaling about \$500,000 were disbursed. The borrower (Cowlitz) in June 1963 ceased production which had started in January of 1963 and in November 1963, filed a voluntary petition in bankruptcy. The reason for the borrower's failure was its inability to market its product, precisely one of the four factors which SBA after making its review, had pointed out to ARA as one of the most serious defects of the proposed project. ARA's decision to disregard the data may, on the basis of SBA estimates dated June 25, 1964, result in a loss to the Government of \$230,000.

ACTION TAKEN

ARA in reply dated December 21, 1964, takes position that "reasonable assurance" of repayment does not mean "absolute assurance" of repayment, and that the word "reasonable" ought to be measured in terms of the principal program objective as given by the Congress.

The ARA advised GAO that, although the undertaking necessarily possessed speculative qualities, it felt compelled to give strong consideration to the business acumen and the managerial capabilities of the principals and their heavy financial commitments to the success of the project. GAO was advised that ARA decision was based on an administrative judgment which balanced the adverse credit considerations with other considerations.

"ARA agrees with the GAO position that 'the necessary antecedent to a prudent judgment is a comprehensive and meaningful evaluation of the available facts and information on which such a judgment should be predicated.' It is respectfully submitted that this position adequately describes ARA's actions prior to approval of the Roustabout loans."

GAO REPORT OF DECEMBER 18, 1964

INADEQUATE ANALYSIS OF EMPLOYMENT OPPORTUNITIES TO BE PROVIDED BY A FEDERALLY ASSISTED PROJECT

This report has to do with a GAO review of the circumstances under which a \$53,000 industrial loan to Plant Food Center, Inc., Post Falls, Idaho, was approved by the ARA and the effect of the federally assisted project on unemployment problems in Kootenai County, Idaho. GAO has shown that the borrower's estimate of new employment opportunities was grossly overstated. From all appearances this loan will produce at a maximum 6 full-time employment opportunities compared with the 23 jobs shown in the estimate of expected employment submitted by the borrower and accepted by the agency. GAO feels that from all appearances the reviews of the ARA and the delegate agency, Small Business Administration (SBA) placed almost complete reliance upon the borrower's representations as to the number of jobs to be created by area redevelopment projects.

ARA's reply stated that it had relied upon the delegate agency SBA's report rather than the borrower's statements, and that the SBA report did not disclose the basis for the employment estimate contained therein.

ACTION TAKEN

ARA agreed with GAO's conclusion that thorough evaluations of expected employment opportunities should be made, and advised it would so instruct its employees and request that the SBA Administrator do likewise.

ARA on September 18, 1964, implemented the policy by issuing Administrator's Order No. 14 on procedures for estimating employment expected to result from financial assistance projects. The order provides detailed instructions to ARA personnel on the evaluation, substantiation, periodic review, and adjustment of estimates of employment expected to result from the projects.

GAO conceded that these corrective measures should result in more reliable appraisals of the probable number of employment opportunities to be generated by the projects in the various redevelopment areas.

GAO REPORT OF DECEMBER 30, 1964

INEFFECTIVE ACTION TAKEN IN APPROVING AND ADMINISTERING A LOAN TO VINELAND AND SOUTH JERSEY COOPERATIVE EGG AUCTION AND POULTRY ASSOCIATION, INC.

The Administrator of ARA, under section 6 of the Area Redevelopment Act, makes loans to aid in financing industrial or commercial projects located in designated redevelopment areas which can reasonably be calculated to provide permanent employment. ARA procedures specify that financial assistance will be authorized only after assurances are received regarding the expected increase in permanent new employment. ARA felt that a statement by a potential borrower in writing specifically reporting the anticipated permanent new employment was satisfactory assurance as to the expected employment effect of ARA projects.

GAO advised that their review disclosed that the ARA took certain ineffective action in approving and administering a loan of \$42,250 under section 6 of the Area Redevelopment Act to the Vineland and South Jersey Cooperative Egg Auction and Poultry Association, Inc., in Vineland, N.J. GAO felt that in processing a loan for approval neither the ARA nor the delegate agency, Small Business Administration (SBA) adequately examined into the number of employment opportunities which could reasonably be expected to result from the project. The loan was approved in May 1962, on the basis that existing employment would be maintained and 27 new jobs would be created. As of March 1964, there had been, instead, a reduction of eight jobs since loan approval.

GAO alleged that SBA disbursement of ARA loan funds contrary to the conditions stipulated in the ARA approved loan authorization, was improper and resulted in the excessive disbursement of Federal funds totaling about \$18,000 to the above-mentioned organization. GAO's review of the borrower's records show that the conditions of the loan authorization had not been met at the time the full amount was disbursed, project costs having amounted to only \$43,493 rather than \$65,000.

Section 6 of the Area Redevelopment Act authorizes the Secretary of Commerce acting through the ARA Administrator, to make commercial or industrial loans to borrowers provided that such assistance shall not exceed 65 percent of the aggregate cost of the project.

GAO found that funds available to the borrower from private sources, which would have permitted the reduction of the amount of Federal financial assistance to the project, were not utilized to the maximum extent possible. Consequently ARA authorized the loan which was \$9,750 in excess of the amount of Federal assistance which would have otherwise have been necessary. It is to be noted that the Area Redevelopment Act provides that financial assistance under the act shall not be extended if assistance is otherwise available from private lenders on reasonable terms.

ACTION TAKEN

ARA by letter of April 25, 1965, stated that SBA had acknowledged that the funds in question were in fact disbursed contrary to the ARA authorization. However, SBA had reported that inasmuch as the funds were being used for the general purposes intended, the borrower was permitted to retain them.

As recommended by GAO, ARA asked the Small Business Administration to evaluate employment opportunities as part of future investigations, and ARA issued a policy concerning the maximum participation of private lenders in the ARA program.

GAO REPORT OF JANUARY 12, 1965

INADEQUATE EVALUATION OF EMPLOYMENT OPPORTUNITIES TO BE CREATED BY TWO INDUSTRIAL AREA REDEVELOPMENT PROJECTS

GAO found that the Administrator of ARA had approved Federal loans for two industrial projects without having adequately evaluated the permanent new employment opportunities to be created by each project. One of these projects was a plastics manufacturing plant which requested Federal financial assistance in June 1962. The other industrial project was a seafood processing plant where a request was made for Federal financial assistance in August 1961. Both the ARA and the Small Business Administration—SBA (which is responsible for carrying out certain functions and duties in the area redevelopment program) had placed almost complete reliance upon the applicant's representations as to the number of new jobs to be created by the projects. GAO felt proper analysis of the available information, regarding the plastics plant, would have shown that only 165 new employment opportunities could reasonably have been expected rather than the 450 anticipated by the loan applicant. They also felt that only 126 new employment opportunities could have been expected in the seafood processing plant loan rather than the 350 jobs the applicant had initially estimated.

ARA procedures specify that financial assistance be authorized only after assurances are received that permanent new employment opportunities would be created. With respect to loans for industrial or commercial facilities, ARA considered that statements by the potential borrowers, in writing, specifically reporting the anticipated new permanent employment opportunities were satisfactory assurance as to the expected employment effect of area redevelopment projects. ARA required also that applicants for loans furnish projections of annual income and expense for their projects.

ACTION TAKEN

ARA agreed with GAO's conclusion that ARA's and SBA's reviews of employment potential should not place almost complete reliance upon the applicant's representations as to the number of jobs to be created by the project.

By way of implementation, ARA on September 18, 1964, issued Administrator's order No. 14 which related to procedures for estimating employment expected to result from ARA financially assisted projects. The order provides detailed instructions to ARA personnel on the evaluation, substantiation, periodic review, and adjustment of estimates of employment.

The Area Redevelopment Administrator also agreed with GAO's further proposal and, on October 26, 1964, requested SBA to make the evaluation of the number of new job opportunities which could reasonably be expected to be generated by proposed projects, a formal requirement of all financial investigations undertaken for ARA by the delegate agency. SBA agreed to do so.

GAO REPORT OF JANUARY 25, 1965

DEFICIENT FINANCIAL ANALYSIS WHICH RESULTED IN APPROVAL OF UNNEEDED GRANT

This report deals with a GAO review of circumstances under which the ARA authorized a grant of \$118,000 to the pueblo of Laguna, Laguna, N. Mex., for the purpose of financing the cost of public facilities to serve an industrial plant, despite the availability of financial information which showed that the project could have been undertaken without Federal grant assistance.

In December 1962, the pueblo of Laguna, an Indian tribe, submitted to ARA a proposal requesting financial assistance for the purpose of construction an access road and water, sewer, and gas facilities to serve a new industrial plant which the Pueblo planned to build for lease to an electronic parts manufacturer, and a public housing project. In the project proposal submitted to ARA for grant assistance the pueblo stated that it was unable to finance construction of the public facilities themselves. However, it was noted that prior to requesting ARA financial assistance, the grantee had obligated a total of \$940,000 of tribal funds, pursuant to agreements between itself and the electronic parts manufacturer. It was also noted that a Community Facilities Administration (delegate agency) employee, during his attendance at a tribal council meeting learned that the grantee was "one of the wealthiest Indian tribes in the country"

due to the income received from the lease of that portion of the reservation upon which uranium had been discovered and was being mined. GAO pointed out that the grantee's cash balance at the end of 1962 was \$1,213,652 and that the market value of the grantee's investment in stocks and bonds at the end of 1962 was \$9,867,685.

In August 1963, CFA recommended to ARA that inasmuch as the above assets had not been reported previously, the grant contract be rescinded and a loan of \$118,000 be offered. ARA declined to accept CFA's recommendation and directed CFA to proceed with the approved project.

ACTION TAKEN

ARA, by letter, agreed with the GAO position that financial statements from applicants for grants should be analyzed to determine the amount and sources of income, the purpose of disbursements, and the composition of net worth. Agency added that ARA employees had been informed of the importance of such analysis in considering grant applications.

ARA also asked the Commissioner, Community Facilities Administration, to bring the matter to attention of employees involved in processing ARA applications for financial assistance.

GAO REPORT OF MARCH 9, 1965

NEED FOR BASIC IMPROVEMENT OF (ARA) ACCOUNTING SYSTEM TO ENABLE THE DEVELOPMENT OF ADEQUATE FINANCIAL INFORMATION

GAO report of March 9, 1965, found that basic improvement in the ARA system was needed to enable agency to provide reliable and meaningful financial information for use by Administration in controlling and appraising ARA program's performance.

In light of Accounting and Auditing Act of 1950, ARA accounting system did not provide for development of costs by activities and functions. Also, "delegate agencies" were not required to report their administrative expenses to Administration by specific program activities performed on ARA's behalf nor did all these agencies report such expenses on an accrual basis.

The deficiencies discovered by GAO were "of such significance as to preclude approval of the accounting system. Accordingly, we curtailed our review pending thorough review of the system by responsible officials."

ACTION TAKEN

Administrator advised GAO that ARA would begin immediately to design an accounting system that would have the flexibility to account for program activities and subdivisions thereof, and would thereafter ask "delegate agencies" to provide program cost data in like manner.

GAO REPORT OF MARCH 31, 1965

UNNECESSARY GRANT APPROVED TO ASSIST IN FINANCING DEVELOPMENT OF THE KEYSTONE INDUSTRIAL PARK OF THE SCRANTON LACKAWANNA INDUSTRIAL BUILDING CO.

GAO report alleges that ARA erroneously made a grant of \$322,000 to Slibco (Scranton Lackawanna Industrial Building Co.), a private developmental, non-profit corporation owned entirely by the Scranton, Pa., Chamber of Commerce. Purpose was to aid in construction of an industrial park.

GAO found that, in determining whether a loan, rather than a grant should be made, the delegate agency of ARA, Community Facilities Administration failed to consider certain significant financial resources available to the grantee, which it derived from operations. In contrast, the grantee's total financial resources were given significant weight by the ARA and the Small Business Administration in determining the grantee's loan repayment ability in connection with its separate request for a loan, under section 6 of the act, to assist in financing the construction of a plant building.

It was contended by GAO that under ARA's own "Financial Assistance Guidelines" of May 1962, the grant part of the above undertaking should have been turned down in view of the act's requirement that in all cases "a loan be made for the maximum amount that can reasonably be repaid in preference to a grant."

ACTION TAKEN

In reply letter dated April 22, 1965, ARA stated that it will record the Comptroller General's recommendation so that it will be available for consideration later, should an extending program of grant assistance be recommended by Congress on terms comparable to the present law. Meanwhile, no appropriated funds or authorization remained for extending grant assistance under the Area Redevelopment Act.

GAO REPORT DATED APRIL 1965

POSSIBLE NEED FOR CLARIFICATION OF STATUTORY PROVISION LIMITING THE AMOUNT OF FEDERAL FINANCIAL ASSISTANCE TO INDUSTRIAL OR COMMERCIAL PROJECTS

In GAO's review of activity of the ARA under section 6 of the Area Redevelopment Act they found that for projects involving the expansion or improvement of industrial or commercial facilities owned by an applicant, the Administration has interpreted the statutory provision which limits Federal financing to 65 percent of aggregate project costs to permit, under certain circumstances, the inclusion in project costs of all or part of the value of the applicant's existing land and facilities. As a result of this interpretation of law, the Administration has in a number of cases approved Federal financing of more than 65 percent and in some cases 100 percent of the new capital expenditures required for industrial or commercial area redevelopment projects.

GAO feels that although the language of the statute and its legislative history are not clear in this respect, they believe that the legislative intent may have been to limit Federal financing to 65 percent of the new capital expenditures required for a project and to require the remaining 35 percent of the funds needed for new capital expenditures be secured from non-Federal sources.

Proposed legislation (H.R. 6991), section 6(b) (9) of the Area Redevelopment Act, would provide that loan assistance not exceed 65 percent of the aggregate cost to the applicant of acquiring or developing land and facilities and of constructing, altering, converting, rehabilitating, or enlarging the building or buildings of a particular project.

GAO is recommending that Congress in considering the specific section in question in H.R. 6991 clarify the intended application of the limitation on Federal financial assistance to industrial or commercial projects involving the expansion of existing facilities.

GAO feels that since the objective of the act is to assist in providing new employment opportunities, the Congress may have intended that aggregate project costs include only the cost of those items which reasonably must be acquired, constructed, or developed and the value of that property which reasonably must be newly committed to provide the additional employment opportunities contemplated. If this was the intent, the value of previously acquired assets owned by an applicant, which are not to be dedicated to a new use in connection with the project but rather are to be continued in their previous use, should not be included in an aggregate project cost. The applicant's investment in such existing assets and the contribution of such assets to employment in the area would in all probability remain the same irrespective of whether the project was undertaken.

ACTION TAKEN

ARA advised GAO that it has no objection to the possible need for such clarification being brought to the attention of Congress.

GAO REPORT DATED APRIL 30, 1965

FEDERAL PARTICIPATION IN UNNECESSARY PROJECT COSTS RESULTING FROM FAILURE TO PROPERLY RECOGNIZE EFFECT OF INTERCORPORATE OWNERSHIP

The ARA approved and disbursed a loan of \$355,000 to Far West Fisheries, Inc., Anacortes, Wash., to assist in financing the purchase and improvement of an existing salmon cannery, although \$500,000 of the \$700,000 total project cost was to be paid by the borrower to its parent corporation for the plant which was owned and being operated by the parent corporation. GAO advised that ARA and the delegate agency, Small Business Administration (SBA) were aware that an intercorporate relationship might exist which would negate the justification for Federal assistance in financing the total project as proposed. It is also to be

noted that neither agency made a sufficient review subsequent to the incorporation of the borrower to disclose the true relationship between the two corporations.

The ARA stated that the contemplated purchase of the plant by the borrower was bona fide at the time the loan was approved and that it was not aware of the control of the borrower by the parent company until after about \$335,000 of the \$355,000 Federal loan had been disbursed.

GAO feels that it is evident that the review efforts by the ARA and the SBA were largely ineffective, especially in view of the ARA's stated concern as to the relationship between the borrower and the parent company and the fact that the borrower was not yet incorporated at the time the loan was authorized.

GAO recommends that whenever a loan is authorized prior to the incorporation of the prospective borrower, the ownership interest and/or corporate composition of the prospective borrower be specifically reviewed at the time of loan closing and a positive finding be made that the relationship of the borrower to any party having an interest in the project is not such as would adversely affect the justification for the requested financial assistance. GAO also recommends a provision making the preceding finding by the SBA a condition precedent to disbursement of loan funds.

ACTION TAKEN

ARA and the delegate agency, SBA, each agreed with GAO's finding and with GAO's proposal that the case be brought to the attention of individuals responsible for actions taken thereon.

In addition, SBA admonished the staff members responsible for the handling of the case, and has issued remedial instructions intended to prevent any recurrence of such a situation. Loan specialists will be held responsible in future for identifying any intercompany relationship encountered while processing ARA loan applications, and for investigating any indications of change in interests of individuals or of the applicants' corporate structure subsequent to approval of an ARA loan.

GAO REPORT OF MAY 3, 1965

GAO REPORT ENTITLED OVERSTATEMENT OF JOB OPPORTUNITIES ESTIMATED TO BE CREATED IN ECONOMICALLY DEPRESSED AREAS

GAO review of section 6 projects of the ARA was predicated upon information which the ARA presented in hearings before a subcommittee of the Committee on Appropriations, House of Representatives. The ARA reported that as of February 1964, 285 loans had been approved which it was estimated would create 34,168 jobs after 1 year of operation.

GAO's review of 80 projects which had received financial assistance under section 6 of the act and where the facilities provided by such assistance had been in operation for 1 year as of September 1964 disclosed that these projects had actually created 4,912 jobs whereas the ARA reported that 9,539 jobs would be created within that time. The agency's estimate of jobs exceeded the actual number by approximately 94 percent. If what GAO found for the 80 projects were true for all of the 285 projects it would appear that the ARA's estimate of 34,168 jobs to be created was overstated by approximately 16,600 jobs.

GAO attributed part of the overstatements by ARA to the agency's having merely relied on the statements of estimated employment furnished by the borrowers, while making no use of available financial and other information for the purpose of evaluating the estimated employment effect.

The GAO report made no recommendations, "in view of the procedures initiated by the Area Redevelopment Administration and implementation of these procedures."

ACTION TAKEN

Subsequent to initiation of GAO's review, ARA on September 18, 1964, issued new procedures for estimating employment expected to result from its financial assistance projects (Administrator's Order No. 14). The order provides detailed instructions to ARA personnel on the evaluation, substantiation, periodic review, and adjustment of estimates of employment expected to result from the projects.

In addition, pursuant to the GAO proposal, ARA requested SBA to make the evaluation of the number of employment opportunities which can be reasonably expected to be generated from proposed projects a formal requirement of all financial investigations undertaken for ARA. SBA advised GAO that it would carry out this responsibility as requested by ARA.

GAO expressed its belief that the revised procedures, if effectively implemented and administered, should result in a more reliable appraisal of the probable effect of proposed projects on job opportunities in redevelopment areas.

GAO REPORT OF MAY 6, 1965

LACK OF COMPLIANCE WITH STATUTORY REQUIREMENT FOR LOCAL FINANCIAL PARTICIPATION IN AREA REDEVELOPMENT PROJECTS

Section 6 of the Area Redevelopment Act requires that federally assisted industrial or commercial projects be partially financed by a State or local government or an area or a community organization. GAO's review disclosed a number of projects for which all or part of the required State or community financing was in fact supplied by the borrower or its principals. It is GAO's opinion that these financing arrangements, although consistent with the Administration policy then in effect, were not consistent with the objectives meant to be served by the applicable statutory provision, and their approval by the Administration was, therefore, improper.

The legislative history of the Area Redevelopment Act, both prior and subsequent to its enactment, shows that the requirement for State or community financial participation was intended to insure that each project assisted under section 6 of the act had the active support of the community in which it was located, as evidenced by the willingness of the State or local government or an area or a community organization to invest funds in the project in the amount of 10 percent of the aggregate project cost and to assume a risk position subordinate to that of the Federal Government.

In GAO's opinion, the mere channeling of funds of the borrower or of others having an interest in the project substantially identical to that of the borrower through a local development corporation and back into the borrower's project, without such corporation's undertaking a bona fide financial risk with respect to the project, does not constitute compliance with the terms of section 6(b) (9) (B) of the act.

GAO feels that as a practical matter, the only effective means of achieving the purpose is to require that the 10-percent funds secured for each future section 6 project constitute a bona fide investment by State or local government or an area or community organization meeting the requirements of the aforementioned section of the act. GAO feels that the only effective means would be to prohibit prospective borrowers or others having a substantial identical interest from supplying funds to a local development corporation to enable it to participate in the borrower's project.

ACTION TAKEN

By letter of April 20, 1965, ARA advised it had suspended its policy providing that a prospective borrower may contribute to an LDC (local development corporation); that this was an interim policy pending formal revision of its policy. (See p. 19 of report.)

(Note that H.R. 6991, sec. 202, decreases the 10-percent local contribution to 5 percent, and that even the latter may be waived by the Secretary when such funds not available to the project because of economic distress of the area.)

GAO REPORT OF MAY 12, 1965

FEDERAL LOAN ASSISTANCE FOR PLANT ACQUISITION AND IMPROVEMENT RESULTED IN NO NEW EMPLOYMENT OPPORTUNITIES WITHIN REDEVELOPMENT AREA IN WHICH THE PLANT WAS LOCATED

ARA in 1962 committed \$494,000 to assist the Josephine Plywood Corp., Portland, Oreg., to acquire and improve an industrial (plywood) facility at Happy Camp, Calif. The loan was approved and funds disbursed despite modification in the original proposal by the borrower which nullified the increase in jobs originally estimated as an incident to the proposal.

As result, Federal loan funds in the amount of \$494,000 were made available to a borrower for the acquisition and improvement of a plant which created no additional employment in the redevelopment area in which the plant was located.

GAO proposed that the Area Redevelopment Administrator institute procedures under which any modification in a proposed project in connection with which Federal loan assistance is granted will be evaluated as to its effect upon increased employment opportunities. GAO proposed further that the Administrator issue a policy directive prohibiting disbursement of any Federal funds for the benefit of a project that entails the acquisition, modification, or construction of facilities or equipment of a nature which could affect the number of employment opportunities to be created, until firm plans and specifications for such facilities or equipment have been reviewed and approved by ARA.

ACTION TAKEN

ARA agreed with GAO's first proposal (new procedures to safeguard against modifications in a proposed project which would limit the proposed increased job opportunities), but did not comment specifically on the second proposal (re policy directive blocking funds from ARA until borrower has submitted firm plans and specifications).

STATEMENT OF ARTHUR SCHOENHAUT, DEPUTY DIRECTOR, CIVIL ACCOUNTING AND AUDITING DIVISION; ACCOMPANIED BY CLERIO PIN, ASSISTANT DIRECTOR, CIVIL ACCOUNTING AND AUDITING DIVISION; GREGORY AHART, SUPERVISORY ACCOUNTANT, CIVIL ACCOUNTING AND AUDITING DIVISION; SHERMAN HENIG, SUPERVISORY ACCOUNTANT, CIVIL ACCOUNTING AND AUDITING DIVISION; AND RALPH RAMSEY, ASSOCIATE GENERAL COUNSEL, GENERAL ACCOUNTING OFFICE

Mr. WRIGHT. Now we have five gentlemen from the General Accounting Office, Mr. Arthur Schoenhaut, the Deputy Director; Mr. Clerio Pin, the assistant director; Mr. Gregory Ahart, supervisory accountant; Mr. Sherman Henig, supervisory accountant, and Mr. Ralph Ramsey, the associate general counsel, all of the General Accounting Office.

If these gentlemen all will come forward, we will be glad to have you here at this time.

The General Accounting Office has done very fine work in many matters relating to oversight in Government operations. It is, as one of our committee members commented yesterday, the "Monday morning quarterback" of the Government to a very large extent.

They carefully survey the films of the game, as it has been played, and seek to find those places where maybe the wrong play has been called, and we will hear from them hopefully in the interest of calling the right play next Saturday afternoon.

I believe Mr. Schoenhaut is the primary spokesman for the General Accounting Office. I notice, Mr. Schoenhaut, in your prepared statement, you have presented to the committee quite a lengthy and comprehensive report of some 26 pages.

I wonder what would be your pleasure in this regard, as we hope to conclude these sessions this morning: Would it be convenient or practical for you to summarize the main points and then let us discuss these points or would you wish to read the statement in its entirety?

Would it be acceptable to make it a part of our record at this point? What would be your pleasure?

Mr. SCHOENHAUT. First let me say that the Comptroller General asked me to express his regrets at not being able to appear here today.

He was available yesterday, as you indicated, but was committed to appear before another committee of the House this morning.

As far as our statement is concerned, I had rather not try to summarize it. We can either insert it in the record, if you so desire, or we can take it comment by comment and discuss it or I can read it all at once.

Really, we are at the pleasure of the chairman and the committee.

Mr. WRIGHT. Well, suppose we proceed on this basis then.

Off the record.

(Discussion off the record.)

Mr. WRIGHT. Very well. The committee will be interested in hearing from you.

Mr. SCHOENHAUT. Mr. Chairman and members of the committee, we appear before you today to present our views on titles I, II, and IV of H.R. 6991, "A bill to provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically depressed areas and regions."

In his letter dated March 31, 1965, transmitting a draft of this bill to the Congress for consideration, the President stated that the bill was based upon experience under the accelerated public works program and the area redevelopment program.

The purposes of the bill are matters of policy for consideration by the Congress and we, therefore, make no recommendation as to its enactment. We have, however, comments which we believe are desirable for consideration by the committee during its deliberations on the bill.

Our comments relating to titles I, II, and IV of the bill are based largely upon information disclosed through our reviews of the various activities of the Area Redevelopment Administration, Department of Commerce, and other Federal agencies, under the Area Redevelopment Act (42 U.S.C. 2501) and the Public Works Acceleration Act (42 U.S.C. 2641).

As a result of our reviews, we have issued 17 reports to the Congress and 1 report to the Senate Committee on Banking and Currency. Certain of our reports to the Congress directly relate to provisions of the proposed legislation being considered by the committee and will be discussed briefly during our testimony today.

Other of our reports concern the degree of effectiveness achieved by the cognizant Federal agencies in administering selected aspects of the two programs and the accuracy of certain reported accomplishments or expected accomplishments of the programs.

Copies of these reports have been made available for your information and use.

Section 101 in title I and section 201 in title II of the bill would authorize the Secretary, subject to certain conditions, to make grants and loans to assist in financing improvements for public works, public service, or development facility usage.

These provisions, in effect, replace and enlarge the scope of sections 7 and 8 of the Area Redevelopment Act.

Because the terms "public works, public service, or development facility usage" convey broad meanings and could encompass a wide

range of types of facilities, you may wish to define or have defined in more specific detail the types of facilities which will be eligible for financial assistance under these provisions of legislation.

Mr. WRIGHT. At this point, Mr. Schoenhaut, are you familiar with the list of suggested eligible types of programs that was presented to this committee and, I believe, also to the Senate Banking and Currency and Public Works Committees by the Secretary of Commerce earlier in these hearings?

Mr. SCHOENHAUT. Yes, sir. At least we are familiar with the one presented to the Senate Committee on Banking and Currency and the Senate Public Works Committee.

Mr. WRIGHT. I presume that it is similar, if not identical, to the list that was presented by the Secretary of Commerce to our committee.

Having reviewed that list of activities, do you feel that it contains a fairly definitive description of the types of activities that we seek to cover under this terminology?

Mr. SCHOENHAUT. Mr. Ramsey.

Mr. WRIGHT. Mr. Ramsey?

Mr. RAMSEY. Yes, sir. Mr. Chairman, we think that that list is very helpful if it can be considered as part of the legislative history of any enactment that may result from this particular bill.

It is perhaps not completely definitive. That indicates some of the types which will and some of the types which won't be. Our problem might arise if we run into something which falls into neither of the categories specified in the list which the Secretary submitted.

Now, of course, it is quite true that if there were an attempt made in the legislation to put a definition in we might run into the same trouble, but anything which is specified in the legislative history, I think, is helpful, although I don't believe that it completely cures the problem we raise.

I am not sure whether it can be completely cured.

Mr. WRIGHT. Well, now, of course, you gentlemen have not been writing legislation but you have been reading legislation. You can appreciate how awkward it would be for the committee to write into the bill itself a total list of what types of projects and undertakings it did regard as eligible and what types it did not regard as eligible.

It would make an interminably lengthy document of the bill.

Mr. RAMSEY. We had some comment which we made on this list, I believe, as it was submitted to the Senate committee and, with the chairman's permission, perhaps I could read a couple of paragraphs here that dwell on that point.

Mr. WRIGHT. You are reading from the testimony that some of your people gave to the Senate committee at this point. Is that what it is?

Mr. RAMSEY. No, sir; it is from a letter which we sent to the Chairman of the Subcommittee on Production and Stabilization, Committee on Banking and Currency of the Senate.

Mr. WRIGHT. All right.

Mr. RAMSEY. We said, "We believe that the coverage of the act will be broadened by permitting the projects which will directly or indirectly tend to accomplish its objectives, including those of the Economic Opportunities Act."

"Possibly the Secretary will no longer feel it necessary to find that the project would trigger the location or expansion in the area of a business offering new employment but only that it would enhance the prospects.

"Moreover, the objectives of the Economic Opportunity Act lie generally in the fields of education and vocational training. Such assistance is more likely to alleviate unemployment if it lies in the field of foreseeable need in terms of the approved overall economic development programs."

Mr. WRIGHT. Well, now, you state that this language, in which the committee seeks to require that any eligible project would directly or indirectly improve the opportunities for employment, is broader or potentially broader than the old act.

Now, if I understand it correctly, this would be a somewhat broader interpretation of eligibility for accelerated public works types of projects than existed in the old act under the Area Redevelopment Administration.

Mr. RAMSEY. Yes, sir.

Mr. WRIGHT. But as I interpret it, it is a more restrictive requirement than existed in the old Accelerated Public Works Act.

If I understand correctly what we are endeavoring to do, we are trying to require that these public works projects, undertaken in conjunction with municipalities, would be not only useful in and of themselves but under this new act would improve the climate and the atmosphere for private employment in the private sector.

Do you not feel that this is less broad and more restrictive than the old Accelerated Public Works Act was?

Mr. RAMSEY. I think so, sir, under the old Accelerated Public Works Act but not under the Area Redevelopment Act. I think it is broader on that.

Mr. WRIGHT. You may proceed.

Mr. HARSHA. Mr. Chairman, may I ask a question?

Mr. WRIGHT. Yes.

Mr. HARSHA. As I understand your position on this, sir, the use of these descriptive phrases of "public works, public service, or development facility usage" is not limited to the list of projects supplied and previously referred to but, rather, these descriptive phrases may include a broad spectrum of various areas which we could get into under this bill.

Mr. RAMSEY. The comment that I made, sir, I think was to the effect that this was helpful as part of the legislative history isofar as it went. We weren't sure what conclusion would be arrived at in case we had projects that did not fall into either the permissible or prohibited or precluded areas on the list which the Secretary sent over. And—

Mr. WRIGHT. What types of projects exactly do you have in mind now that are in the twilight zone that are not included in either list?

Mr. PIN. We have this list, sir, and we are assuming it is identical, but yesterday during the testimony I think the Administrator mentioned fire and police stations.

Now, these are not listed on this list that we have. That was introduced in the Senate hearings.

Mr. WRIGHT. I beg your pardon?

Mr. PIN. This list that we have does not include the fire and police stations that reference was made to yesterday.

Mr. WRIGHT. Yes. Well, fire and police stations were discussed yesterday. It is my understanding that the concensus was that inasmuch as they have a direct bearing on insurance rates and matters of this kind, that they, under the public works feature of the bill, would be regarded to have some connection with preparing a community for industrial development.

Do you have a different view on that?

Mr. PIN. No, sir. This is the point that we are coming down to, and we would like it clarified for the record as to exactly what it will comprehend.

Mr. WRIGHT. Yes.

Mr. PIN. If it is public works generally, that would be——

Mr. WRIGHT. Well, we discussed fire and police stations in the committee. Do you have other examples of facilities that you would like to discuss or raise questions about?

Mr. SCHOENHAUT. We wouldn't be sure, for example, whether a community center would qualify or a dancehall or a football stadium or a vocational or preuniversity public school building.

Mr. WRIGHT. Well——

Mr. HARSHA. Will the gentleman yield?

Mr. WRIGHT. Yes.

Mr. HARSHA. If I understood correctly the testimony from Mr. Batt on the 10th, he indicated that there would be supplemental grants available for such things as vocational schools and regional libraries related to commercial development, airports, watershed protection, and such as that. Is that correct?

Mr. SCHOENHAUT. I am not familiar with that part of his testimony. However, I think the point we are trying to make here is that the criteria which we propose would be for the purpose of requiring that the Secretary make certain that there is a reasonable and logical basis for expecting that the project approved would contribute to the main purposes of the bill as stated in section 2, that is, new permanent employment opportunities and how it was expected to create such opportunities consistent with the approved overall economic development program for the area.

Mr. WRIGHT. If we were to pass the bill, as it is presently before us, that language is included, is it not, in section 2 of the bill?

Let me call your attention to language which does occur in the bill. I believe it is on page 3, line 15:

(A) the project for which financial assistance is sought will directly or indirectly tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities, otherwise assist in the creation of additional long-term employment opportunities for such area, or primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964.

The further requirements exist, of course, that the project for which a grant is requested will fulfill a pressing need of the area and that the area itself qualifies for this assistance.

Now, do you feel that this language is remiss? Do you think it is deficient or that it does not spell out exactly what we are hoping to achieve?

Mr. SCHOENHAUT. If we can read the next paragraph or two of our statement it will probably cover this point.

Mr. WRIGHT. Well, why don't you proceed with the reading of that then?

Mr. SCHOENHAUT. Under the proposed legislation, the project for which financial assistance is sought must directly or indirectly either tend to improve the opportunities for the establishment or expansion of commercial or industrial facilities; assist in the creation of long-term employment, benefit the unemployed and members of low-income families, or otherwise further the objectives of the Economic Opportunity Act of 1964.

Under a somewhat comparable provision of the Area Redevelopment Act the Secretary was authorized to extend financial assistance to public facility projects if he found that the project would tend to improve the opportunities for the establishment or expansion of commercial or industrial plants or facilities which would provide more than a temporary alleviation of unemployment or underemployment.

In an effort to assure that public facility assistance results in a maximum of permanent jobs, the administration adopted the position that assistance under sections 7 and 8 of the act would be given only where it would trigger the location or expansion of a factory or business which would create new employment.

As the stated purpose of the proposed legislation is to provide financial assistance needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions, the committee may wish to consider modifying the bill to require the Secretary to make certain prior to approving such a project that a definite relationship exists or will exist between the project and the new permanent employment opportunities.

This suggestion would appear to be consistent with the Area Redevelopment Administration's stated policy.

Mr. WRIGHT. Now, on that point it was not my understanding that in the original Accelerated Public Works Act any definite relationship was required.

As a matter of fact, I have a feeling, if I am not mistaken, that the original Accelerated Public Works Act had as its primary objective the putting of people to work as quickly as possible on the project itself rather than the multiplier effect of the project.

Is that not correct?

Mr. SCHOENHAUT. That is correct.

Mr. WRIGHT. And yet you are stating that under that act the administration took a somewhat more long-range view and made the requirement that these projects be approved only where they would trigger location or expansion of a factory.

Mr. SCHOENHAUT. No, sir. We are speaking about the Area Redevelopment Act.

Mr. WRIGHT. Oh. I misunderstood. I see. Well, now, these public works projects are not under the Area Redevelopment Act, are they? Are they not under the accelerated public works feature of our act?

These are grant projects. These are not loan projects that we are talking about, are they? Are they not grant projects?

Mr. SCHOENHAUT. Yes, sir; and there was provision for grant projects, public facility projects under the Area Redevelopment Act.

Mr. WRIGHT. Now, I would like to get your thoughts on what constitutes a relationship between a project and future private business employment opportunities. Two or three thoughts suggest themselves to me.

Let us suppose that a community were to undertake to have an industrial park with a railroad spur and to construct certain street or local facilities to this industrial park as well as to extend certain utilities to it, hopeful of making it attractive for a new industry to come in.

I know hat many municipalities have done this. In your opinion would this have a relationship with new employment or new factories?

Mr. PIN. Yes, sir. In fact, under the Area Redevelopment Act projects of that nature were approved.

Mr. WRIGHT. Yes; and so you have no objection to that? You think that is in keeping with the meaning of the act?

Mr. PIN. That is right, sir.

Mr. WRIGHT. Now, let us say, for example, a certain other type of development might come in to create the basic infrastructure of a community. I am thinking of water treatment facilities.

I am thinking of facilities to capture additional and better water supplies for the community, sewage treatment plants, and things of this nature.

Do these, in your judgment, have a relationship to attracting a new industry?

Mr. PIN. I think, also under the Area Redevelopment Act, that type of project was approved.

Mr. WRIGHT. I see. Yes. I know it has been approved under the——

Mr. PIN. Right.

Mr. WRIGHT. Existing programs that we are considering expanding here, but——

Mr. PIN. There could be a correlation, if that is the point you are making.

Mr. WRIGHT. Well, you are recommending, as I understand it—you folks are recommending our consideration of some additional language to require a definite relationship. Now, a moment ago we were talking about the nebulous language of what constitutes a "facility."

Now, what is the relationship? If we put in this language of requiring a definite relationship are you folks likely to be coming back and saying, "Now, we don't think these things have a relationship"?

Who is going to interpret what is a relationship?

Mr. PIN. What our point is is this, sir: That under the existing legislation you had criteria, and we talked about a facility which qualified under that criteria. Now, we have additional criteria under this legislation.

What we are really looking for is clarification. What will these provisions accomplish that is not already being accomplished?

In other words, each one of these items that we discuss now we apparently came to agreement that they would in some way contribute to the industrial or commercial development. Well, these things were constructed under the existing legislation.

What would be constructed or, rather, what additional type of facilities would be constructed under these provisions?

Mr. WRIGHT. Well, now, you are casting out into the future and engaging in a certain amount of speculation at this point as to what might happen in the future under this new legislation.

Is that what you are doing?

Mr. SCHOENHAUT. We are uncertain as to just what is intended by the additional criteria inserted in the bill before us.

Mr. PIN. It appears to us to be a liberalization. For example—

Mr. WRIGHT. To be a what?

Mr. PIN. A liberalization. Under the Area Redevelopment Act, section 8(a) of the Area Redevelopment Act said that—I will read the entire provision.

Upon the application of any State or political subdivision thereof or tribe or private or public or nonprofit association or association representing any redevelopment area or part thereof, the Secretary is authorized to make grants for land acquisition or development for public facility useage and the construction, rehabilitation, alternation, expansion, or improvement of public facilities within a redevelopment area, if he finds that the project for which financial assistance is sought will tend to improve the opportunities in the redevelopment area where the project is or will be located.

And this provision continues on. Under the proposed bill the language is somewhat similar except that it says—

If he finds that the project for which financial assistance is sought will directly or indirectly tend to improve the opportunities.

Mr. WRIGHT. Well, now——

Mr. PIN. The word “indirectly” would seem to broaden what existed previously.

Mr. WRIGHT. Yes, but——

Mr. HARSHA. Conceivably, under the word “indirectly” any project whatsoever would indirectly contribute to this or tend to improve the opportunities, would it not?

Mr. PIN. We don't know, sir.

Mr. HARSHA. I cannot conceive of any project which somebody couldn't say would not have an indirect bearing on it.

Mr. PIN. We don't know. This is why we thought we should point it out to obtain some clarification.

Mr. WRIGHT. Well, it appears to me that the language proposed in the bill relates these matters to improving opportunities for the successful establishment or expansion of industrial or commercial plants or facilities.

Now, the effect of water development or a sewage treatment plant would be indirect. This is not a factory that is going to provide employment in the private sector. Its effect upon the inducements the community offers to make it attractive for commercial or industrial development is indirect.

I do not think you could say that it is directly contributing to industrial employment, could you?

Mr. SCHOENHAUT. That is right, but another example would be swimming pools which the Administrator lists as the type of project which would not be eligible.

Mr. WRIGHT. Yes.

Mr. SCHOENHAUT. This, too, would enhance the community and affect the people living in the community but that would not be eligible under the——

Mr. WRIGHT. Yes, but would you have us rule out those projects which would have an indirect bearing? You would not have us rule out a sewage treatment plant, would you, for example?

Mr. RAMSEY. Mr. Chairman, no, sir, I think not. I think one of our problems here is that we think, when a finding is made by the Secretary or whoever is required to make the finding, that one of these projects contributes directly or indirectly to the specified criteria, he ought also to turn his attention specifically to the manner in which it will do it or which he thinks it will do it so that the——

Mr. WRIGHT. Don't you think he will do that?

Mr. RAMSEY. I don't know.

Mr. WRIGHT. Well——

Mr. RAMSEY. I assume so but we get into the area of swimming pools and we talk about categorically excluding or including them, and I think probably that the swimming pool depends upon the circumstances.

As I recall, in the testimony there was a comment that it might be justified if it went into the tourism aspect in which additional jobs or opportunities would be—opportunities for jobs would be created.

But if it did not, if it were simply a swimming pool, say, for school-children perhaps a different problem is raised and a different means of justification, if it can be justified, should be used.

I think we want to make certain or at least as certain as we can that attention will be turned toward aiming the program at the objective and that the Secretary or whoever is administering the program will consciously do that, and make a finding showing how he does do it.

Mr. HARSHA. May I ask you this question? One of the things that industry looks for, in looking for a new location, is adequate recreational facilities available for its employees.

Now, if the community had a swimming pool this could very well be a recreational feature which may be an inducement to the industry to locate in that area, and surely you can say that it indirectly contributes to the establishment of the industry in that area, can you not?

Mr. RAMSEY. I would think that that might very well be so under the provisions——

Mr. HARSHA. Let me ask you this question. Supposing the community wants to build a fire station on the mere hope that the lower insurance rates would attract some industry to the community although they had no actual prospects.

Would this be permissible under this legislation?

Mr. RAMSEY. I don't think we really know, sir. That is one of our problems. "If the assistance sought will directly or indirectly tend to improve opportunities."

Now, that is rather broad and I suppose it would not require a specific commitment from anybody. It would not necessarily do that unless in the administration of it some regulation were set up to that effect.

Mr. HARSHA. Well, could that be approved under the present Area Redevelopment Act?

Mr. SCHOENHAUT. We don't think so, under the policy that they have.

Mr. HARSHA. What is that? Under the policy and the criteria set forth in this bill there is a possibility that it could be included or could be constructed?

Under the criteria and the policy of this bill, H.R. 6991?

Mr. SCHOENHAUT. They so indicated in the testimony, I believe.

Mr. HARSHA. Then we are having a broadening of the ARA criteria in this bill?

Mr. SCHOENHAUT. We think so, yes, sir.

Mr. ROBERTS. Mr. Chairman?

Mr. WRIGHT. Yes, Mr. Roberts.

Mr. ROBERTS. Could I ask a specific question?

Mr. WRIGHT. Surely.

Mr. ROBERTS. Under your public service question would you conclude that a cold slurry pipeline or a natural gas pipeline or a power transmission or generating plant would be eligible?

Mr. PIN. One of the hurdles that you would have, sir, is this facility couldn't compete, I don't believe, with an existing private facility.

Mr. ROBERTS. But suppose there was no private facility there? There is no gas pipeline or no slurry pipeline?

Mr. PIN. I am not familiar with the second part; but the gas if—

Mr. ROBERTS. Well, a slurry pipeline is where you go over in his district (Mr. Kee) and take coal and grind it up and shoot it in a solution through a pipeline.

It is a good way to move material.

Mr. PIN. The assumption would be that if this type of facility were necessary to create employment it would seem that the facility would qualify.

Mr. ROBERTS. Thank you, Mr. Chairman.

Mr. WRIGHT. On this point we have been discussing, your suggestion of requiring a finding of a definite relationship, I have before me the report of the Senate Committee on Public Works which has just been released, which includes a rather exhaustive report submitted to that committee in the other body by the Committee on Banking and Currency which, I believe, heard your group and discussed all of these matters with you.

I note in the comments by the Senate Committee on Banking and Currency on this particular point that they say, and I am quoting here:

The Comptroller General has raised a question concerning what types of projects will qualify for loans under section 201 and has suggested the language might be modified to require the Secretary to demonstrate a definite relationship between the project and new permanent employment opportunities.

Then the committee said, and I quote further:

The Secretary of Commerce has testified as to the kind of projects which could become eligible under the language of sections 101 and 201 before both the Public Works and Banking and Currency Committees.

We believe these projects to be a reasonable interpretation of the proposed eligibility language.

I gather the rather strong implication from this report from the Senate Banking and Currency Committee, which discussed these matters with you gentlemen, that they do not feel that any additional language is either necessary or desirable.

Mr. RAMSEY. Mr. Chairman, we have had no opportunity to study that report and, naturally, we don't want to comment on its specifically.

Mr. WRIGHT. Surely——

Mr. RAMSEY. But from your reading of it I would agree with your statement.

Mr. HARSHA. Mr. Chairman, could I ask a further question along the lines which Mr. Roberts was asking of this gentleman?

As I understood you, if I understood you correctly, it was your feeling or your opinion that a gasline could be constructed or be eligible for grants under this program if it contributed to the industrial development of that particular community.

Mr. PIN. Much would depend on the interpretation which Congress would put on the legislation as it is finally passed, but it would seem that if this gasline served to obstruct the development of that community that it probably could qualify.

Mr. HARSHA. Then I assume that an electric power or generating plant or a transmission plant would qualify.

Is that correct?

Mr. PIN. I would assume so, sir. Again subject to——

Mr. HARSHA. In the legislation that we are considering today is the description against public——

Mr. PIN. As I say, subject to the qualification that there is no competition with the private utility. I believe——

Mr. WRIGHT. It would not be possible under the program to make a loan or a grant to put in a facility that would compete with an existing privately owned facility, would it?

Mr. PIN. I think I should read the provision that covers this:

No financial assistance shall be extended under this section with respect to any public service or development facility which would compete with an existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State regulatory body unless the State regulatory body determines that in the area to be served by the facility, for which the financial assistance is to be extended, there is a need for an increase of such service, taking into consideration reasonable foreseeable future needs which the existing public facility is not able to meet through its existing facility or an expansion which it has agreed to undertake.

Mr. HARSHA. Then we get back to the situation we had under the flood control problem or project. I do not know of a public agency that has ever come into the committee and said that there is enough electric power in the area.

They always come in contrary to the industry and say that more electric power is needed. So we are right back to the point where all they have to do is come in and say that electric power is needed.

Then under this legislation they can construct a generating plant, can they not?

Mr. PIN. This is something that we couldn't address ourselves to, sir. I don't know.

Mr. WRIGHT. Why don't you proceed with your statement?

Mr. HARSHA. Before we go any further I would like to ask your opinion of what the words "public service and development facility" means?

How do you interpret those two phrases?

Mr. RAMSEY. I am not sure that we can give you what you would consider to be a definitive definition of "public service or development facility useage."

"Public service," of course, the words themselves appear to be some service which is available generally for the public and, of course, it would have to be on application by one of the agencies mentioned under 101(a).

I am not sure that that helps to define it any more precisely but it would seem to me that "public service" would include any of the types of utilities, transportation, and things of that sort, which are available generally to the public on specified or scheduled terms.

Mr. HARSHA. Well, could a swimming pool be considered in the interest of public service if it is available to the general public?

Mr. RAMSEY. I wouldn't think so, sir. But I think we would have to take each case and look at the facts in connection with it before we could come to a conclusion.

I think such things as electricity, gas, transit or transportation service, and perhaps the police and fire departments might be considered to be a public service.

Mr. HARSHA. Are you able to give me any definitive definition of "development facility useage"?

Mr. RAMSEY. I am not sure that I can, sir. It appears to relate to the development of, or establishment or expansion of, industrial or commercial plants or facilities, and to be for a useage which would contribute to those purposes.

But certainly I would not want to attempt to give any offhand definitive opinion without looking at the particular case and the facts in connection with it.

Mr. HARSHA. That is all.

Mr. WRIGHT. If it is agreeable with the committee then, Mr. Schoenhaut, would you like to proceed?

Mr. SCHOENHAUT. All right, sir.

Section 8 of the Area Redevelopment Act requires a finding that there is little probability that the project could be undertaken without grant assistance and limits the amount of such assistance to the difference between the total cost of the project and the funds which can be practicably obtained from other sources, including loans under section 7 of the Area Redevelopment Act.

Under section 101(a)(1) of the bill the Secretary, in authorizing a direct grant up to 50 percent of project costs, would not be required to make a determination with respect to the applicant's ability to finance a proposed project without Federal grant assistance.

Whether the elimination of the criteria of financial need with respect to the entitlement of a grant up to 50 percent of project costs is essential to foster program objectives is a policy matter for consideration by the Congress.

However, there is one aspect of this matter which we believe would be of interest to the committee.

Under section 403 of the bill, designated economic development centers, which would not necessarily suffer from high unemployment, would be entitled to receive direct grants in accordance with the criteria of section 101.

As such centers may not be economically distressed and may have sufficient financial resources to permit the undertaking of public facility projects with loan financing, the committee might wish to consider whether additional grant entitlement criteria for economic development centers, relating to financial need, should be specified in the bill.

Mr. WRIGHT. Now, I am not quite sure just what you mean. You are stating that the bill does not make any requirement that a determination be made as to whether the project can be financed without Federal grant assistance.

Whereas, this was present in section (a) of the Area Redevelopment Act. Is that it?

Mr. SCHOENHAUT. For economic development centers under section 403 of the bill, yes, sir.

Mr. WRIGHT. Go ahead.

Mr. SCHOENHAUT. Under section 101(a) (2) of the bill, the Secretary would be authorized to make supplementary grants to enable States and other entities within redevelopment areas to take maximum advantage of Federal grant-in-aid programs designated by the Secretary for which, because of their economic situation, they cannot supply the required matching share.

While the meaning intended by this language is not entirely clear, it appears to us that it would require the Secretary, prior to authorizing supplementary grant assistance, to make findings similar to those required by section 8 of the Area Redevelopment Act—that is, that the applicant proposes to contribute to the project in accordance with its ability and that there would be little probability that the project could be undertaken without supplementary grant assistance.

Mr. WRIGHT. I think I agree with that interpretation, that this is what is intended.

Mr. SCHOENHAUT. In this connection our examinations of selected projects under section 8 of the Area Redevelopment Act disclosed that in some instances, the Area Redevelopment Administration did not adequately analyze potential grantees' financial position in determining the need for grant assistance.

In these cases the administration confined its consideration to the revenues or user charges that might be generated by the project and did not fully recognize the total resources available to the potential grantees in determining whether a Federal grant should be made.

It was evident to us that loans on reasonable terms could have been made to finance these public facility projects. In one of our reports to the Congress, we recommended that the Secretary of Commerce require a comprehensive evaluation of a potential grantee's financial condition so as to afford a more realistic basis for determining whether grant assistance was essential to carry out the purposes of the governing legislation.

Mr. WRIGHT. Are you speaking here of a municipality, for example? Would the grantee be a municipality?

Mr. SCHOENHAUT. In one case it was; yes, sir.

Mr. WRIGHT. A municipality?

Mr. SCHOENHAUT. Yes, sir.

Mr. WRIGHT. Was it in a distressed area?

Mr. SCHOENHAUT. Yes, sir.

Mr. WRIGHT. And you are contending that it should not have been the recipient of a grant on the ground that it had not exhausted its local bonding capacity and could have gone out and floated some more bonds?

Is that what you are contending?

Mr. HARSHA. In the case that you are speaking of, that is.

Mr. AHART. In the particular case that we have, which did involve a municipality, the city had undertaken the project prior to—actually prior to, in this case, the enactment of the Area Redevelopment Act. And the city had authorized the floating of bonds sufficient to pay the total project cost.

After the enactment of the Area Redevelopment Act the city came in and requested grant assistance to assist them in financing the project. And the city officials did agree that they could do it or undertake it on a loan basis.

However, in this instance, on the basis that without the grant assistance the city might not be able to undertake some other projects that it had in mind for the future, the Area Redevelopment Administration did authorize the grant.

Mr. WRIGHT. Well, I can understand that. As a former mayor of a city, I know something about the problems of a municipality struggling against its legal bond indebtedness capacity.

And if it were to exhaust all of its permissible borrowing power in order to build a sewage treatment plant, let's say for example, it then would be incapacitated to build roads or other public facilities under the authority.

Do you feel there is anything wrong with assisting a community in a distressed area like that?

Mr. AHART. Well, getting from our standpoint on what the intention of the Congress is in making the determination of the ability of the applicant to finance a project without grant assistance, whether the administration should give consideration to the hopes of the applicant for other projects in the future and plans which the applicant might have down the road for the use of funds which will become available to him, this is a question where we are seeking a clarification as to what the administration should do in administering this provision and making a determination of the need for grant assistance.

Mr. WRIGHT. Did the GAO find fault with the administration for having made this grant to this municipality?

Mr. AHART. Well, in the Area Redevelopment Act the legislative history showed quite clearly that grant assistance was to be used as a pretty much last resort measure, only where the applicant was not able to practically obtain the financing from other sources.

And I would like to quote, if I might—

Mr. WRIGHT. Well, under the present legislation do you not feel that this particular type of a project would fall under the accelerated public works feature of the bill rather than the area redevelopment feature?

Mr. AHART. Well, in contrast, in the stated purpose of the two bills, as we understand it, the accelerated public works program was directed to providing immediate employment, to put people that were looking for jobs that day or that month or so on to work immediately in construction work.

Whereas the purpose of the bill before the committee, H.R. 6991, is to provide permanent and lasting employment and economic improvement.

So that in that sense the purposes of the bill seem to be more in line with the purposes of the previous existing Area Redevelopment Act as opposed to the Accelerated Public Works Act.

Mr. WRIGHT. Yes. The application of the bill encompasses both the types of applicants which typically applied under the area redevelopment legislation and those which typically applied under the Accelerated Public Works Act.

Now, I understand that up to November 1, 1963, there had been 2,842 projects begun with assistance under the accelerated public works program.

Now, would you fault the Administration under the program if it assisted a municipality in a distressed area to build a sewage disposal plant when it was near its limit of bonding capacity in order that this municipality might then go on to do other things on its own to help improve the structures in the locality?

Would you find fault with the Administration for that?

Mr. RAMSEY. Mr. Henig would like to answer that.

Mr. HENIG. If the purpose of this act, sir, is to encompass the public works features of the Accelerated Public Works Act, where there was no requirement for a showing of need on the part of the community, well, we have no objection here.

Under the Area Redevelopment Act that we were discussing before there was a requirement that there be a need shown. In other words, under the Public Works Acceleration Act a locality, in a distressed area, could be a relatively wealthy locality and—

Mr. WRIGHT. Well, of course, that would be true except for the fact that it had to qualify as an area of underemployment.

Now, let's say, for example, that a municipality has a great many needs, as most of them do. It needs new streets. It needs new storm sewers. It needs a new sewage disposal plant.

It needs a new water treatment plant. It needs new police and fire protection and all of these things. Now, within the limits of its bonding powers it cannot do all of those things. It places its No. 1 priority, let's say, on the sewage treatment plant because this is the most critical and urgent of its needs.

Then it is determined that the new sewage disposal plant would have a job productive relationship, that it would make the community more attractive to industry. Perhaps, the community has lost one or two industries just because the people did not want to come in there and live.

Wouldn't you feel that this kind of thing would be eligible for assistance and wouldn't you feel that the community—well, you would not want to penalize this community for deferring these other matters and say that if it were really put to it it could build this one facility, would you?

Mr. HENIG. No, sir. If it is the intention of the Congress or the committee, that there need be no showing that the community can build certain facilities and cannot build others, and this is one of the facilities that it couldn't build if it built the others, we have no objection to that.

Mr. WRIGHT. Well, then are you saying that the committee should not make any such requirement in this legislation?

Mr. SCHOENHAUT. We are addressing ourselves right to the point you are making, I think, Mr. Chairman, and that is whether or not they have the ability to provide any money themselves.

We think that this determination should be made by the Secretary.

Mr. WRIGHT. Do you think the Secretary, or those acting for him, should make such a determination?

Mr. SCHOENHAUT. Let me put it another way. We think, perhaps, you may wish him to make that determination.

Mr. WRIGHT. And he has been the one making the determination under the Area Redevelopment Administration in the past.

Is that correct?

Mr. SCHOENHAUT. That is correct. But in some instances we found where, despite the availability of funds in an Indian tribe or political subdivision, grants were made in their entirety to the specific project.

Mr. WRIGHT. Now, you say—

Mr. HALLECK. Will the gentleman yield at this point?

Mr. WRIGHT. Of course, I will yield to my distinguished colleague.

Mr. HALLECK. I did not mean to interrupt but this thought, as I have been listening to this, has been running through my mind, Mr. Chairman.

If we did not have some such limitation here, where would the end of all of this Federal assistance take us? In other words, if some other project way down the road might be desirable, if that is what is to be involved in the final determination, I am just wondering—and I am asking this for enlightenment—as to where the limits of the Federal effort would end.

Mr. WRIGHT. May I ask, having looked a bit into the particular reports of the General Accounting Office, if the matter you referred to here relates to the Pueblo of Laguna, an Indian proposition, and the Scranton industrial development?

Mr. SCHOENHAUT. Yes, sir.

Mr. WRIGHT. Well, now, you said a bit earlier that you think that the Secretary ought to make this determination. Now, in these cases he did make the determination and you just happened to disagree with his determination.

Now, you do not think that he should come to you and ask you if you agree before he makes his decision, do you?

Mr. SCHOENHAUT. No, but we had expected him to make the determination based on a comprehensive evaluation of the grantee's financial condition.

Mr. WRIGHT. Now, if I understand it, under these particular illustrations, the delegate agency, the Community Facilities Administration in this case under the delegation of powers in the act, did make an inquiry and did investigate these matters and did report to the Secretary that it felt that these particular entities could not afford to bear their share.

It seems to me that this is a case of judgment. GAO believes that the applicants had the ability to pay. The Community Facilities Administration believed that they did not. I should think that this is going to be a rather difficult determination to make. Fortunately, it will not be so necessary under this new legislation, if I understand it,

because there are no 100-percent grants in the new act and, therefore, there is not this wide flexibility that existed under the old act.

Don't you feel that this is an improvement? The new act expects the localities to come up with their share of the costs on these factors.

Don't you feel that this will be an improvement and, to a large extent, remove some of the problems that you have had under this matter?

MR. AHART. First of all, Mr. Chairman, if I may, we are directing ourselves here to the fact that the proposed legislation contains no financial need criteria whatsoever, either within redevelopment areas or in economic development centers which the latter do not have to meet any distressed criteria or unemployment criteria.

Now, under the Area Redevelopment Act such criteria were furnished—financial need criteria. And the Secretary was required to make findings that the applicant was contributing to the project in accordance with its ability and that there would be little probability that the project could be undertaken without great assistance.

Now, taking the Scranton Laguna industrial building project as an example, what the Community Facilities Administration did there, with which the Area Redevelopment Administration agreed, was to give consideration pretty much to just the user charges which the project would generate without taking a look at the company's, the applicant's total financial resources.

And it gets into the kind of a situation as to whether the intent is that the applicant go as far as it can with its own funds and own resources before the Federal Government comes in to assist with grant funds or whether it should get grant funds and maintain its own funds and its own financing capacity and reserve for future projects.

Now, as we read the Area Redevelopment Act and the legislative history of that act, the intent was that the applicant was to go as far as it could with its own financial capacity and then, as a last resort when it exhausted its financial resources or debt capacity, it was to come to the Federal Government with a grant application.

If I might I would like to read the House report on Senate bill No. 1 of the 87th Congress, which was the Area Redevelopment Act, with specific reference to the grants.

In some areas it would be found that a community's needs are so great or its financial resources so limited that it is not practical to improve or expand its public facility entirely on the basis of borrowed funds.

For these areas the bill provides limited Federal grants. Such grants may be made only if the local authority requesting them will contribute to the cost of the project in proportion to its ability to do so and only if the project be aided by the grant—to be aided by the grant could not be undertaken without this assistance.

Now, what we are suggesting here today is that if the committee should wish to provide grant criteria or financial need criteria for grants in economic development centers, that the intent should be made clear as to whether the applicant is to use up its debt capacity before it is entitled to Federal grant assistance or whether it will be entitled to Federal grant assistance for a specific project and be able to hold its own debt capacity in reserve for whatever types of projects it may wish to undertake in the future.

In other words, we are seeking clarification. We think it should be made clear.

Mr. WRIGHT. Do you think the Congress ought to require that a community, before apply for assistance from the Federal Government, thoroughly and completely exhaust its legal bonding capacity?

Mr. AHART. Well, this is a matter for decision by the Congress, sir, and we are just suggesting that the intent, if financial need criteria are provided, that the intent of the Congress in this respect ought to be made clear.

Mr. WRIGHT. Somebody ought to make a judgment as in the case of every law. I can remember Mr. Rayburn on one occasion, and others I am sure can recall him, saying that bad administration of the best law can make a bad law but good and prudent administration even under a poor law can make a good law.

Ultimately we are going to have to rely upon the administrator of any program to make a determination. Now, you simply disagree with the conclusions of the delegated agency in this case.

I think your group performs some very worthwhile services for the Congress. By your very nature you are looking for mistakes. I suppose in a program as big as this one inevitably you are going to find some areas where you disagree with the judgments of the person who is charged with making the judgments.

I note that the Public Works Committee in the other body, in its report filed just this week, states that there is concern that the General Accounting Office is, according to itself, too great a determiner of what congressional intent is without asking for guidance from the appropriate committees, and the report says that to apply rigid private banking standards to this program would be to defeat its purpose.

The GAO should provide constructive criticism which would enable administering agencies to obtain objectives of such act as stated by the Congress.

Now, I gather this is what you are attempting to do now. You are trying to ask for guidance?

Mr. SCHOENHAUT. That is right, Mr. Chairman. I think everything we have said so far and will say is intended to solicit guidance from this committee and the Congress as to just what is intended, and our testimony was not much different before the Senate committee.

Mr. WRIGHT. I think to that end your suggestions and thoughts here today are very helpful.

Mr. HARSHA. Mr. Chairman?

Mr. WRIGHT. Yes.

Mr. HARSHA. I would like to make this observation. I think it is actually contrary to what the other body said or I should say that I think actually the contrary to what that other body said is true. Unless we place some limitation or criteria for need on this program the very purposes of the act are going to be defeated because it is going to be so shotgunned all over the country that there is not going to be enough to do anything worthwhile for the areas who actually need it.

The Federal Government cannot take upon itself to supply the necessary funds to construct all the public facilities that every community needs any more than a community can.

I do not know any community in the United States but what would like to construct more facilities or do more for its people but it is limited by its own resources. Any community could say that if they couldn't get this project or if they could construct this project then

this would preclude them from doing something else in the future that they might like to do.

We have to write, as I understand it, a need into this program because we do not have the facilities or the money to build worthwhile projects in every community in the country.

I must say that I agree with the gentlemen from the GAO, that it would be most wise to write into this legislation the requirement that the communities themselves exhaust all resources that they have available.

Then after that is done, if there are other projects which will meet the criteria of this act, and they can show that they have exhausted their resources and there is a financial need, then they could probably come under this legislation before the Federal Government and ask for assistance.

But I cannot see how we can get into this proposition of conducting or constructing, rather, facilities on the basis that they may be able to meet it at this time but then this will preclude them in the future from constructing some other project.

This thing could be carried on ad infinitum with that sort of program.

Mr. McCARTHY. Will you yield?

Mr. HARSHA. Certainly.

Mr. McCARTHY. I certainly agree with the gentleman from Ohio that some criteria is needed. I would not say necessarily that all of their bonding power should be exhausted but something—I do not know exactly how to phrase it.

I would not feel that they should have completely exhausted their bonding power because I think Mr. Wright has a point there, but a very wealthy town, I do not think, should be eligible for this kind of assistance.

I think of a case in my own district where a very alert, wealthy town government, received assistance under APW because the overall county of Erie in New York was eligible, but there were some other towns that were much more distressed where the caliber of the government was such that they just were not alert and they never got a dime.

Now, here was the wealthiest town in Erie County, the town of Amherst, that received assistance for a recreation center which was a very plush affair and very nice and all of that, but they could have financed that quite easily themselves.

So that I certainly agree with the gentleman, that we should have some sort of criteria in here. I won't say that in my own personal judgment that it should be that they should have completely exhausted their bonding capacity.

But I would think that they would have achieved 80 percent or 85 percent of their potential and then they might be eligible.

Mr. WRIGHT. Will the gentleman yield?

Mr. McCARTHY. Yes, sir.

Mr. WRIGHT. As I understand what the gentleman is saying, the community to which he refers now, while located in a generally depressed area, was a little pocket of—

Mr. McCARTHY. Prosperity.

Mr. WRIGHT. Relative prosperity in that area.

Mr. McCARTHY. Right.

Mr. WRIGHT. And under the law this community qualified?

Mr. McCARTHY. Right.

Mr. WRIGHT. This community was, as the gentleman said, alert and made application. Whereas, other communities, where the need might have been even greater, did not make application?

Mr. McCARTHY. Correct.

Mr. WRIGHT. Well, I can see a situation like that.

Mr. CLEVELAND. Will the gentleman yield?

Mr. WRIGHT. Yes, I will yield to the gentleman.

Mr. CLEVELAND. This is very interesting, and the matter of writing standards into the legislation at the Federal level cuts deep. Of course, one solution of this, I would like to remind the chairman of the committee and the members of the committee, one solution of this problem would be to have this money or to have the program administered more closely, much more closely, in cooperation with State agencies.

I think the members of the committee are losing sight of the fact that the States, as much maligned as the States are, are not without resources to establish these standards.

For example, in my State we have an aid to education and other aid programs that are administered under formulas that select disadvantaged areas of our State, and these formulas are established with great care and are debated at great length in our own State legislature.

And I think that much of this could be avoided if, into this bill, was written a closer alliance between the Federal Government and the State government.

Actually, what is happening here and the reason these standards look so badly when you analyze them is that you are totally ignoring the State government.

I was very interested in a witness before this committee from the State of Illinois. With regard to industrial development there he said he worked very closely with the ARA and he had seen to it that some of these poor communities had gotten representation with the ARA.

But as the gentleman from New York, Mr. McCarthy, pointed out, when you turn loose a Federal program like this and cut it completely adrift in the States then it is a race, it is a race. That is exactly what it is and the race goes to the swift and the communities with the most alert city management, the communities with the most brains, the communities with the get-up-and-go, and they go to Washington and they get their money.

And this is leading to some of these results. Now, this could be handled if the legislation was designed so it worked much more closely with the States. The States know their wealthy communities and their poor ones.

And the State should be participating in this decision.

I think, Mr. Chairman, this is a program that has completely neglected this area, and I think it is leading precisely to this problem.

Mr. WRIGHT. Mr. Kee?

Mr. KEE. Mr. Chairman, I would like to make this observation to present the opposite point of view as expressed by Mr. Cleveland.

No. 1, when you have Federal funds involved, our constituents ask us, "What are you doing in your responsibility to looking after the expenditures of the funds? Obviously you do not cooperate with the State."

Well, I can say this, that when the Area Redevelopment Administration was originally created, and they had their field representatives, all of them who were highly competent men, there was a little battle underway with some of the States, my own State included, where they wanted to make the field coordinators, who reported to the Area Redevelopment Administration, what amounted to a bunch of messenger boys.

The area A had the foresight in the State of West Virginia, which was a national project, to say no, "You work with us but you work very closely."

Now, on these projects as they are coming up, as our chairman said a few minutes ago, and as we covered yesterday, it is due primarily to the initiative of the local people. Now, obviously you want them to cooperate with the State.

Well, I swear, I am absolutely violently opposed to the Congress of the United States abdicating its responsibility to the people and turning this authority over to the States.

Mr. WRIGHT. Gentlemen—

Mr. CLEVELAND. Mr. Chairman.

Mr. WRIGHT. The Chair might make an observation at this point. I think this is a very interesting and productive discussion but one which might more appropriately take place in the committee's deliberations in executive session when it meets to mark up the bill.

Since these gentlemen are here, and we have only about 30 minutes remaining for them, I am in hopes that we might get on with their valuable testimony.

I am informed that our Northwest Flood Bill from our committee is the first thing scheduled for action on the floor today and, therefore, all of the members of the committee expect to be on the floor.

Mr. CLEVELAND. I recognize, Mr. Chairman, that we cannot carry on an extended debate here. I would rather characterize this as dialogue and an exchange of ideas rather than a debate, and I think that sometimes it would be very helpful to the people downtown if they did hear an exchange of ideas between the members of the committee if, for no other reason, than it would enlighten them to the fact that some members of the committee do have some ideas.

Now, I did not say, in response to the gentleman from West Virginia, I did not say anything that could be interpreted that the Congress was abdicating its responsibility to the people by turning this money uncontrolled over to the State governments.

I simply said that as we discuss these situations that are occurring as they have occurred in the gentleman from New York's district and in my district. The rich districts in our depressed areas got the dough.

Some people who need the money in my district and in the depressed areas did not even get to the starting line. The race went to the swift.

If you call that, in your wisdom, abdicating our responsibilities then you and I do not talk the same language.

Mr. WRIGHT. I would point out to the gentleman from New Hampshire that actually the Chair does not have a disposition to cutoff remarks from any of the members, but my suggestion was only meant as a means to facilitate the morning's program.

The Chair would point out to the gentleman that the reports of the General Accounting Office are available to all of us.

Mr. HALLECK. Will the gentleman yield?

Mr. WRIGHT. Yes.

Mr. HALLECK. I have always understood that the General Accounting Office was the watchdog of the Congress, to see that the money appropriated by the Congress was spent according to the laws enacted by the Congress.

Now, in view of the fact that some question has arisen about superimposing the judgment of the General Accounting Office on that of the agency primarily charged with determining who should get the money from the Federal Treasury, I wonder if the gentlemen from the General Accounting Office have in their statement some brief exposition of the true functions of the General Accounting Office.

It might shed some light on that question——

Mr. WRIGHT. That is a very good question.

Mr. HALLECK. That seems to have arisen.

Mr. WRIGHT. Mr. Ramsey, would you care to respond to the suggestion?

Mr. RAMSEY. We have no prepared material in our statement but perhaps if I could respond briefly to that I would say this.

The General Accounting Office was created by the Budget and Accounting Act of 1921 superseding the former Comptroller of the Treasury. Part of the functions of the Comptroller General are to investigate at the seat of the Government and elsewhere all matters relating to receipts, disbursements, and application of public funds, and to audit the financial transactions of the Government corporations.

He is authorized and directed to make expenditure analyses to determine whether public funds have been economically and efficiently administered and expended. In the Accounting and Auditing Act of 1950 he is directed to audit all executive, legislative, and judicial agencies except as otherwise provided by law.

And in his auditing he is directed in that act in auditing as an agent of the Congress to determine the extent to which accounting and related financial reporting fulfill the purposes specified, financial transactions have been consummated in accordance with law, regulations, or other legal requirements, and adequate internal financial control is exercised.

Now, he is directed also in the Budget and Accounting Act and in the Corporation Control Act to report to the Congress expenditures which he considers to be questionable or illegal. His settlements of accountable officers are final and conclusive on the executive branch of the Government.

The Comptroller General, therefore, has two sanctions which he might impose in case he found an improper expenditure. One might be the disallowance in an officer's accounts. The other might be a report to Congress.

Now, in examining expenditures and operations the Comptroller General or the General Accounting Office, of course, has to look at the laws under which the agency operates and its regulations and to do that we think it is necessary, if there is any doubt, to try to determine the intent of Congress and, in trying to determine the intent of Congress, we look at the legislative history as included in reports, debates on the floor, hearings, and conferees' reports.

I would like to make clear on this matter of whether a city or a municipality should be required to exhaust its other resources that we take no position on the extent to which it should use its resources.

Our object is simply to create an understanding as to what the intent of Congress is in passing the law because we try to follow it as exactly as we can determine it.

Mr. WRIGHT. You gentlemen here today are basically seeking guidance so that you may understand exactly what our intent is, and I know that you have a very difficult job.

In one instance, for example, which is directly in point with one of the statements that you have just made, Mr. Ramsey, and also with one of the statements that Mr. Cleveland made a moment ago, I notice that in one of your reports you took the position that unauthorized assistance to seemingly nondepressed areas under the Public Works Acceleration Act and the Area Redevelopment Act had been granted.

The Administrators of the acts state that they were attempting to comply with what was known as the Proxmire amendment in the Senate, which authorized sample areas throughout the country.

Section 5(b) of the Area Redevelopment Act states, in part, that in making the designations under this subsection the Secretary shall endeavor to distribute the projects widely among the several States so far as is feasible and proper in order that actual experience with this program may be had in as many States and under as many different circumstances as possible.

Now, in interpreting this language, the Area Redevelopment Administration issued regulations providing that in any State which did not otherwise have a qualified area the Administrator could designate the most needy area in that State.

It was under this provision that four areas, one each in Vermont, New Hampshire, Delaware, and Hawaii, I believe, were designated.

Later, reading over the act and trying to interpret the congressional intent, the Comptroller General took the position that the designation of these areas was not authorized by that language. So it was a matter of judgment, and you were doing your job in attempting to point out any unauthorized use of the funds.

However, I note that the Senate Banking and Currency Committee, in analyzing and commenting upon this honest disagreement over what the law did or did not encompass and authorize, states that, and I quote here from the Senate Banking and Currency Committee report:

It is our view that the actions taken by the Area Redevelopment Administration are not an unreasonable interpretation of section 5(b), and that this was within the discretionary powers.

However, the Banking and Currency Committee points out that there is no similar language contained at this moment in the present

bill. So perhaps that particular question of what the congressional intent is might be overcome if we don't have somewhat nebulous language in it.

Mr. RAMSEY. Yes, sir, Mr. Chairman. I can assure you that we follow very closely what is said in the reports and we certainly will examine the Senate report.

Mr. WRIGHT. Mr. Schoenhaut, would you care to pick up your statement at this point since there are only about 20 minutes remaining?

Mr. CRAMER. May I just comment on that?

Mr. WRIGHT. Yes.

Mr. CRAMER. Regardless of what the interpretation is it appears to me that our committee is faced with a decision as to whether it is wise to force money into States where there is not an area that meets the criteria of underdevelopment or underemployment that this legislation is supposed to try to cure.

That policy question, it appears to me, is still open for decision by the committee.

Mr. WRIGHT. I think the gentleman is exactly right.

Mr. CRAMER. I have some reservations about forcing money into States where there is no real need for it under the criteria set out.

Mr. WRIGHT. I think I am inclined to agree with the gentleman and would probably hope that the Proxmire amendment would not be adopted to this bill.

But that will be up to both bodies to determine.

Mr. Schoenhaut.

Mr. SCHOENHAUT. Returning to the recommendation in our report for evaluation by the Secretary, we stated that the evaluation should recognize the present and prospective financial condition of the potential grantee, giving particular consideration to the total resources available to the potential grantee, in determining whether a Federal grant should be made.

With respect to those projects on which we did report I am not sure that it was entirely just a question of judgment as to whether or not the grant money should have been provided to those localities.

We followed what we thought was intended by the act, and in one of these instances the Pueblo Indians had \$10.5 million available in the form of stocks and bonds which was not considered by the agency at the time a \$118,000 grant was made.

As a matter of fact, we had, I think, substantial agreement from CFA and ARA that a more comprehensive evaluation should have been made, although they did take the position that if the evaluation had been made the grant still may have been made.

Mr. WRIGHT. The CFA and the ARA took the position that even a more lengthy and comprehensive evaluation, in their judgment, would have resulted in a grant notwithstanding.

Is that it?

Mr. SCHOENHAUT. ARA did. CFA—

Mr. WRIGHT. Some of the delegated agencies—of course, they do their best but in some instances their judgment even would differ from that of the administrator of the program, and he ultimately is going to have to have the responsibility and the authority that goes with it, I am sure, if we are going to have a program.

For example, the Sequoia Mills in Oklahoma were looked upon by the Small Business Administration with some disfavor. Notwithstanding this, the administrator saw promise and hope in the project and made a grant. We had some very inspiring testimony from those people the other day, indicating that within the foreseeable future they probably will be paying more in taxes annually to the United States on their successful operation than the total amount of the original loan.

They started out with the anticipation that they were going to have something like 80 employees, I believe, and today they have 167.

So some judgments vary, and someone is going to have to be wrong. But somebody on each of these occasions is going to have to have the authority to go ahead and make the determination and stick his neck out.

In this case, of course, it turned out well. I am sure that there will be some in which, unfortunately, it will not turn out well.

Mr. SCHOENHAUT. Our point though is that with respect to the evaluation that we are recommending in connection with this legislation, and its relationship to one of our reports, the ARA did not disagree that such an evaluation should have been made.

Their point was that, even had it been made the result may have been the same.

Mr. CRAMER. Mr. Chairman, on that subject——

Mr. WRIGHT. Yes.

Mr. CRAMER. May I inquire?

Mr. WRIGHT. Yes.

Mr. CRAMER. Unless the Chair would prefer that the witness complete his statement and then go into the interrogation.

Mr. WRIGHT. We have a very little while. I am sure the members of the committee have benefited greatly from the colloquies that have taken place. We are grateful for the statements.

What is your question, Mr. Cramer?

Mr. CRAMER. Well, while we are on this point I would like to ask this: As I gather, your recommendation relates to possible amendment of section 101(a)(2) which appears on page 4, and in greater significance on lines 15 and 16, the words,

because of their economic situation, they cannot supply the required matching share.

Is that correct? That, supposedly, is the criteria for providing supplementary grants under the accelerated public works title?

Mr. RAMSEY. Yes, sir, Mr. Congressman, that is right.

Mr. CRAMER. Then your position on that is that the criteria set out in the language of the legislation does not, in your opinion, give adequate direction to the agency involved, the ARA, in making such a determination particularly based upon past experience under similar language.

Is that correct?

Mr. RAMSEY. Based on past experience? I don't think the language was similar before.

Mr. CRAMER. What was the language under the present accelerated public works legislation or act?

Mr. RAMSEY. We were speaking, Mr. Congressman, of the criteria under the Area Redevelopment Act which, in section 8(a)(2) says

that the entity requesting the grant proposes to contribute to the cost of the project for which such a grant is requested in proportion to its ability so to contribute.

And (a) (3), the latter half of it,

and there is little probability that such project can be undertaken without assistance of the grant under this section,

and then under (a) (4) that the amount of any such grant under the section for any such project shall not exceed the difference between the funds which can be practically obtained from other sources including a loan under section 7 of this act for such project, and the amount which is necessary to insure the completion thereof.

Those were the criteria in the Area Redevelopment Act. I don't believe—

Mr. CRAMER. What is the criteria in the bill under consideration?

Mr. RAMSEY. In the supplementary grant portion which we are speaking of now, the only thing it says is the language which you pointed out a moment ago,

but for which, because of their economic situation, they cannot supply the required matching share.

Mr. CRAMER. So, in effect, this language substantially liberalizes the discretionary authority, does it not?

Mr. RAMSEY. It seems to us that it leaves it rather open, Mr. Congressman. I suppose, depending upon any regulations the administrator might adopt, it could be similar to what was previously in the act.

I don't believe that the language in here is definite enough for us to tell just what criteria might either be required or might be adopted.

Mr. CRAMER. In this or in other instances do you have any suggested language to recommend?

Mr. RAMSEY. We—

Mr. CRAMER. Language to make it consistent for your use on these matters?

Mr. RAMSEY. We have not prepared language, Mr. Congressman.

Mr. CRAMER. Do you feel that you have authority to do that under the act establishing your agency, to make recommendations, or do you consult the Attorney General in doing so, or what?

Mr. RAMSEY. No, sir, I think if we were requested by the committee certainly we would lend whatever assistance we could.

Mr. CRAMER. Well, I, for one member of the committee, would like to ask, so that we might get the issues individually and specifically, in each instance before the committee, for a policy decision.

I would like to ask, Mr. Chairman, that the General Accounting Office be requested to submit language which it believes would carry out its objectives based upon the reports that it has made in the past concerning this, and particularly in view of the significant changes made in the bill before us as compared to the present law so that maybe we can get in focus, No. 1, what the differences are and, No. 2, what the recommendation is.

Mr. WRIGHT. Mr. Cramer, I would like to say this is an instance, if the Chair understands correctly what the General Accounting Office is doing today, of not submitting suggested language but submitting suggested areas of thought.

I think it is beyond the purview of the General Accounting Office to try to write the legislation.

Mr. CRAMER. No, I asked them if they had authority to make such a submission and they said they did on the request of the committee.

And I, as a member, would like to make such a request if the Chair will permit it.

Mr. WRIGHT. It might be a policy decision for the whole committee. However, the Chair will say that the members of the General Accounting Office are entirely free to submit to this committee any suggestions that they might wish to make, just as any other Americans or any other agencies.

Mr. CRAMER. If there is any question, Mr. Chairman, then I would like to make the request that the information be submitted to me personally, at my request, making it at this time.

Mr. WRIGHT. I do not think that they can give it to you at this time.

Mr. CRAMER. No, I am making the request at this time.

Mr. WRIGHT. Oh, I see.

Mr. CRAMER. Obviously, I am not asking that they give it right now.

Mr. WRIGHT. Well, if you gentlemen have recommendations that you would like to offer or can suggest language that you feel might carry out some of the objectives, as you have suggested, the committee might wish to consider, we will be happy to have them.

Mr. CRAMER. Thank you, Mr. Chairman.

Mr. WRIGHT. Would you care to proceed, Mr. Schoenhaut?

Mr. SCHOENHAUT. As the exact nature of the finding which would be required under section 101(a)(2) is not clear and in view of the manner in which the comparable provisions of the Area Redevelopment Act have been administered, the committee may wish to specify in more detail the circumstances under which an applicant would be entitled to supplementary grant assistance.

Section 101(c) would require that the non-Federal share of the aggregate cost of any project for which supplementary grant assistance is given be not less than 20 percent.

In determining the amount of any supplementary grant within this limitation, the Secretary would be required to take into consideration the relative needs of the area, the nature of the project to be assisted, and the amount of such fair-user charges or other revenues as the project may reasonably be expected to generate in excess of those which would amortize the local share of initial costs and provide for its successful operation and maintenance, including depreciation.

We wish to call the committee's attention to the question of whether depreciation charges would be appropriate for consideration in determining the supplementary grant amount.

The amount of depreciation would be based on the total of the local share of project cost and the Federal grant contribution. Since the Secretary, in determining available revenues would be required to give consideration to the amount necessary to amortize the local share of project costs, and as the Federal grant contribution required no local funds, depreciation would not represent any financial burden to the applicant.

Mr. WRIGHT. How about a matter such as this where you call this committee's attention to it and suggest that the committee might wish to give consideration to such a requirement?

It is not a question here of the language being ambiguous or unclear, is it? You clearly understand what would be intended by such language?

You are suggesting, on the other hand, that we might desire to change the language or have us change the intent? Is that your suggestion?

Mr. SCHOENHAUT. Yes, sir.

Mr. WRIGHT. I see. All right, go ahead, sir.

Mr. CRAMER. Well, Mr. Chairman, I hope it is understood that I would like a submission relating to those questions as well as all of the recommendations that are being made as far as my request is concerned.

Mr. SCHOENHAUT. Yes, sir.

We would also like to bring to the committee's attention the relationship between the supplementary grant provisions of this bill and certain provisions contained in the Appalachian Regional Development Act of 1965 which was approved on March 9 of this year.

It appears that the grant-in-aid programs established by the Appalachian Act and already eligible for supplementary grants under section 214 of that act, would also be eligible for supplementary grants under section 101 of this bill.

Likewise, grant-in-aid programs authorized by other acts in existence at the time the Appalachian Act was enacted, for which supplementary grants can be made under the Appalachian Act, may also be supplemented under this bill.

Furthermore, although the Appalachian development highway system and any other program relating to highway or road construction in the Appalachian region cannot be supplemented with funds made available under section 214 of the Appalachian Act, these programs would appear to be eligible for supplementary grants under the proposed bill.

Accordingly, it would appear desirable for the Congress to make clear its intention as to the manner in which the supplementary grant provisions of this bill which overlap those of the Appalachian Act would be administered with respect to the Appalachian region.

Mr. CRAMER. Mr. Chairman, may I ask a question there?

Mr. WRIGHT. Surely.

Mr. CRAMER. In other words, those Appalachian regions that already have the Appalachian program would also have, in addition to that, available the full thrust of this entire program.

Is that right?

Mr. RAMSEY. Yes, sir; that is right, subject, I think, to this 20-percent non-Federal participation which is likewise, as I recall, in the Appalachian Act.

Mr. CRAMER. Right. Now, you state that you understand, on the bottom of your page, that that includes an application to the highway construction program not only in Appalachia but throughout the country?

Mr. SCHOENHAUT. Yes, sir.

Mr. CRAMER. That is a statement you make at the top of page 8,

Furthermore, although the Appalachian development highway system and any other program relating to highway or road construction in the Appalachian region cannot be supplemented—

We wrote that in the Appalachian Regional Act.

These programs would appear to be eligible for supplementary grants under the proposed bill.

In other words, the Appalachian region could not qualify for supplementary aid to highways under these bills and yet the rest of the Nation could qualify for supplementary grants. Whereas, previously under accelerated public works we specifically excluded highways from supplementary funds.

Mr. RAMSEY. I am not quite sure that I follow that, sir. I believe that under the Appalachian Act the highway funds, which were covered in there, may not be supplemented under that act.

However, they apparently could be supplemented under this act because, starting on line 8, page 5, it says—

notwithstanding any limitation on the use of supplementary grants that may otherwise be applicable.

So that I believe that they could be supplemented under this act.

Mr. CRAMER. I see. Then, in other words, having stated the policy relating to supplementation in the Appalachian bill, we are now going in the opposite direction and saying but under this bill they could be supplemented.

Is that correct?

Mr. RAMSEY. That appears to be the effect of this bill; yes, sir. Our only point is to make it clear, I think, in our own—

Mr. CRAMER. In other words, they could get another 10 percent of money under this bill, whereas under the Appalachian bill they were limited to 70 percent?

Mr. RAMSEY. Yes, sir.

Mr. WRIGHT. In other words, you are not suggesting, for example, that the whole Appalachian region be declared ineligible for benefits under this bill?

Mr. RAMSEY. No, sir; not at all.

Mr. WRIGHT. What you are suggesting is that the committee probably would want to consider some restriction on the making of duplicate grants for the same project from different programs?

Mr. RAMSEY. Yes, sir. We simply want to bring that to the committee's attention.

Mr. CRAMER. Well, I think you have rendered a valuable service because I think one of the shortcomings of this proposal is that they have not correlated the Appalachian Commission Act, which is now law, and this new legislation, and this is an example.

In addition to that, as you point out, even though we under APW before would not permit supplementary grants under accelerated public works for highway construction—we specifically excluded highway construction—under this new APW approach in title I supplementary grants for highway construction would be available.

Is that correct?

Mr. PIN. It could be, sir, if the area is designated.

Mr. CRAMER. Obviously if the area is designated then the highway funds could be supplemented. Whereas, in the wisdom of Congress in the last APW bill or act we said no.

I just wanted to make sure that the committee understood that we are reversing that position, which is also pointed out in effect in your statement.

Now, let me suggest another area in which we are reversing ourselves. Look on page 6, subsection (e), line 15. Now, under APW we specifically wrote in a provision, and that was one of the hottest contested issues, under APW Public Law 894-4, subsection (b) of section 224, program development criteria:

No financial assistance shall be authorized under this act to be used in relocation finance, cost of industrial

this is the important one, subsection 3—

to finance the cost of facilities for generation, transmission or distribution of electric energy or, 4, to finance the cost of facilities for the production of or distribution of gas manufactured or mixed.

Now look what they are saying in this proposal under subparagraph (e).

No financial assistance shall be extended under this section with respect to any public service or development facility which would compete

in other words, you can do it if it doesn't compete—

which would compete with an existing privately owned facility rendering the service to the public at rates or charges subject to regulation by a State regulatory body unless the regulatory body determines that the area to be served and so forth and so on.

So, in effect, what we are saying here is, yes, you can use these funds for the purpose of public service or development facilities, including gas, natural gas, or electricity.

And, as a matter of fact, as I understand it, there are 16 States that have regulations for REA's, for instance. So this money could be made available to REA's beyond that 16-State area.

Now, I ask you, of course, in reading it hurriedly, do you think that interpretation is correct? In other words, there is broader authority in this for Federal assistance to "public service development facilities" and power in particular, whereas we specifically excluded it under Appalachian regional development.

Mr. RAMSEY. That appears to be so, sir.

Mr. CRAMER. I did not hear you.

Mr. MCCARTHY. Will you yield?

Mr. RAMSEY. It appears to be so.

Mr. CRAMER. Yes; I will yield.

Mr. MCCARTHY. I wonder if under this a municipal transportation system would be eligible. It says "public service." Suppose a community wanted to establish its own bus transportation system.

Would that be eligible, in your judgment, under the wording of this section or subsection (e)?

It is a public service which is regulated by—

Mr. RAMSEY. It appears, sir, that it might be—

Mr. MCCARTHY. I mean, you are opening a real Pandora's box here I think.

Mr. CRAMER. Let me say that he didn't open it. I did.

Mr. McCARTHY. Well, I don't know who opened it but it is open. This could cover a broad range of public service—well, any public service as long as it was regulated.

Thank you, Mr. Chairman.

Mr. WRIGHT. The Chair would like to observe that the House is now in session and since this committee is the sponsor of a bill which appears very early this afternoon on the Calendar of the House I think it is going to be necessary for us to terminate this meeting.

The remainder of your statement that you have prepared will appear at this point in the record.

(The statement follows:)

STATEMENT BY ARTHUR SCHOENHAUT, DEPUTY DIRECTOR, CIVIL ACCOUNTING
AND AUDITING DIVISION, U.S. GENERAL ACCOUNTING OFFICE

Mr. Chairman and members of the committee, we appear before you today to present our views on titles I, II, and IV of H.R. 6991, "A bill to provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically depressed areas and regions."

In his letter dated March 31, 1965, transmitting a draft of this bill to the Congress for consideration, the President stated that the bill was based upon experience under the accelerated public works program and the area redevelopment program. The purposes of the bill are matters of policy for consideration by the Congress and we therefore make no recommendation as to its enactment. We have, however, comments which we believe are desirable for consideration by the committee during its deliberations on the bill.

Our comments relating to titles I, II, and IV of the bill are based largely upon information disclosed through our reviews of the various activities of the Area Redevelopment Administration, Department of Commerce, and other Federal agencies, under the Area Redevelopment Act (42 U.S.C. 2501) and the Public Works Acceleration Act (42 U.S.C. 2641). As a result of our reviews, we have issued 17 reports to the Congress and 1 report to the Senate Committee on Banking and Currency. Certain of our reports to the Congress directly relate to provisions of the proposed legislation being considered by the committee and will be discussed briefly during our testimony today. Other of our reports concern the degree of effectiveness achieved by the cognizant Federal agencies in administering selected aspects of the two programs and the accuracy of certain reported accomplishments or expected accomplishments of the programs. Copies of these reports have been made available for your information and use.

Section 101 in title I and section 201 in title II of the bill would authorize the Secretary, subject to certain conditions, to make grants and loans to assist in financing improvements for public works, public service, or development facility usage. These provisions, in effect, replace and enlarge the scope of sections 7 and 8 of the Area Redevelopment Act.

Because the terms "public works, public service, or development facility usage" convey broad meanings and could encompass a wide range of types of facilities, you may wish to define or have defined in more specific detail the types of facilities which will be eligible for financial assistance under these provisions of legislation.

Under the proposed legislation, the project for which financial assistance is sought must directly or indirectly either tend to improve the opportunities for the establishment or expansion of commercial or industrial facilities; assist in the creation of long-term employment, benefit the unemployed and members of low-income families, or otherwise further the objectives of the Economic Opportunity Act of 1964.

Under a somewhat comparable provision of the Area Redevelopment Act the Secretary was authorized to extend financial assistance to public facility projects if he found that the project would tend to improve the opportunities for the establishment or expansion of commercial or industrial plants or facilities which would provide more than a temporary alleviation of unemployment or underemployment. In an effort to assure that public facility assistance results in a maximum of permanent jobs, the administration adopted the position that assistance under

sections 7 and 8 of the act would be given only where it would trigger the location or expansion of a factory or business which would create new employment. As the stated purpose of the proposed legislation is to provide financial assistance needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions, the committee may wish to consider modifying the bill to require the Secretary to make certain prior to approving such a project, that a definite relationship exists or will exist between the project and the new permanent employment opportunities. This suggestion would appear to be consistent with the Area Redevelopment Administration's stated policy.

Section 8 of the Area Redevelopment Act requires a finding that there is little probability that the project could be undertaken without grant assistance and limits the amount of such assistance to the difference between the total cost of the project and the funds which can be practicably obtained from other sources, including loans under section 7 of the Area Redevelopment Act. Under section 101(a)(1) of the bill the Secretary, in authorizing a direct grant up to 50 percent of project costs, would not be required to make a determination with respect to the applicant's ability to finance a proposed project without Federal grant assistance.

Whether the elimination of the criteria of financial need with respect to the entitlement of a grant up to 50 percent of project cost is essential to foster program objectives is a policy matter for consideration by the Congress. However, there is one aspect of this matter which we believe would be of interest to the committee.

Under section 403 of the bill, designated economic development centers, which would not necessarily suffer from high unemployment, would be entitled to receive direct grants in accordance with the criteria of section 101. As such centers may not be economically distressed and may have sufficient financial resources to permit the undertaking of public facility projects with loan financing, the committee might wish to consider whether additional grant entitlement criteria for economic development centers, relating to financial need, should be specified in the bill.

Under section 101(a)(2) of the bill, the Secretary would be authorized to make supplementary grants to enable States and other entities within redevelopment areas to take maximum advantage of Federal grant-in-aid programs designated by the Secretary for which, because of their economic situation, they cannot supply the required matching share. While the meaning intended by this language is not entirely clear, it appears to us that it would require the Secretary, prior to authorizing supplementary grant assistance, to make findings similar to those required by section 8 of the Area Redevelopment Act—that is, that the applicant proposes to contribute to the project in accordance with its ability and that there would be little probability that the project could be undertaken without supplementary grant assistance.

In this connection, our examinations of selected projects under section 8 of the Area Redevelopment Act disclosed that in some instances, the Area Redevelopment Administration did not adequately analyze potential grantees' financial position in determining the need for grant assistance. In these cases the Administration confined its consideration to the revenues or user charges that might be generated by the project and did not fully recognize the total resources available to the potential grantees in determining whether a Federal grant should be made. It was evident to us that loans on reasonable terms could have been made to finance these public facility projects. In one of our reports to the Congress, we recommended that the Secretary of Commerce require a comprehensive evaluation of a potential grantee's financial condition so as to afford a more realistic basis for determining whether grant assistance was essential to carry out the purposes of the governing legislation. We stated that the evaluation should recognize the present and prospective financial condition of the potential grantee, giving particular consideration to the total resources available to the potential grantee, in determining whether a Federal grant should be made.

As the exact nature of the finding which would be required under section 101(a)(2) is not clear in view of the manner in which the comparable provisions of the area redevelopment act have been administered, the committee may wish to specify in more detail the circumstances under which an applicant would be entitled to supplementary grant assistance.

Section 101(c) would require that the nonfederal share of the aggregate cost of any project for which supplementary grant assistance is given be not less than

20 percent. In determining the amount of any supplementary grant within this limitation, the Secretary would be required to take into consideration the relative needs of the area, the nature of the project to be assisted, and the amount of such fair-user charges or other revenues as the project may reasonably be expected to generate in excess of those which would amortize the local share of initial costs and provide for its successful operation and maintenance, including depreciation.

We wish to call the committee's attention to the question of whether depreciation charges would be appropriate for consideration in determining the supplementary grant amount. The amount of depreciation would be based on the total of the local share of project cost and the Federal grant contribution. Since the Secretary, in determining available revenues would be required to give consideration to the amount necessary to amortize the local share of project costs, and as the Federal grant contribution required no local funds, depreciation would not represent any financial burden to the applicant.

We would also like to bring to the committee's attention the relationship between the supplementary grant provisions of this bill and certain provisions contained in the Appalachian Regional Development Act of 1965 which was approved on March 9 of this year.

It appears that the grant-in-aid programs established by the Appalachian Act and already eligible for supplementary grants under section 214 of that act, would also be eligible for supplementary grants under section 101 of this bill. Likewise, grant-in-aid programs authorized by other acts in existence at the time the Appalachian Act was enacted, for which supplementary grants can be made under the Appalachian Act, may also be supplemented under this bill. Furthermore, although the Appalachian development highway system and any other program relating to highway or road construction in the Appalachian region cannot be supplemented with funds made available under section 214 of the Appalachian Act, these programs would appear to be eligible for supplementary grants under the proposed bill. Accordingly, it would appear desirable for the Congress to make clear its intention as to the manner in which the supplementary grant provisions of this bill which overlap those of the Appalachian Act would be administered with respect to the Appalachian region.

Section 201(b) would provide that the rate of interest on loans to be made under section 201 will be not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on certain outstanding marketable obligations of the United States less not to exceed one-half of one percent of interest a year.

As presently administered, the interest rate on public facility loans under the area redevelopment act is $3\frac{3}{4}$ percent.

The desirability of modifying the method of establishing interest rates is a policy matter to be considered by the Congress. The modification would result in reducing the interest to be paid to the Government, and would result in an interest subsidy to the borrower to the extent that the Government's cost of borrowing and administering the funds is in excess of the interest charge to the borrower.

Section 201(c) of the proposed legislation would authorize to be appropriated sums not in excess of \$170 million annually to carry out the loan and guarantee provisions of sections 201 and 202. Section 707 of the bill would require the Secretary of Commerce, to the fullest extent practicable in carrying out the provisions of the act, to use the available services and facilities of other agencies and instrumentalities of the Federal Government. Because of the differences between the programs which would be authorized by sections 201 and 202, and inasmuch as the programs will probably be carried out by different agencies, it would seem advisable from the standpoint of program planning and administration to identify the sums authorized to carry out the purposes of each section. We believe that the bill as drawn presents a considerable degree of flexibility in program financing, the need for which is not readily apparent.

We would also like to call attention to the fact that the \$170 million appropriation limitation also pertains to guarantees of working capital loans under section 202 of the proposed legislation. The liability incurred by the Government under the guarantee provision will be of a contingent nature. Accordingly, unless it is intended to fund anticipated losses, the extent to which annual appropriations will be required under this activity will be entirely dependent on the unfavorable experience that the administering agency may encounter.

Section 202 of the bill establishes a financial assistance program involving both direct and guaranteed loans for eligible projects. Most of the provisions of this section are identical or similar to the existing provisions of section 6 of the Area Redevelopment Act. We believe that the manner in which certain of these provisions have been administered by the Area Redevelopment Administration as described in our following remarks, would be of interest to the committee.

Section 202(a) (1), which would authorize the Secretary to make loans and purchase evidences of indebtedness to aid in financing any project within a redevelopment area for the purchase of development of land and facilities including, in cases of demonstrated need, machinery and equipment for industrial and commercial usage, is identical to the corresponding language of section 6(a) of the Area Redevelopment Act.

According to the conference report on the Area Redevelopment Act the provision relating to the conditions under which financial assistance may be granted with respect to machinery and equipment was adopted in lieu of a House amendment which would have authorized such assistance "in exceptional cases."

The Small Business Administration is responsible, under the delegation of authority from the Secretary of Commerce, for certain functions relating to section 6 of the act, including determinations of the need for Federal assistance because sufficient private financing is not available, the amount of Federal assistance for which a project is eligible, the reasonableness of assurance of loan repayment, and other credit considerations. In our examination of the administration of this section of the act, we have noted that in actual practice, the Area Redevelopment Administration makes the determination that there is a demonstrated need for assisting in the financing of machinery and equipment before forwarding an application to the delegate agency for review, and without having available the facts disclosed by a detailed financial investigation by the Small Business Administration. Accordingly, the committee may wish to clarify in the legislative history the significance that should be attached to the terminology "in cases of demonstrated need" as used in the bill.

Sections 201(a) (2) and 202(b) (4) provide that loan or loan guarantee assistance shall not be extended unless it is established that such assistance is not available on reasonable terms from private lenders or from other Federal agencies on terms more favorable to the Government which would permit accomplishment of the project.

The factors that would be considered in this connection would include maturity period, interest rate, and collateral considerations. In the administration of this provision, the question arises as to the extent to which the terms offered by a private lender, in determining their reasonableness, and the terms offered by another Government agency, in determining whether they would permit the accomplishment of the project, should be compared with the terms specified under the proposed bill which are generally more attractive. Accordingly, the committee may wish to consider setting forth the criteria that should be used in administering this provision.

Section 202(b) (7) generally limits the maturity date for loans, or evidences of indebtedness to 25 years. The committee may wish to provide some limitation on the duration of working capital loans which may be guaranteed under section 202. Also, the committee may wish to provide that the duration of loans to assist in financing the purchase of machinery and equipment, some of which may have a relatively short useful life, be related, within the 25-year limitation to the estimated useful life of the machinery and equipment.

Section 202(b) (8) would provide that loans shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury plus such additional charge, if any, toward covering other costs of the program as the Secretary of Commerce may determine to be consistent with its purpose. If it is intended that the business loan program is to be self-supporting, we believe that the bill should be revised to require the Secretary to establish a charge which will recover the cost of operating the program and to specify the expenses that should be recovered.

Section 202(b) (9) of the proposed legislation would provide, as does section 6(b) (9) of the Area Redevelopment Act, that loan assistance not exceed 65 percent of the aggregate cost to the applicant of acquiring or developing land and facilities and of constructing, altering, converting, rehabilitating, or enlarging the building, or buildings, of a particular project.

In our review of activities of the Area Redevelopment Administration we found that, for projects involving the expansion or improvement of industrial or commercial facilities owned by an applicant, the administration interpreted this statutory provision to permit, under certain circumstances, the inclusion in project costs of all or part of the value of the applicant's existing land and facilities. As a result of this interpretation, the administration has in a number of cases approved Federal financing of more than 65 percent and in some cases 100 percent of the new capital expenditures required for industrial or commercial area redevelopment projects.

Although the language of the statute and its legislative history are not clear in this respect, we believe that the legislative intent may have been to limit Federal financing to 65 percent of the new capital expenditures required for a project and to require that the remaining 35 percent of the funds needed for new capital expenditures be secured from non-Federal sources.

Accordingly, in a recent report, we recommend that the Congress, in considering section 202(b)(9) of the proposed legislation, consider clarifying the intended application of the limitation on Federal financial assistance to industrial or commercial projects involving the expansion of existing facilities.

We invite the committee's attention to the fact that this situation could have an effect also with respect to the provisions of section 101 relating to grant assistance for public works and development facilities. Under the terms of the proposed bill, the recipient of grant assistance would be required to finance from 20 percent to 50 percent of project costs from other than Federal grant funds. Accordingly, in considering section 101 of the bill, the committee may wish to clarify the intended application of the limitation on Federal grant assistance to public works and development facilities projects involving the expansion of existing facilities.

Section 202(b)(9)(B) of the bill would, in effect, consolidate the language in section 6(b)(9)(B) and (C) of the Area Redevelopment Act which relate to required participation in project costs by non-Federal interests. Section 6(b)(9)(B) of that act requires that not less than 10 percent of aggregate project cost of federally assisted industrial or commercial projects be supplied by the State or any agency, instrumentality, political subdivision thereof, or by an Indian tribe or community or area organization which is nongovernmental in character, as equity capital or as a loan repayable only after the Federal financial assistance has been repaid in full and, if such loan is secured, its security shall be subordinate and inferior to the lien or liens securing such Federal financial assistance. Under the proposed language, the required State or community financial participation in projects would be reduced to 5 percent and the Secretary, in accordance with standards prescribed by regulation, could waive the requirement and allow the applicant or such other source as he may approve to supply such funds.

The legislative history of the Area Redevelopment Act shows that the requirement for State or community financial participation was intended to insure that each project assisted under section 6 of the act had the active support of the community in which it was located, as evidenced by the willingness of the State or local community organization to invest in the project funds in the amount of 10 percent of the aggregate project costs and to assume with respect to this investment a risk position subordinate to that of the Federal Government.

Shortly after the inception of the area redevelopment program in 1961, the Administration found that, with respect to certain prospective section 6 projects, cognizant local development corporations were unable to raise the funds necessary to meet the 10-percent requirement. Faced with this situation, the Administration, on a case-by-case basis, decided to advise certain prospective borrowers, and later adopted as a formal policy, that, in cases where the local development corporation had made a bona fide fund-raising effort, there was no limitation on the extent to which the borrower could provide funds to the local development corporation to enable it to make the required 10-percent contribution to the project.

In a recently issued report to the Congress, we expressed the view that the mere channeling of funds of the borrower or of others having an interest in the project substantially identical to that of the borrower through a local development corporation and back into the borrower's project, without such corporation's undertaking a bona fide financial risk with respect to the project, did not constitute compliance with the terms of section 6(b)(9)(B) of the act. We stated that dependent upon the specific standards which would be established by regula-

tion, the effect of the proposed legislative provision could be to permit the adoption of the administration's policy related to section 6(b)(9)(B) of the Area Redevelopment Act. If the intent of the proposed legislative provision is to be similar to that of section 6(b)(9)(B) of the Area Redevelopment Act, and if it is desirable to permit the waiver of the requirement, we believe the committee should give consideration to the manner in which the Administration has administered the provisions of section 6(b)(9)(B) of the act and to the need to amend the proposed legislation to provide criteria to better assure that, if enacted, its intent will be achieved. We included a recommendation to this effect in our report to the Congress on this subject.

Section 202(a)(2) would authorize the Secretary to guarantee loans for working capital made to private borrowers by private lending institutions in connection with projects assisted under section 202(a)(1) provided that the guarantee shall not exceed 90 percent of the amount of the outstanding unpaid balance of such loans. Under the Area Redevelopment Act, financial assistance could not be extended for working capital. Whether the assumption of the additional risk involved in this form of financial assistance is essential to the furtherance of the program objective is a matter for congressional consideration. However, there are several factors which we believe should be considered by the committee in its deliberations on this provision.

First, if the working capital guarantee program is intended to be self-supporting, the committee may wish to consider requiring the assessment of a premium to cover the costs of administration of the program and to offset guarantee payments which may be required. Secondly, inasmuch as these loans could carry a 90-percent Federal guarantee against loss, the committee may wish to stipulate a maximum interest rate that could be charged on such loans.

Also, section 202(b)(9)(C) of the bill would authorize the Secretary, as does section 6(b)(9)(D) of the Area Redevelopment Act, to subordinate the Government's lien position on project assets to lien positions of other loans made in connection with such project. The Area Redevelopment Administration has in some instances under the Area Redevelopment Act subordinated its lien position on projects assets to assist the borrower in obtaining a working capital loan from a private lending institution.

Because of the security which would be provided the private lending institution by the Federal guarantee, the committee may wish to require that any working capital loan guaranteed under section 202 be otherwise unsecured or, in some other matter, define in the legislation the relative risk positions intended to be assumed by the lender and the Government.

The bill as drawn would provide no limitations on the amount of loans that may be guaranteed in 1 year or on the amount of guarantees that may be outstanding at any one time. We believe that the bill should include some limitation. Because of the varying needs of the individual projects, we cannot offer a reasonable estimate of the total amount of working capital loans that might be needed in the course of 1 year. Simply by way of illustration, if working capital needs averaged about 50 percent of project costs and such costs totaled \$150 million in 1 year, it is evident that the Federal Government could incur a substantial contingent liability.

Section 202(a)(3) would authorize the Secretary to make payments to or on behalf of qualified borrowers, for periods not to exceed 10 years, of amounts sufficient to reduce by 2 percentage points the interest paid by such borrowers on loans obtained from nongovernmental sources and which are not guaranteed by any Government agency. It is our understanding that this benefit will be available only in those cases where investment of private capital is clearly in lieu of Federal financing as limited in section 202(b)(9), that is, not to exceed 65 percent of aggregate project cost.

One aspect of the proposed interest subsidy provision which we believe should be considered concerns the possible relationship between the borrower and the lender. In one case on which we recently issued a report to the Congress, the Area Redevelopment Administration required, for special reasons, the parent corporation to participate to the extent of \$100,000 in the loan which the Administration made to a subsidiary corporation. As we understand the language of the provision, the subsidiary corporation in such circumstances would be entitled to receive the 2-percent interest subsidy on the amount received from the parent corporation. If it is intended that borrowers in situations such as the cited case not be eligible for this type of assistance, we suggest that it be made clear that the interest subsidy provision be applicable only to project financing arrangements conducted on an arms-length basis.

Section 203 would authorize to be established in the Treasury of the United States a revolving fund which would be available to the Secretary of Commerce for the purpose of extending financial assistance under sections 201, 202, and 403 and for the payment of all obligations and expenses arising in connection therewith. We believe that this proposal would tend to avoid the need for annual appropriations, and thus there would be less compulsion for careful evaluation by successive Congresses of the need for continuing particular programs.

We have consistently taken the view that the public interest is best served when congressional control of Federal activities is exercised through annual review and affirmative action on planned programs and financing requirements which attend the appropriation processes. Departures from this procedure should be permitted only on a clear showing that an activity cannot be successfully operated in the public interest within this framework. In the absence of special circumstances, we believe that the revolving fund method should be adopted only if its demonstrable merits in terms of more efficient operation of the activity clearly outweigh the disadvantages of reduced congressional control. If the revolving fund feature is to be retained in the bill, we suggest that the bill be revised to provide that funds may be used for the loan programs and for administrative expenses only in amounts stipulated in annual appropriation acts.

Section 401 of title IV entitled "Area and District Eligibility" presents criteria for the designation of redevelopment areas which involve matters of policy for determination by the Congress, and we have no suggestions with respect thereto.

Section 402 would require an annual review by the Secretary of the eligibility of all areas designated or under consideration for designation under section 401 and would authorize the Secretary, on the basis of his review, to terminate or modify designations of such areas in accordance with objective standards prescribed by regulation. In contrast, section 13 of the Area Redevelopment Act requires termination of eligibility of an area when the Secretary determines that it would no longer be eligible for designation under that act. If it is intended that the Secretary, in formulating regulations, is to adopt the designation criteria contained in section 401 as the bases for termination or modification actions, we believe that the committee should consider the desirability of making this a specific requirement of the legislation. In this connection, the committee may wish to consider information contained in our report to the Congress dealing with the Area Redevelopment Administration's policy of administratively delaying the termination of area eligibility for rather long periods of time after the Secretary of Labor had found that such area no longer met the criteria for designation.

Under section 402, areas designated under the Area Redevelopment Act would be eligible for benefits provided by this bill until the first annual review of eligibility. We note that the bill does not specify when the first annual review is to be undertaken. We note also with particular reference to subsections 401(a) (2) and (3) of the bill and subsection 5(b) of the Area Redevelopment Act, criteria for area designation contained in the bill represent a significant change from those contained in the Area Redevelopment Act. In the light of these factors, we believe the committee might wish to consider the desirability of specifying in section 402 that the first annual review of eligibility of areas designated under the Area Redevelopment Act be undertaken as promptly after the date of enactment as is practicable.

Section 402 would also provide that no termination of eligibility shall affect the validity of any application filed, or contract or undertaking entered into with respect to the affected area prior to termination. The effect of this provision, which is somewhat similar to a provision contained in section 13 of the Area Redevelopment Act, would be to extend the availability of financial assistance to an area for an unspecified period of time after the eligibility of an area has been terminated.

Section 13 of the Area Redevelopment Act did not specifically refer to the validity of applications filed prior to termination. However, the area redevelopment administrator interpreted the word "undertaking" as used in that section to include the filing of a project proposal, which generally precedes the filing of a formal application. In the administration of that act, financial assistance has been approved as much as 13 months after the date of termination of the eligibility of the area involved. Accordingly, the committee may wish to consider the desirability of specifying in section 402 the period of time after which a pending application would not be valid.

Section 403(f) would authorize appropriations not to exceed \$50 million annually for financial assistance extended under the provisions of subsection 403 (a) (3) and (4), the latter of which authorizes increased grants for public facility projects in redevelopment areas which are consistent with an approved district overall economic development plan.

With regard to section 403(f), and, as we suggested in connection with section 201(c) of the bill, the committee may wish to consider the desirability of specifying maximum appropriation amounts authorized for each type of assistance authorized; that is, public facility grants, public facility loans, industrial and commercial loans, and public facility grant increases. The committee may also wish to consider making working capital loan guarantee contracts under section 403(a) (3) subject to a limitation separate from that which we have suggested be established under section 202 of the bill.

Mr. Chairman, this concludes our statement. We will be pleased to answer any question you may have.

Mr. WRIGHT. We are very grateful to you—

Mr. CRAMER. Well, Mr. Chairman, certainly you are not suggesting that they are not going to be given an opportunity to present the balance of their statement or we are not going to be permitted the opportunity to ask questions concerning it.

Mr. WRIGHT. The Chair is simply suggesting that the time has expired. The opportunity has been presented and, knowing this committee and certain of its members, the Chair included, it might take weeks or even months of daily sessions with the interruptions and conferences and discussions that intervene.

The Chair stated at the beginning of the session, with deference to the gentlemen who have been here before us and who waited all day yesterday, that they were to conclude with their testimony today.

There had been a hope, as the gentlemen of the committee know, to conclude all public hearings on this matter earlier this week but, subject to the desires of the committee in our next executive session we might call back additional witnesses or we might call back some of these gentlemen, depending on the desires of the committee.

The Chair would not like to make that determination at this moment.

Mr. CRAMER. Well, Mr. Chairman—

Mr. WRIGHT. It does wish to express its gratitude and that of the committee for the time and effort and careful attention and the energy that these gentlemen have given in bringing these thoughts to us.

Mr. CRAMER. Well, Mr. Chairman, speaking in behalf of myself, I would hope that this would be treated as continuing testimony. They have only gotten to page 8—

Mr. WRIGHT. Yes, I think it should be. It is my feeling, so that the continuity of the presentation would not be interrupted, that this remaining testimony appear in the record at this point.

Mr. CRAMER. When can we expect these gentlemen to be asked to return? I have some more questions.

Mr. WRIGHT. Well, the gentlemen have been here all morning and many, many questions have been asked. I should think that would be up to the discretion of the chairman of the full committee.

And I have been asked by the chairman of the full committee to state that upon our adjournment today we would reconvene at 10 o'clock on Wednesday next.

Mr. CRAMER. Well, may I suggest that these gentlemen be the first witnesses available to complete their statement so that I can continue to interrogate them at that time?

Mr. WRIGHT. The gentleman is perfectly welcome to make that or any other suggestion, but the implementation of the request of any of the members of the committee will be up to the chairman of the committee.

Mr. CRAMER. Well, a motion is in order, Mr. Chairman, but I would hesitate to make it, relating to a return of these gentlemen for the continuation of their testimony.

Mr. WRIGHT. Well, let's handle it in the manner that we have been handling these and other questions. We have certainly not cut off anybody and we do not desire to do so.

The members of the minority and the majority both have been given, and will continue to be given, an opportunity to discuss this in both open hearings and in executive session. And the Chair again wishes to express its appreciation to the gentlemen for their thoughtfulness and diligence in having been here.

Mr. CRAMER. May I make sure I understand that? Is it the Chairman's assurance to the gentleman from Florida that we will be meeting on this subject in public hearings Wednesday next?

Mr. WRIGHT. The Chair has stated that the chairman of the full committee has asked him to announce that the hearings on the Public Works and Economic Development Act will continue at 10 o'clock on Wednesday next.

Mr. CRAMER. Thank you.

Mr. WRIGHT. As to just what commitments may have been made by the full committee chairman with respect to other witnesses, I am not prepared to comment at this time.

Mr. CRAMER. I am satisfied. Thank you.

Mr. WRIGHT. Thank you again, gentlemen; and the meeting is adjourned until next Wednesday at 10 o'clock.

(Whereupon, the hearing was adjourned at 12:12 p.m., this date to reconvene Wednesday, May 26, 1965, at 10 a.m.)

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

WEDNESDAY, MAY 26, 1965

**HOUSE OF REPRESENTATIVES,
COMMITTEE ON PUBLIC WORKS,
*Washington, D.C.***

The committee met, pursuant to adjournment, at 10:25 a.m., in room 2167, Rayburn House Office Building, Hon. John A. Blatnik presiding.

Mr. BLATNIK. The House Public Works Committee will please come to order.

We are resuming public hearings on the Public Works and Economic Development Act of 1965, H.R. 6991, and other similar and related bills.

We are continuing the testimony and interrogation of the officials of the General Accounting Office.

STATEMENT OF ARTHUR SCHOENHAUT, DEPUTY DIRECTOR, CIVIL ACCOUNTING AND AUDITING DIVISION; ACCOMPANIED BY CLERIO PIN, ASSISTANT DIRECTOR, CIVIL ACCOUNTING AND AUDITING DIVISION; GREGORY AHART, SUPERVISORY ACCOUNTANT, CIVIL ACCOUNTING AND AUDITING DIVISION; SHERMAN HENIG, SUPERVISORY ACCOUNTANT, CIVIL ACCOUNTING AND AUDITING DIVISION; AND RALPH RAMSEY, ASSOCIATE GENERAL COUNSEL, GENERAL ACCOUNTING OFFICE—RESUMED

Mr. BLATNIK. We have before us, beginning left to right, Mr. Sherman Henig?

Mr. HENIG. Yes, sir.

Mr. BLATNIK. He is the supervisory accountant of the Civil Accounting and Auditing Division. We have Mr. Ralph Ramsey, who is the associate general counsel, also. Mr. Ramsey, you have been most helpful to the highway program and we value your opinions.

Mr. Gregory Ahart—is that correct?

Mr. AHART. Yes, sir.

Mr. BLATNIK. Mr. Ahart is the supervisory accountant of the Civil Accounting and Auditing Division, and we have Mr. Arthur Schoenhaut, who is the Deputy Director.

Mr. Schoenaut, I was not here last Wednesday. I understand that you read your statement, or part of it, and the balance was inserted in the record, and that you were in the process of being interrogated.

Is that correct?

Mr. SCHOENHAUT. Yes, sir. We had stopped after the first paragraph on page 9 in the statement, but I understand the entire statement has now been inserted in the record.

We can either continue as we were last week, reading it paragraph by paragraph and be subjected to interrogation or we can answer any questions on the statement now.

Mr. BLATNIK. Mr. Cramer asks that you complete the reading of the statement. I think that would be helpful because some of us were not here.

And I suggest that you complete your statement and then we will go back for interrogation.

Mr. SCHOENHAUT. Very well, sir.

Mr. BLATNIK. What page are you on, Mr. Schoenhaut?

Mr. SCHOENHAUT. Page 9.

Section 201(b) would provide that the rate of interest on loans to be made under section 201 will be not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on certain outstanding marketable obligations of the United States less not to exceed one-half of 1 percent of interest a year.

As presently administered the interest rate on public facility loans under the Area Redevelopment Act is $3\frac{3}{4}$ percent.

The desirability of modifying the method of establishing interest rates is a policy matter to be considered by the Congress.

The modification would result in reducing the interest to be paid to the Government, and would result in an interest subsidy to the borrower to the extent that the Government's cost of borrowing and administering the funds is in excess of the interest charge to the borrower.

Section 201(c) of the proposed legislation would authorize to be appropriated sums not in excess of \$170 million annually to carry out the loan and guarantee provisions of sections 201 and 202.

Section 707 of the bill would require the Secretary of Commerce, to the fullest extent practicable in carrying out the provisions of the act, to use the available services and facilities of other agencies and instrumentalities of the Federal Government.

Because of the differences between the programs which would be authorized by sections 201 and 202, and inasmuch as the programs will probably be carried out by different agencies, it would seem advisable from the standpoint of program planning and administration to identify the sums authorized to carry out the purposes of each section.

We believe that the bill as drawn presents a considerable degree of flexibility in program financing, the need for which is not readily apparent.

Mr. CRAMER. What page is that on?

Mr. BLATNIK. Page 10.

Mr. SCHOENHAUT. Page 10, sir.

Mr. CRAMER. All right.

Mr. SCHOENHAUT. We would also like to call attention to the fact that the \$170 million appropriation limitation also pertains to guarantees of working capital loans under section 202 of the proposed legislation.

The liability incurred by the Government under the guarantee provision will be of a contingent nature. Accordingly, unless it is intended to fund anticipated losses, the extent to which annual appropriations will be required under this activity will be entirely dependent on the unfavorable experience that the administering agency may encounter.

Section 202 of the bill establishes a financial assistance program involving both direct and guaranteed loans for eligible projects.

Most of the provisions of this section are identical or similar to the existing provisions of section 6 of the Area Redevelopment Act.

We believe that the manner in which certain of these provisions have been administered by the Area Redevelopment Administration, as described in our following remarks, would be of interest to the committee.

Section 202(a)(1), which would authorize the Secretary to make loans and purchase evidences of indebtedness to aid in financing any project within a redevelopment area for the purchase or development of land and facilities including, in cases of demonstrated need, machinery and equipment for industrial and commercial usage, is identical to the corresponding language of section 6(a) of the Area Redevelopment Act.

According to the conference report on the Area Redevelopment Act the provision relating to the conditions under which financial assistance may be granted with respect to machinery and equipment was adopted in lieu of a House amendment which would have authorized such assistance in exceptional cases.

The Small Business Administration is responsible, under the delegation of authority from the Secretary of Commerce, for certain functions relating to section 6 of the act, including determinations of the need for Federal assistance because sufficient private financing is not available, the amount of Federal assistance for which a project is eligible, the reasonableness of assurance of loan repayment, and other credit considerations.

In our examination of the administration of this section of the act, we have noted that in actual practice, the Area Redevelopment Administration makes the determination that there is a demonstrated need for assisting in the financing of machinery and equipment before forwarding an application to the delegate agency for review, and without having available the facts disclosed by a detailed financial investigation by the Small Business Administration.

Accordingly, the committee may wish to clarify in the legislative history the significance that should be attached to the terminology "in cases of demonstrated need" as used in the bill.

Mr. CLEVELAND. Mr. Chairman, are we going to wait until the end of the testimony before asking questions?

Mr. BLATNIK. Yes.

Mr. SCHOENHAUT. Sections 201(a)(2) and 202(b)(4) provide that loan or loan guarantee assistance shall not be extended unless it is established that such assistance is not available on reasonable terms from private lenders or from other Federal agencies on terms more favorable to the Government which would permit accomplishment of the project.

The factors that would be considered in this connection would include maturity period, interest rate, and collateral considerations.

In the administration of this provision, the question arises as to the extent to which the terms offered by a private lender, in determining their reasonableness, and the terms offered by another Government agency, in determining whether they would permit the accomplishment of the project, should be compared with the terms specified under the proposed bill which are generally more attractive.

Accordingly, the committee may wish to consider setting forth the criteria that should be used in administering this provision.

Section 202(b) (7) generally limits the maturity date for loans, or evidences of indebtedness to 25 years. The committee may wish to provide some limitation on the duration of working capital loans which may be guaranteed under section 202.

Also, the committee may wish to provide that the duration of loans to assist in financing the purchase of machinery and equipment, some of which may have a relatively short useful life, be related, within the 25-year limitation, to the estimated useful life of the machinery and equipment.

Section 202(b) (8) would provide that loans shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury plus such additional charge, if any, toward covering other costs of the program as the Secretary of Commerce may determine to be consistent with its purpose.

If it is intended that the business loan program is to be selfsupporting, we believe that the bill should be revised to require the Secretary to establish a charge which will recover the cost of operating the program and to specify the expenses that should be recovered.

Section 202(b) (9) of the proposed legislation would provide, as does section 6(b) (9) of the Area Redevelopment Act, that loan assistance not exceed 65 percent of the aggregate cost to the applicant of acquiring or developing land and facilities and of constructing, altering, converting, rehabilitating, or enlarging the building, or buildings, or a particular project.

In our review of activities of the Area Redevelopment Administration we found that, for projects involving the expansion or improvement of industrial or commercial facilities owned by an applicant, the administration interpreted this statutory provision to permit, under certain circumstances, the inclusion in project costs of all or part of the value of the applicant's existing land and facilities.

As a result of this interpretation, the administration has in a number of cases approved Federal financing of more than 65 percent and in some cases 100 percent of the new capital expenditures required for industrial or commercial area redevelopment projects.

Although the language of the statute and its legislative history are not clear in this respect, we believe that the legislative intent may have been to limit Federal financing to 65 percent of the new capital expenditures required for a project and to require that the remaining 35 percent of the funds needed for new capital expenditures be secured from non-Federal sources.

Accordingly, in a recent report, we recommended that the Congress, in considering section 202(b) (9) of the proposed legislation, consider clarifying the intended application of the limitation on Federal finan-

cial assistance to industrial or commercial projects involving the expansion of existing facilities.

We invite the committee's attention to the fact that this situation could have an effect also with respect to the provisions of section 101 relating to grant assistance for public works and development facilities.

Under the terms of the proposed bill, the recipient of grant assistance would be required to finance from 20 to 50 percent of project costs from other than Federal grant funds.

Accordingly, in considering section 101 of the bill, the committee may wish to clarify the intended application of the limitation on Federal grant assistance to public works and development facilities projects involving the expansion of existing facilities.

Section 202(b)(9)(B) of the bill would, in effect, consolidate the language in section 6(b)(9)(B) and (C) of the Area Redevelopment Act which relate to required participation in project costs by non-Federal interests.

Section 6(b)(9)(B) of that act requires that not less than 10 percent of aggregate project cost of federally assisted industrial or commercial projects be supplied by the State or any agency, instrumentality, political subdivision thereof, or by an Indian tribe or community or area organization which is nongovernmental in character, as equity capital or as a loan repayable only after the Federal financial assistance has been repaid in full and, if such loan is secured, its security shall be subordinate and inferior to the lien or liens securing such Federal financial assistance.

Under the proposed language, the required State or community financial participation in projects would be reduced to 5 percent and the Secretary, in accordance with standards prescribed by regulation, could waive the requirement and allow the applicant or such other source as he may approve to supply such funds.

The legislative history of the Area Redevelopment Act shows that the requirement for State or community financial participation was intended to insure that each project assisted under section 6 of the act had the active support of the community in which it was located, as evidenced by the willingness of the State or local community organization to invest in the project funds in the amount of 10 percent of the aggregate project costs and to assume with respect to this investment a risk position subordinate to that of the Federal Government.

Shortly after the inception of the area redevelopment program in 1961, the administration found that, with respect to certain prospective section 6 projects, cognizant local development corporations were unable to raise the funds necessary to meet the 10-percent requirement.

Faced with this situation, the administration, on a case by case basis, decided to advise certain prospective borrowers, and later adopted as a formal policy, that, in cases where the local development corporation had made a bona fide fundraising effort, there was no limitation on the extent to which the borrower could provide funds to the local development corporation to enable it to make the required 10-percent contribution to the project.

In a recently issued report to the Congress, we expressed the view that the mere channeling of funds of the borrower or of others having an interest in the project substantially identical to that of the bor-

power through a local development corporation and back into the borrower's project, without such corporation's undertaking a bona fide financial risk with respect to the project, did not constitute compliance with the terms of section 6(b)(9)(B) of the act.

We stated that dependent upon the specific standards which would be established by regulation, the effect of the proposed legislative provision could be to permit the adoption of the Administration's policy related to section 6(b)(9)(B) of the Area Redevelopment Act.

If the intent of the proposed legislative provision is to be similar to that of section 6(b)(9)(B) of the Area Redevelopment Act, and if it is desirable to permit the waiver of the requirement, we believe the committee should give consideration to the manner in which the Administration has administered the provisions of section 6(b)(9)(B) of the act and to the need to amend the proposed legislation to provide criteria to better assure that, if enacted, its intent will be achieved.

We included a recommendation to this effect in our report to the Congress on this subject.

Section 202(a)(2) would authorize the Secretary to guarantee loans for working capital made to private borrowers by private lending institutions in connection with projects assisted under section 202(a)(1) provided that the guarantee shall not exceed 90 percent of the amount of the outstanding unpaid balance of such loans.

Under the Area Redevelopment Act, financial assistance could not be extended for working capital. Whether the assumption of the additional risk involved in this form of financial assistance is essential to the furtherance of the program objective is a matter for congressional consideration.

However, there are several factors which we believe should be considered by the committee in its deliberations on this provision.

First, if the working capital guarantee program is intended to be self-supporting, the committee may wish to consider requiring the assessment of a premium to cover the costs of administration of the program and to offset guarantee payments which may be required.

Secondly, inasmuch as these loans could carry a 90-percent Federal guarantee against loss, the committee may wish to stipulate a maximum interest rate that could be charged on such loans.

Also, section 202(b)(9)(C) of the bill would authorize the Secretary, as does section 6(b)(9)(D) of the Area Redevelopment Act, to subordinate the Government's lien position on project assets to lien positions of other loans made in connection with such project.

The Area Redevelopment Administration has, in some instances under the Area Redevelopment Act, subordinated its lien position on project assets to assist the borrower in obtaining a working capital loan from a private lending institution.

Because of the security which would be provided the private lending institution by the Federal guarantee, the committee may wish to require that any working capital loan guaranteed under section 202 be otherwise unsecured or, in some other manner, define in the legislation the relative risk positions intended to be assumed by the lender and the Government.

The bill as drawn would provide no limitations on the amount of loans that may be guaranteed in 1 year or on the amount of guarantees that may be outstanding at any one time.

We believe that the bill should include some limitation.

Because of the varying needs of the individual projects, we cannot offer a reasonable estimate of the total amount of working capital loans that might be needed in the course of 1 year.

Simply by way of illustration, if working capital needs averaged about 50 percent of project costs and such costs totaled \$150 million in 1 year, it is evident that the Federal Government could incur a substantial contingent liability.

Section 202(a)(3) would authorize the Secretary to make payments to or on behalf of qualified borrowers, for periods not to exceed 10 years, of amounts sufficient to reduce by 2 percentage points the interest paid by such borrowers on loans obtained from nongovernmental sources and which are not guaranteed by any Government agency.

It is our understanding that this benefit will be available only in those cases where investment of private capital is clearly in lieu of Federal financing as limited in section 202(b)(9), that is, not to exceed 65 percent of aggregate project cost.

One aspect of the proposed interest subsidy provision which we believe should be considered concerns the possible relationship between the borrower and the lender.

In one case on which we recently issued a report to the Congress, the Area Redevelopment Administration required, for special reasons, the parent corporation to participate to the extent of \$100,000 in the loan which the Administration made to a subsidiary corporation.

As we understand the language of the provision, the subsidiary corporation in such circumstances would be entitled to receive the 2-percent interest subsidy on the amount received from the parent corporation.

If it is intended that borrowers, in situations such as the cited case, not be eligible for this type of assistance, we suggest that it be made clear that the interest subsidy provision be applicable only to project financing arrangements conducted on an arms-length basis.

Section 203 would authorize to be established in the Treasury of the United States a revolving fund which would be available to the Secretary of Commerce for the purpose of extending financial assistance under sections 201, 202, and 403 and for the payment of all obligations and expenses arising in connection therewith.

We believe that this proposal would tend to avoid the need for annual appropriations, and thus there would be less compulsion for careful evaluation by successive Congresses of the need for continuing particular programs.

We have consistently taken the view that the public interest is best served when congressional control of Federal activities is exercised through annual review and affirmative action on planned programs and financing requirements which attend the appropriation processes.

Departures from this procedure should be permitted only on a clear showing that an activity cannot be successfully operated in the public interest within this framework.

In the absence of special circumstances, we believe that the revolving fund method should be adopted only if its demonstrable merits, in terms of more efficient operation of the activity, clearly outweigh the disadvantages of reduced congressional control.

If the revolving fund feature is to be retained in the bill, we suggest that the bill be revised to provide that funds may be used for the loan programs and for administrative expenses only in amounts stipulated in annual appropriation acts.

Section 401 of title IV, entitled "Area and District Eligibility," presents criteria for the designation of redevelopment areas which involve matters of policy for determination by the Congress, and we have no suggestions with respect thereto.

Section 402 would require an annual review by the Secretary of the eligibility of all areas designated or under consideration for designation under section 401, and would authorize the Secretary, on the basis of his review, to terminate or modify designations of such areas in accordance with objective standards prescribed by regulation.

In contrast, section 13 of the Area Redevelopment Act requires termination of eligibility of an area when the Secretary determines that it would no longer be eligible for designation under that act.

If it is intended that the Secretary, in formulating regulations, is to adopt the designation criteria contained in section 401 as the basis for termination or modification actions, we believe that the committee should consider the desirability of making this a specific requirement of the legislation.

In this connection, the committee may wish to consider information contained in our report to the Congress, dealing with the Area Redevelopment Administration's policy of administratively delaying the termination of area eligibility for rather long periods of time after the Secretary of Labor had found that such area no longer met the criteria for designation.

Under section 402, areas designated under the Area Redevelopment Act would be eligible for benefits provided by this bill until the first annual review of eligibility.

We note that the bill does not specify when the first annual review is to be undertaken. We note also, with particular reference to subsections 401(a) (2) and (3) of the bill and subsection 5(b) of the Area Redevelopment Act, criteria for area designation contained in the bill represent a significant change from those contained in the Area Redevelopment Act.

In the light of these factors, we believe the committee might wish to consider the desirability of specifying in section 402 that the first annual review of eligibility of areas designated under the Area Redevelopment Act be undertaken as promptly after the date of enactment as is practicable.

Section 402 would also provide that no termination of eligibility shall affect the validity of any application filed, or contract or undertaking entered into with respect to the affected area prior to termination.

The effect of this provision, which is somewhat similar to a provision contained in section 13 of the Area Redevelopment Act, would be to extend the availability of financial assistance to an area for an unspecified period of time after the eligibility of an area has been terminated.

Section 13 of the Area Redevelopment Act did not specifically refer to the validity of applications filed prior to termination. However, the Area Redevelopment Administrator interpreted the word "under-

taking," as used in that section, to include the filing of a project proposal, which generally precedes the filing of a formal application.

In the administration of that act, financial assistance has been approved as much as 13 months after the date of termination of the eligibility of the area involved.

Accordingly, the committee may wish to consider the desirability of specifying in section 402 the period of time after which a pending application would not be valid.

Section 403(f) would authorize appropriations not to exceed \$50 million annually for financial assistance extended under the provisions of subsections 403(a) (3) and 403(a) (4), the latter of which authorizes increased grants for public facility projects in redevelopment areas which are consistent with an approved district overall economic development plan.

With regard to section 403(f), and, as we suggested in connection with section 201(c) of the bill, the committee may wish to consider the desirability of specifying maximum appropriation amounts authorized for each type of assistance authorized; that is, public facility grants, public facility loans, industrial and commercial loans, and public facility grant increases.

The committee may also wish to consider making working capital loan guarantee contracts under section 403(a) (3) subject to a limitation separate from that which we have suggested be established under section 202 of the bill.

Mr. Chairman, this concludes our statement. We will be pleased to answer any questions you may have.

Mr. BLATNIK. Thank you, Mr. Schoenhaut.

Mr. Cramer.

Mr. CRAMER. Mr. Schoenhaut, I want to congratulate you on what I think is one of the most helpful and definitive statements made relative to this legislation.

This is the type of testimony that I personally appreciate, knowing that we are going to have to go into executive session shortly, and these specifics that you point out have to be considered in the light of the specific legislative draftsmanship.

I think you have done a monumental job. I think the GAO should be congratulated. It will be an active watchdog over this program as it already is over many others.

You operate as an independent agency. You do your job as you feel the Congress instructed you to do it and, in my opinion, you certainly have done it in this instance.

And I repeat that I know of no program where there has been as much criticism of your separate and independent agency, based upon what you believe to be the public interest and the intent of Congress, as there has been under area redevelopment.

And I think that your testimony and your reports, a digest of which has been made available to the committee as well as the full reports, are most helpful in trying to draft the bill or a bill that possibly may overcome many of these objections.

Whether it will be successful in that, I do not know. But at least we have pointed out areas where problems exist.

And, Mr. Chairman, at this point I would like consent to insert in the record a synopsis prepared by the minority staff, relating to the 17 reports—did you put it in?

Mr. SULLIVAN. Yes, that has been placed in the record.

Mr. CRAMER. Fine.

I think it is essential to have that in connection with the testimony.

Mr. SULLIVAN. Yes, sir.

Mr. CRAMER. Relating to your testimony I will be just as brief as possible.

It is true, is it not, that this entire bill has application to the Appalachian area on which we just legislated?

Mr. SCHOENHAUT. I think it does, sir.

Mr. CRAMER. So additional benefits under this bill would be made available to Appalachia. But, in your opinion, in the draftsmanship of the bill has there been an effort made to try to dovetail the two programs, considering what the Appalachian legislation did and what this legislation attempts to do?

Mr. SCHOENHAUT. As we indicated in our statement last week, there has been some overlap between the Appalachian Act and this pending legislation.

Mr. CRAMER. Can you give some examples?

Mr. SCHOENHAUT. It appears that the grant-in-aid purposes or programs, rather, established by the Appalachian Act and already eligible for supplementary grants under section 214 of that act, would also be eligible for supplementary grants under section 101 of this bill.

Likewise, grant-in-aid programs authorized by other acts in existence at the time the Appalachian Act was enacted, for which supplementary grants can be made under the Appalachian Act, may also be supplemented under this bill.

Mr. CRAMER. An example might be the highway subsidy?

Mr. SCHOENHAUT. Yes, sir. We can give you a specific example, where a Federal-aid primary highway project in the Appalachian region would be eligible for Federal assistance amounting to 50 percent of project costs either under section 201 of the Appalachian Act or under section 120 of title 23.

Also if the Secretary of Commerce finds that assistance in excess of 50 percent is required in furtherance of the purposes of the Appalachian Act he may provide an additional 20 percent, for a maximum of 70 percent, under section 201 of the Appalachian Act.

He may not, however, utilize supplementary grant funds under section 214 of the Appalachian Act to increase the assistance above 70 percent.

As we understand section 101(c), the Secretary could utilize grant funds under this bill to provide supplementary grant assistance to bring the total Federal share to 80 percent of project costs despite the 70-percent limitation contained in the Appalachian Act.

Mr. CRAMER. Now, in addition to that, is it not true that areas designated under this act are not or will not include the entire Appalachian area?

In other words, within Appalachia, there are some areas that will get this additional assistance and there will be other areas that will not?

Mr. SCHOENHAUT. We think that is true. That would be—

Mr. CRAMER. So the effect is that in building the highways on this series of highways—is it 3,500 miles?

Mr. SULLIVAN. About 2,350 miles.

Mr. CRAMER. The 2,350 miles, you would have a situation in some areas, if it is an area redevelopment area, that is 80 percent and other areas that are not designated as such would get 70 percent, and still other areas that are not designated at all, even in Appalachia, under this bill would get nothing?

Mr. SCHOENHAUT. We believe that is correct.

Mr. CRAMER. Or they would get no assistance under this bill?

Mr. SCHOENHAUT. Yes, sir.

Mr. CRAMER. So the point that I am making is that it is a hodge-podge with this overlapping of this over the Appalachian Act. There should be some effort, I think, to try to dovetail the two programs.

If it is the intention of the Congress to provide this additional assistance, and do it on a uniform basis or a partial basis, they should be dovetailed.

I just wanted to point that out. We will make that policy decision later.

You have a comment on page 10 with regard to sections 201 and 202 as they relate to the separation of authorizations. As a matter of fact, you also refer to a lack of separation of authorization later on in your statement relating to another section.

This is a serious program of responsibility, and you said that the cost of them or the authorization for them was not broken down in section (e).

Mr. PIN. Section 403(f), sir.

Mr. CRAMER. I mean section 403(f). What page is that comment on?

Mr. PIN. Page 26 of the statement.

Mr. CRAMER. You commented that "with regard to section 403(f), and, as we suggested in connection with section 201(c) of the bill, the committee may wish to consider the desirability of specifying maximum appropriation amounts authorized for each type of assistance authorized; that is, public facility grants, public facility loans, industrial and commercial loans, and public facility grant increases."

Now, that is not the effect. The administrator of the program can use his discretion; can he not?

Mr. SCHOENHAUT. It would give him a wide latitude of discretion.

Mr. CRAMER. So he could put all money he wanted to in either one or he could put most of the money in loans or he could put most of it in industrial or commercial loans—

Mr. SCHOENHAUT. Yes, sir.

Mr. CRAMER. Without specified authorizations. I think that is a very valid point and that serious consideration ought to be given to it.

On page 12 of your statement, and that which follows, you discuss 201 and 202, loans and loan guarantee assessments.

You say that the provisions in the proposed bill provide that loan or loan guarantee assistance shall not be extended unless it is established that such assistance is not available on reasonable terms from private lenders or from other Federal agencies on terms more favorable to the Government which would permit accomplishment of the project.

And then you suggest that we may wish to consider the criteria that should be used in administering this provision.

I ask that suggestive language be prepared and given on this. Are you attempting to prepare language relating to that subject?

Mr. SCHOENHAUT. Yes, sir. There were some 25 changes involved or 25 possible changes in the legislation, and it is rather a complex and time-consuming job, but—

Mr. CRAMER. I understand that.

Mr. SCHOENHAUT. We expect that we will be finished along about the end of this week.

Mr. CRAMER. In other words, what you are saying is that the committee should give consideration to setting forth specific criteria in view of the experience you have had and the recommendations you have made to the Congress. Correct?

Now, on page 13 you discuss the 25-year evidence of indebtedness limitation of maturity loans and you suggest that perhaps that is not equally applicable to working capital loans, and also it might not have the proper application to the life of the machinery and equipment.

In other words, what you are suggesting there is that the bill should provide for flexibility within the Administration to reduce the periods, properly based upon the duration of the working capital and the possible life of the machinery and equipment on which the loan is made?

Mr. SCHOENHAUT. Yes, sir.

Mr. CRAMER. That makes considerable sense because otherwise with that loan outstanding, after the equipment has been fully used, in effect there is no security left for it.

Right?

Mr. SCHOENHAUT. This is what we are saying; yes, sir.

Mr. CRAMER. And that is the way, if any other business or agency of the U.S. Government was involved, it would be done, is it not?

Any money that the Government was loaning, the bank, or anybody else, is not going to be good beyond the reasonable life of the security?

Mr. SCHOENHAUT. We would hope not as far as any other Federal agency is concerned.

Mr. CRAMER. That, too, is a point that ought to be given serious consideration.

Your point on page 14, with regard to the 65 percent supposed restriction on the assistance under ARA, which is supposed to be 65 percent of the aggregate cost to the applicant of acquiring or developing land and facilities and of constructing, altering, converting, rehabilitating, or enlarging the building or buildings, of a particular project, is in this regard.

You make the point that the Administration interpreted this statutory provision to permit, under certain circumstances, the inclusion in project costs of all or part of the value of the applicant's existing land and facilities.

And you say that as a result of this interpretation the Administration has in a number of cases approved Federal financing of more than 65 percent and in some cases 100 percent of the new capital expenditures required for industrial or commercial area redevelopment projects.

So your point there is that the relationship of the 65 percent should be related to the new capital expenditures and not to the existing land and other assets available. Right?

Mr. SCHOENHAUT. If such be the intent of the Congress; yes, sir.

Mr. RAMSEY. I think, Mr. Cramer, in our report we did not object to the land and equipment in the hands of the borrower which was devoted or dedicated to the new use.

Mr. CRAMER. Right.

Mr. RAMSEY. We raised the question simply in connection with land or equipment which did not appear to be so dedicated to a new use.

Mr. CRAMER. As a matter of fact, this is a way of getting a 100 percent loan for the new use facility rather than 65 percent, as supposedly the wording of the present law would seem to intend.

Is that the point?

Mr. SCHOENHAUT. Yes, sir.

Mr. WRIGHT. Will the gentleman yield at that point?

Mr. CRAMER. I will be delighted to yield.

Mr. WRIGHT. On that question, those portions of equipment or assets of the borrower which would be dedicated to a new or expanded use, the position the GAO takes is not really very much different, is it, from the position that the Administrator of the program has taken?

Mr. AHART. Well, actually, Mr. Wright, under the Area Redevelopment Administration's policy which governs this particular point, the extent to which the applicant's assets are included in the project cost—for the purpose of computing the 65 percent—is largely dependent upon whether this is necessary to grant him the amount of Federal money which he needs to make his project go.

What they do is take a look at how much private financing would be available and if it is necessary to include the existing assets in order to get the Federal financing up to take the place of private financing which is not available, they do allow the inclusion of the previously acquired assets.

If private financing would be available, they would cut the project costs down to the new capital expenditures and limit the Federal assistance to 65 percent of that amount.

Mr. WRIGHT. It is your position that a definitive determination ought to be made with respect to whether or not these already existing assets are going to be devoted to the new use that is being financed by the loan?

Mr. RAMSEY. Yes.

Mr. WRIGHT. Thank you.

Mr. CRAMER. I raised this question with another witness. I would like to ask your opinion. Your reports are replete with examples. There were numerous examples cited in your report.

Your criticism was on the basis of an improper evaluation or using an improper standard in making the loan in the first instance or improper administration, research, and development.

That could be one of the reasons why these unfavorable results occurred?

Mr. SCHOENHAUT. Yes, sir.

Mr. CRAMER. Well, now, I discussed with another witness the possibility of putting some provision in the proposal for legislation that there be a requirement that there be a relationship between the number of employees, new employees, to be employed and the amount of Federal money to be expended for that industry.

There should be some correlation. We are not going to spend \$1 million to hire one person, for instance. Right? At least that is my opinion.

Do you think that that approach, trying to find a formula which correlates the number of new jobs with the maximum amount of money that the Federal Government should put into the project, would be a practical approach?

In other words, how do we get at this problem is the point? I think it is serious.

Mr. PIN. I would think there would be some sort of a problem in trying to legislate a provision of that nature for the reason that the number of jobs that would be created would depend on the type of industry.

Unless you had some sort of averages for those industries I am not sure that you would be able to come up with a realistic measurement.

The problem that we brought out in this report was—and if the agency's new procedure is properly implemented it should resolve that problem—when you get an application from an individual you should measure his estimate of the jobs in relation to his expected operating costs.

And that is what they were not doing.

Mr. CRAMER. I see. In other words, it is your suggestion to relate it to what the anticipated operating costs are?

Mr. PIN. That is right, and it is basic to the operation. They have to come to a determination that the project will or will not be successful.

In doing so, they are analyzing both the revenues and the expenses.

Mr. CRAMER. What language would you suggest in the legislation in that respect as official criteria for making certain that he uses that criteria?

Mr. PIN. That would be a matter for the committee to decide, sir.

Mr. WRIGHT. Would the gentleman yield at that point?

Mr. CRAMER. Yes.

Mr. WRIGHT. I think you can appreciate the tasks with which this committee struggles in this, as in any legislation. What we, of course, want to do is to avoid having language so broad that it invites abuse of the legislative desires, on the one hand, and, on the other hand, having it so restrictive that it hamstring the Administrator and renders it ineffective.

Somebody has got to make a determination on each of these questions. Somebody has got to apply his own judgment. Under the act it becomes the responsibility of the Administrator to make these determinations.

Now, we have discovered out of some 400 loans that have been made, some 2,800 APW project grants, some cases in which that judgment was optimistic.

The Administrator had anticipated greater results by way of employment than actually had been obtained and so forth.

On the other hand, you did discover, didn't you, some like the Sequoia Mills in Anadarko, Okla., that results or where results had been more effective than had been anticipated?

Mr. SCHOENHAUT. Yes, sir. But as we point out in the report, generally the reverse situation was true. They were more optimistic,

at least with respect to the 80 projects which had received financial assistance under section 6 of the act and which had been in operation for more than 1 year.

Mr. WRIGHT. Do you think one of the problems may have been that it takes a little longer than a year to get going, that it is a little optimistic to expect an infant industry would reach its maximum job potential within so short a time?

Mr. PIN. I would say this, sir; that the income-expense estimates were predicated on this assumption, and when the Administrator decided that a project would be successful, he did it on the basis of these estimates. Consequently, if he is assuming that the revenue will be produced, the cost will be incurred, jobs should be there. Otherwise, he has another problem as to whether the loan——

Mr. WRIGHT. Yes, of course that is right. And if I were running back, I would expect that these things might be forthcoming.

But my question was: Do you not think perhaps we might have always been a little optimistic in anticipating that a new industry would generate its maximum job potential in so short a time? Do you not think that is a little unrealistic of all of us perhaps to expect this?

Mr. PIN. I do not know that we could generalize on that line. Our approach was that these were the ground rules defined by the Area Redevelopment Administration. This is the way they measured the success of the program and the way they reported their accomplishments to the Congress, and it was our intention that we examine it according to the criteria as stated by ARA.

Mr. WRIGHT. What criteria is that, jobs?

Mr. PIN. That is right, sir. One year after operation.

Mr. WRIGHT. That is correct. And this goes again to the heart of my question, which is: Do you not think it may have been a little unrealistic on all of us to anticipate that industry would reach its stride within a year, say?

Mr. PIN. We do not know, sir. We could not answer that specifically.

Mr. BLATNIK. Thank you.

Mr. CRAMER. Well, the evidence, of course, that was submitted was that the estimates of the increased employment was overstated and overestimated by 128 percent. 190 projects. It would appear the estimate relating those 190 to the 2,482 total projects estimated 366,911 man-months or 55,300 man-years was overstated by 373,000 man-months or 31,000 man-years, or 128 percent.

Now, that is the basic problem that you are suggesting is related to it, right?

Mr. SCHOENHAUT. Mr. Cramer, what you are dealing with is the overstatement of job estimates on the APW program.

Mr. CRAMER. APW. I understand that.

Mr. SCHOENHAUT. Mr. Wright, I think, was addressing himself to our report on overstatement of job opportunities under the regular ARA program.

Mr. CRAMER. Yes.

Mr. SCHOENHAUT. In both instances their estimates were substantially overstated.

Mr. CRAMER. Right.

Mr. WRIGHT. If the gentleman will yield at that point so that I may ascertain the reasons for this, under the APW program——

Mr. CRAMER. I shall be glad to yield to the gentleman.

Mr. WRIGHT. Thank you.

Under the APW program, the original job estimates were based, were they not, on figures supplied to the Community Facilities Administration by the independent architects and engineers who designed the projects and forwarded them through the Community Facilities Administration?

Mr. HENIG. Yes, sir; that is true. However, the Community Facilities Administration engineers were supposed to have reviewed these estimates, and in many cases they adjusted them one way or the other, up or down.

Mr. WRIGHT. Did you not find that a substantial part of the overestimates was related to the greater proportion of offsite work than expected?

Mr. HENIG. There was no measurement by ARA in their report of offsite work. Their report specifically dealt with onsite labor.

Mr. WRIGHT. Yes. And therefore do you not think it likely—as a matter of fact, I think there is some indication that this is probably what did it, that the engineers and architects designing these projects and submitting the job figures to the Community Facilities Administration, which in turn certified them to the ARA, were taking into account offsite jobs, prefabricating jobs, and things of that sort.

Mr. HENIG. Not necessarily; sir. The engineers were instructed to estimate just the onsite jobs. The reasons given by the engineers and architects, or the applicants, were quite varied. They dealt with the overestimates and attributed them to contractor efficiency, actual construction costs being less than estimated, good weather, advanced technology, unfamiliarity of engineers with the concept of estimating onsite employment, offsite fabrication, inclusion in estimates of labor an amount for labor used in the manufacture and transportation of materials and supplies, and excavation by machinery.

In one area there was general agreement concerning the cause of the variances put forth by the various architects, engineers, and public authorities. There were included in the review 17 APW projects constructed in this locality for which the ARA directory shows that an estimated 971 onsite man-months of work would be generated. The actual onsite work generated by these projects was only about 130 man-months, or less than one-third of the estimate.

This wide variance was generally attributed by the applicants to the unrestricted use of construction equipment by contractors in substitution for manual labor on which the estimates apparently were based.

Mr. WRIGHT. So that this—if the gentleman would yield further?

Mr. CRAMER. Yes, I yield further.

Mr. WRIGHT. Leads to two additional lines of inquiry, the first being that almost daily you are making strides in automation. It does not take as many men to construct a public works project as it did just a few years ago.

Mr. HENIG. I would have to agree with you on that, sir. With the new technology developed for public works projects, particularly sewer lines, it does not require near the amount of labor that it did.

Mr. WRIGHT. At the time I was involved rather directly in this type of activity I was mayor of a municipality, only a little over 10 years ago, that took more men to construct a sewerline or waterline, or a street, than it does today, due to better technology and better equipment.

Mr. HENIG. On one project I know of firsthand, sir, they had approximately five men working on the project; one man working a ditchdigging machine, one man working a bulldozer. One would take out the dirt, and then they had three men in a hole putting the pipe together. So five men were just running along in a line laying miles and miles of pipe; where in the past they had been digging a ditch and then filling in the ditch by hand.

So there are immense strides in technology that have taken place, which in my opinion, changed the concept of sewerline projects.

Mr. WRIGHT. It might at one time have taken as many as 20 men.

Mr. HENIG. Yes, sir.

Mr. WRIGHT. To keep up with that same rate of progress over that period.

Now, the other question is related to onsite and offsite jobs. You have stated here that the only estimates that were requested were on-site estimates.

Mr. HENIG. Yes, sir.

Mr. WRIGHT. Jobs generated right on site of the construction as set.

Mr. HENIG. Yes, sir.

Mr. WRIGHT. Of course, the purpose, or one of the basic purposes of the accelerated public works program was to generate employment. Do you not feel that we had a subsidiary benefit that we have not taken into account in the great number of offsite jobs which were generated and created by the boost?

Mr. HENIG. The ARA directories, as I said, contained onsite jobs. It is very difficult to measure where that offsite employment would occur. It might very well occur in an area that has a very, very low rate of unemployment.

Mr. WRIGHT. Yes. And then it might occur in an area which has a high rate of unemployment; might it not?

Mr. HENIG. Yes, sir.

We were guided primarily in our review with the intent of the Accelerated Public Works Act, that the project have a significant effect on local unemployment, therefore—

Mr. WRIGHT. Do you not think that is true and was the purpose of the act in areas which needed a boost in employment? So that it would be possible to identify the offsite work whether they occurred in areas of great unemployment or not?

Mr. HENIG. Yes, sir.

Mr. WRIGHT. But to the extent that they did occur in areas of considerable unemployment, we have a subsidiary benefit and job-creating mechanism that was not taken into account in the analysis of the end type of the program; is that correct?

Mr. HENIG. Yes, sir.

Mr. WRIGHT. Thank you.

Mr. HENIG. That would appear to be right.

Mr. CRAMER. To make sure the point is not lost, your recommendation was that the committee consider modifying the bill to require the Secretary to make certain, prior to approving such a contract, that a definite relationship exist on willingness between the project and the new permanent employment opportunities; that is your recommendation, is it not?

Mr. PIN. That was in connection with the grant program, sir.

Mr. CRAMER. Right.

And your other recommendation just made related to the area redevelopment, right?

Mr. SCHOENHAUT. I am not sure which recommendation you mean.

Mr. CRAMER. The one we were just discussing with regard to a relationship between the operating capital of the business and the number of employees.

Mr. PIN. That was the business loan program, sir.

Mr. CRAMER. Business loan program, right.

Mr. SCHOENHAUT. Yes, sir.

Mr. CRAMER. This 2 percent interest subsidy to companies, in section 202, which obtain finances from non-Government sources located within redevelopment areas, cost of approximately \$5 million annually; is that set up on a revolving fund basis? I notice you mention that in your discussion. Is that \$5 million on a revolving basis?

Mr. PIN. As we understand it, sir, it would depend on annual appropriations.

Mr. CRAMER. All right.

Section 203, then, is on a revolving fund basis?

Mr. PIN. That is correct.

Mr. CRAMER. And this 2 percent interest subsidy goes to any establishment in a redevelopment area that gets private financing, right, regardless of the industry involved?

Mr. PIN. That is correct, sir.

Mr. CRAMER. It is quite obvious that a business is in good financial condition basically or they could not get a project loan. But despite that, the Government makes available a 2-percent subsidy, be it General Motors or any other—General Motors has trended very well last year, the greatest profit in the history of any business enterprise—and yet they would be available for a 2-percent subsidy under this provision?

Mr. PIN. That is as we understand it; yes, sir.

Mr. CRAMER. No restriction that is in the provision that would prevent that?

Mr. PIN. No, sir.

Mr. WRIGHT. If the gentleman would yield?

Mr. CRAMER. Yes.

Mr. WRIGHT. I am sure the committee would not anticipate that these provisions would be extended to a concern like General Motors.

Mr. PIN. Sir, I think when the Secretary testified the question was brought up about General Motors, and I think he answered "Yes," if my memory serves me.

Mr. WRIGHT. I think that might be a bit farfetched.

Mr. CRAMER. Well, there is no question about it, Mr. Chairman. There is no restriction at all in the 2-percent subsidy to any industry that locates in a new area that the Administrator finds will create new jobs.

Is there any restriction in the language of the bill? I will ask the gentleman who testified. What page is that on?

Mr. SCHOENHAUT. Pages 10 and 11 of the bill.

Mr. RAMSEY. Mr. Cramer, I do not see any restriction on any type of company which would be eligible for this 2-percent reduction in interest.

Mr. CRAMER. The language seems pretty clear. It says specifically on line 19:

“* * * contract to pay, and to pay annually, for not more than 10 years, to or on behalf of private business entities amounts sufficient to reduce by 2 percentage points the interest paid by such entities on loans which are obtained from non-Government sources, which are not guaranteed by any Government agency, which provide for annual amortization of principal, and the proceeds of which are used for purposes for which the Secretary is authorized to purchase evidences of indebtedness or make loans under this section: * * *”—\$5 million as authorized.

That seems to be pretty clear. I think we had testimony previously to the effect by another witness that General Motors was qualified.

Mr. SCHOENHAUT. This was our understanding of the Secretary's testimony.

Mr. WRIGHT. In assisting the committee to evaluate the worth of such a proposal, you might do some mathematical projections.

Mr. CRAMER. I will again yield to the gentleman.

Mr. WRIGHT. Thank you.

If the \$5 million in interest subsidy generates \$250 million in a new economic activity, which would be its purpose, of course, then that would be actually about the cheapest way of stimulating and encouraging new job-creating enterprises that I can conceive of. Do you know of any other government program that generates economic activity on so small a base of Federal investment as 50 for 1?

Mr. RAMSEY. I do not know of any, Mr. Chairman. Of course, I am not an actuary and I could not compare offhand the cost of obtaining capital by this means with the cost under, say, a loan of another type that is contemplated by this act. It might very well be lower in price in the long run by this means than by the other. I am just not sure. I think we have to do some computing before we could see.

Mr. WRIGHT. Of course, what the purpose of the act sets out to be is to generate additional economic activity in the private sector. In order to do this we can provide various encouragements on the part of the Federal Government to create a climate which will be conducive to job-creating economic activity in the private sector.

Now, you are helping us with language and tying up loose ends. We appreciate that. By the very nature of your job and your responsibility, you must be negative in many cases. It is your job not to look on the bright side and anticipate what good can be accomplished but rather to look on the dark side and anticipate what mistakes could be made.

Therefore, I have asked you a question perhaps that was somewhat beyond the nature of your normal inquiry.

But if the gentleman will be kind enough to yield further, I simply wanted to ascertain if, in your survey in general government activities you know of any program under which the Government generates

\$50 in private investment for each dollar that it makes available. If there is a better way to do it, then I think we want to do it the other way, the better way.

Mr. SCHOENHAUT. We do not have that information, and I would suggest that whether this 2-percentage-point subsidy should be included in the bill is really a matter for determination by the Congress. It is a policy matter. We just do not know whether it will generate the investment volume that you describe, Mr. Wright.

Mr. WRIGHT. I am mindful of certain other government programs which have become so negative in their approach or reaction to the prospective borrower that they have been at times rendered almost ineffective. I think, for example, of some of the early experience under the Small Business Administration during which time 300,000 applicants and prospective applicants came to the SBA, and out of the first 300,000 who came only 7,000 ever were allowed to get to the point of even processing a formal application.

Now, this manifestly was not the intent, I think, of the Congress in creating the legislation. It had become so negative in its approach to the borrower that it did not make its resources available to those who actually needed it.

And I appreciate what you gentlemen are attempting to do in advising us so that we can assist the Administrator through our legislative approach in avoiding bad risks. At the same time, I do not want to reach a point where the program itself is rendered ineffective.

Mr. RAMSEY. Mr. Chairman, I believe that in the statement there were only two comments we made on this 2-percent subsidy. One of them was that we thought perhaps it should be applied to a bona fide borrowing deal where an affiliate did not deal with, say, its principal or subsidiary as was the case in one of these reports.

The other comment which we made, on which we have not made any recommendation, simply a comment, was that in our reading of this section it looked to us as though the subsidy which could be granted by the Secretary under this provision was confined to the 65 percent which he could loan directly.

Now, I have seen a letter somewhere from ARA in which they do not agree with that. And there again it would be very helpful, I think to both of us, if that were clarified somewhere along the line.

Those are the two comments which we have made on this 2-percent item.

Mr. SCHOENHAUT. We have made no recommendation with respect to whether the 2-percent subsidy is a good idea.

Mr. WRIGHT. Thank you.

Go ahead, Mr. Cramer.

Mr. CRAMER. The point I was making was relating to what the bill provides. I am not going to ask you to make a policy decision or policy statement; I know that is not your function. I would disagree with the statement, however, on the observation that yours is an agency that has a negative attitude. As far as I am concerned, you are an agency constituted by Congress for very positive action protecting the interest of taxpayers and people of this country and instructed to do so by the Congress. So I would disagree with the gentleman with relation to that.

Now, secondly, I do not agree with the Small Business Administration comparison to those loans and loans made in business that cannot otherwise get financing. And these loans, 2-percent subsidy, are made to businesses who obviously do get financing. And there is no criteria for the need for the money in the legislation by the business involved, is there? The business does not have to have a need for the money, the 2-percent subsidy?

Mr. PIN. No, sir.

Mr. CRAMER. There is no suggestion that the Administrator must make a finding that without the 2-percent subsidy that industry would have otherwise located within this area, is there?

Mr. PIN. No, sir.

Mr. CRAMER. There is no requirement, is there, that only a certain maximum amount can be loaned to a given business as 2 percent, is there?

Mr. PIN. No, sir.

Mr. CRAMER. So a big business going into an industry could eat up 35 percent of the \$5 million available in one industry alone, right? If big enough, that is a possibility; they would eat up a good portion of the \$5 million available under this subsidy. There is no limitation on how much a given industry can get by way of subsidy, right?

Mr. RAMSEY. I see none in the bill, Mr. Cramer.

Mr. CRAMER. In other words, the door is wide open for anything they want.

My point is that I do not think our committee would want to give such a blank check, regardless of the merits of the program, of this proposal. I personally do not think there is much merit to the proposal. If it is going to be passed, we would need some limitation, some directions relating to it. It is a brandnew idea, a new program.

Mr. CLEVELAND. Would the gentleman yield?

Mr. CRAMER. I yield.

Mr. CLEVELAND. One additional question on this same subject. Is there any requirement in the bill that is before us that this 2 percent is limited to situations where, without it, the business would not come into the area?

Mr. PIN. Not specifically, sir.

I think it might be well to read the Secretary's statement on this point.

Mr. CLEVELAND. May I have an answer to my question first?

Mr. WRIGHT. I think the gentleman is trying to answer.

Mr. CRAMER. I just asked the question as to whether or not there had to be, as an administrative decision, as written into the bill, a decision that, without this subsidy, the industry would not otherwise locate there. And the answer was there is no such language in the proposal.

Mr. CLEVELAND. In other words, this could be a complete windfall for some industry that was planning to move into a disadvantaged area anyway.

Mr. CRAMER. I think it is going to steal this industry away from other areas—in New Hampshire. That 2 percent is quite a bit.

Particularly, is it not true that under this provision, for instance, an industry could plan on moving into a given area, could purchase a building, could take over whatever mortgages are in existence on that building, and get a 2-percent subsidy of the interest on the mortgage,

existing mortgage on that building, if it was going to be used for this purpose, industrial purposes?

Mr. RAMSEY. I would assume so, sir.

Mr. CRAMER. Why, sure. There is no limitation as to how far this 2-percent subsidy can go, and it does not relate, the 2-percent subsidy, to whether or not the industry would otherwise have not located in the area, nor does it relate to any limitation on how much in dollars can be allocated to one business in one area or businesses within a given State. Is that not correct? They can all be spent in New York City or spend it all in Florida, which is a good area.

That is the point I am making.

Now, you also point out on page 21, relating to this same subject, a very important subject, that this 2 percentage points can be, as a matter of fact, paid as a subsidy on a loan made by the parent corporation to a subsidiary corporation to help finance its operation. And you cite a specific example; right?

Mr. PIN. That is correct, sir.

Mr. CRAMER. And the obvious comment on that is that that is not an arm's-length transaction, and this obviously could lead to a lot of hanky panky.

Now, you also suggest on page 22, relating to the revolving fund, that it depends, under section 203, relating to title II, which is the public works and development facility loans section, that there is no requirement, because it is set up as a revolving fund, providing for review in any legislative process. There obviously is no legislation in it, because this is an endless authorization, is that not right? Our committee does not look at this again, unless you want amendments to it?

But so far as reauthorizing the program that is not necessary. This is an endless program, right?

Mr. PIN. That is correct, sir.

Mr. CRAMER. The whole program.

Mr. PIN. That is correct, sir.

Mr. CRAMER. And this \$5 million a year for the 2-percent subsidy is an endless program, right?

Mr. PIN. As drafted, that seems correct, sir.

Mr. CRAMER. Sure.

Mr. RAMSEY. I think we should comment on that, however, Mr. Cramer—

Mr. CRAMER. Yes.

Mr. RAMSEY. That, while there is no limitation on it—well, there is really a limitation on the 2 percent; it says “to contract and pay and to pay annually for not more than 10 years.”

Mr. CRAMER. That is on the loan itself; yes.

Mr. RAMSEY. Yes.

Mr. CRAMER. That is on the life of the loan. That is on the contract with the business.

Mr. RAMSEY. And also that the amounts for these new contracts are subject to limitations in annual appropriation acts.

Mr. CRAMER. Other than that—

Mr. RAMSEY. Yes. While it is true that this provides no limitation on the existence of the program, it does provide for an annual limitation in an appropriation act. Not in excess of \$5 million.

Mr. CRAMER. But in your comment on section 203, you said it was established and would authorize to be established by the Treasury of the United States a revolving fund which would be available to the Secretary of Commerce for the purpose of extending financial assistance under sections 201, 202, and 403, and for the payment of all obligations and expenditures arising in connection therewith.

We believe that the revolving fund method should be adopted only if its demonstrable merits in terms of more efficient operation of the activity clearly outweigh the disadvantages of reduced congressional control. If the revolving fund feature is to be retained in the bill, we suggest that the bill be revised to provide that funds may be used for the loan programs and for administrative expenses only in amounts stipulated in annual appropriation acts.

And the obvious question before our committee is: Should we require such annual appropriation review type as is provided in the 2-percent loan section on page 11?

Mr. RAMSEY. Yes, sir.

Mr. CRAMER. All right. It is interesting that it is provided there but nowhere else.

I have no other questions. I will yield to the other members so they can ask questions, because the time is growing late.

Mr. WRIGHT. Any questions on my right?

Mr. HOWARD. Mr. Chairman.

Mr. WRIGHT. Mr. Howard.

Mr. HOWARD. I would like to enter into the discussion as to whether this bill would dovetail; we mentioned the Public Works Acceleration Act before. Would it not dovetail to some degree with the Water Quality Control Act which has recently been passed, although not signed as yet?

A municipality or regional area, under the Water Quality Act, may apply for Federal funds for the creation of a sewer system or a sewage treatment plant, and they would be eligible for one-third, or, say, 30 percent of the construction costs under the Water Quality Act.

Under this bill, an area could qualify for aid in the amount of possibly 80 percent. Is that not true, for the same project?

Mr. RAMSEY. That appears to be true, sir; that the language here provides that supplementary grants may be made notwithstanding any limitation on the use of supplementary grants that may be otherwise applicable to the grant-in-aid program involved.

Well, that is not exactly the language in the bill that I am looking for.

But this authority can be used to supplement any grant-in-aid program, providing the total amount of non-Federal participation will be not less than 20 percent. In other words, it can run up to 80 percent.

Mr. HOWARD. If they qualified for the 30 percent under the Water Quality Act, even under this bill it will not receive—should they apply to the Secretary—it will not receive an additional 80 percent. In other words, this Congress is not going to give 110 percent of any—

Mr. RAMSEY. No, sir. I meant that the total, including both the original grant and the supplementary, should not exceed 80 percent. In other words, there would have to be 20 percent non-Federal participation.

Mr. HOWARD. So they may receive 30 percent and apply through this bill for an additional 50 percent if they were in an 80 percent area; is that true?

Mr. SCHOENHAUT. That is correct.

Mr. HOWARD. Do you feel that administratively this would be any sort of hodgepodge?

Mr. SCHOENHAUT. It might be some problem to the applicant to ascertain exactly where he goes to get the grant money.

Mr. HOWARD. It would be difficult to know where to go to get grant money under this bill?

Mr. SCHOENHAUT. It may be difficult; unless some overall administration of these various grant provisions was initiated, the applicant could have some difficulty trying to find out which agency of the Government he goes to apply for which part of the 80 percent.

Mr. HOWARD. If he has already received authorization for 30 percent under the Water Quality Act, it would not seem to be the intent of this bill in an 80 percent area that this municipality or region be precluded from receiving an additional 50 percent; is that true?

In other words, if it is an 80 percent area, and they are receiving a grant of 30 percent, it would not be intended in any way by this bill to say: Although you are in an 80 percent area, since you have received 30 percent through the Water Quality Act, you may not apply here at all—thereby reducing an 80 percent area in effect to a 30 percent area?

Mr. RAMSEY. No, sir, I would think not.

This indicates an intention to supplement existing or future Federal grant-in-aid programs. I would think there would be no indication of any intent to cut down or restrict it because of that.

Mr. HOWARD. Since you feel it might be a hodgepodge administratively, could you suggest any language for the bill which would, if it is that—I cannot see myself where it should be very difficult to handle an application for a supplementary grant from 30 percent already received to an additional 2 percent.

Mr. GRAY. Would the gentleman yield?

Mr. HOWARD. Be happy to.

Mr. GRAY. Let me say that there are two completely different sets of criteria for applying for a grant under the Water Pollution Control Act and a grant under this program. We have two completely different sets of criteria under the Public Works Acceleration Act and under the Water Pollution Control Act.

We had a number of applications that went to the State Department of Public Health for an antipollution control grant, and the Community Facilities Administration and the Department of Health, Education, and Welfare for supplementary grants under the public works acceleration program. I know of no case where there was a hodgepodge or a conflict.

Further, the difference in criteria is that the only requirement under the Antipollution Control Act is to certify there is a need there for a plant or facility. Under this program, similar to the public works acceleration, the proposed improvement must be tied to jobs.

For example, if you have an industry coming in and they need a sewage disposal plant, they can come in and apply here similar to the public works acceleration for additional money. And the Antipollution Control Act is strictly to make an improvement that is essential to that community.

So there are certain accepted programs that would be no hodgepodge or would be no hodgepodge under public works acceleration.

There would be no hodgepodge under this program. It would work directly in the future as it has in the past.

Mr. HOWARD. I thank the gentleman. I cannot, myself, see where there would necessarily be any problem. I am glad he brought out the fact that past experience has shown there would be no particular difficulty in this dovetailing of the bills.

Mr. CRAMER. Would the gentleman yield?

Mr. HOWARD. Be happy to.

Mr. CRAMER. Some 76 of the counties in the program that are not APW or ARA areas, have not been so designated, have prepared, out of the 330-some old holding counties 360 would be treated differently than 76. They could not qualify for subsidy.

Mr. HOWARD. No; that is true, because there is different criteria than there was in Appalachia.

Mr. CRAMER. All of that is not covered by that proposed. Part of it is and part of it is not. It is a hodgepodge.

Mr. HOWARD. Well, it may be to some people.

Thank you very much.

Mr. CLEVELAND. Mr. Chairman.

Mr. WRIGHT. Yes.

Mr. CLEVELAND. In your GAO report, August 1964, you pointed out some areas apparently not meeting the criteria of the bill as you understood it, were receiving aid under the Area Redevelopment Act. You cited Hawaii, New Hampshire, Vermont, and Delaware, for example. It is my understanding that the ARA wrote your office a letter on October 6, 1964, and stated that, although they believe their actions did carry out the intent of Congress, that they would not approve additional projects in these areas of dispute.

I want to confirm whether or not that information is correct.

Mr. HENIG. I believe that was the gist of the ARA letter to us.

Mr. CLEVELAND. What is your answer; I could not hear.

Mr. HENIG. I believe that was the gist of the ARA letter. I do not have a copy of it here.

Mr. CLEVELAND. Mr. Chairman.

Mr. WRIGHT. Mr. Cleveland.

Mr. CLEVELAND. May I have at this point in the record—I would like to have the letter from the ARA referred to inserted in the record at this point in the record.

Mr. WRIGHT. Without objection, that may be done.

(The material referred to follows:)

THE ASSISTANT SECRETARY OF COMMERCE,
Washington, D.C., October 6, 1964.

HON. KERMIT GORDON,
Director, Bureau of the Budget,
Washington, D.C.

DEAR MR. GORDON: In accordance with Bureau of the Budget Circular No. A-50, attached are the comments of the Area Redevelopment Administration on the General Accounting Office report to the Congress entitled "Unauthorized Assistance to Seemingly Nondepressed Areas Under the Public Works Acceleration Act and the Area Redevelopment Act, Area Redevelopment Administration, Department of Commerce."

We have reviewed these comments and find them to be appropriately responsive to the findings and recommendations contained in the audit report.

Sincerely yours,

HERBERT W. KLOTZ.

U.S. DEPARTMENT OF COMMERCE,
AREA REDEVELOPMENT ADMINISTRATION,
Washington, D.C., October 6, 1964.

HON. KERMIT GORDON,
Director, Bureau of the Budget,
Washington, D.C.

DEAR MR. GORDON: Pursuant to the requirements of your Circular No. A-50, the findings of the General Accounting Office, in their report of August 24, 1964, titled "Unauthorized assistance to seemingly nondepressed areas under the Public Works Acceleration Act and the Area Redevelopment Act," are summarized below, together with the views of the Area Redevelopment Administration. A more complete exposition of the ARA position is set forth in the attached memorandum which was prepared in response to Congressional inquiries on the GAO report.

GENERAL ACCOUNTING OFFICE FINDING

The GAO report finds that \$7.4 million of the funds authorized by the Public Works Acceleration Act and the Area Redevelopment Act for assistance to depressed areas had been approved for projects in seemingly nondepressed areas on the basis that one area in each State could be designated a redevelopment area. It is GAO's view that designation on this basis is not authorized by the Area Redevelopment Act. The report recommends that the Secretary of Commerce revise the regulations covering the Area Redevelopment Act program by deleting that section which permits seemingly nondepressed areas to be designated as redevelopment areas when no area in the State is otherwise qualified under unemployment or economic standards. With respect to agreements for Federal assistance previously made to these areas, it is recommended that the Secretary of Commerce review the circumstances on a case-by-case basis and, wherever practicable, take action to rescind the agreements.

AREA REDEVELOPMENT ADMINISTRATION COMMENT

The areas involved were designated under regulations developed by ARA to implement that part of section 5(b) of the Area Redevelopment Act which reads "In making the designation under this subsection, the Secretary shall endeavor to distribute the projects widely among the several States, so far as is feasible and proper, in order that actual experience with this program may be had in as many States and in as many areas and under as many different circumstances as possible."

We believe our regulation carries out the intent of Congress. The chief architect of the Area Redevelopment Act in the Senate, Senator Paul Douglas, believes that the Act is permissive but not mandatory. He has stated that ARA clearly has authority to provide that at least one area in each State be designated but he does not believe this was necessary under the terms of the act.

This is a matter which we believe the Congress should have an opportunity to consider and to clarify. In the meantime we are not approving additional projects in the areas which were designated under our interpretation of the provision previously quoted. We have no plans, however, to rescind projects already approved in these redevelopment areas on the basis of the General Accounting Office opinion.

Sincerely,

H. W. WILLIAMS,
Deputy Administrator.

U.S. DEPARTMENT OF COMMERCE, AREA REDEVELOPMENT ADMINISTRATION

ARA COMMENTS ON GAO REPORT—"UNAUTHORIZED ASSISTANCE TO SEEMINGLY NON-DEPRESSED AREAS UNDER THE PUBLIC WORKS ACCELERATION ACT AND THE AREA REDEVELOPMENT ACT"

The Comptroller General of the United States has issued a report to the Congress entitled, "Unauthorized Assistance to Seemingly Nondepressed Areas Under the Public Works Acceleration Act and the Area Redevelopment Act." The report maintains that through January 1, 1964, \$787,000 of assistance under the Area Redevelopment Act went to areas in four States which were not depressed areas and \$6,611,000 of assistance under the Public Works Acceleration Act went to these same nondepressed areas. The amount of ARA funds approved

for these areas amounts to four-tenths of 1 percent of the total ARA funds approved. The amount of APW funds approved for these areas amounts to eight-tenths 1 percent of the total APW funds approved.

In order to understand this report it is necessary to keep the following points in mind:

1. There is no definition of "depressed areas" in the Area Redevelopment Act. The word "depressed" does not appear in the act. The act refers to designated "redevelopment areas", and the Secretary of Commerce is authorized to designate certain areas of the United States as "redevelopment areas", in accordance with the terms of the act.

2. The Public Works Acceleration Act makes all designated redevelopment areas eligible for assistance under the terms of the act. If an area is qualified under the Area Redevelopment Act, it is also qualified under the Public Works Acceleration Act.

3. The GAO report does not allege that the approved projects themselves are in any way faulty. The basis for the GAO report alleging misspent funds stems from a difference of opinion between ARA and GAO as to whether ARA had authority, under law, to designate certain areas as redevelopment areas. If the areas were properly designated, the expenditure of funds was entirely proper.

Does ARA have the authority to designate the areas in question?

The areas in dispute are located in four States, Hawaii, Delaware, New Hampshire, and Vermont. The areas were all designated under standards promulgated by the Administrator and duly published in the Federal Register, section 302.22, dated October 24, 1961. The applicable standard reads as follows:

"In any State where no area shall have otherwise qualified under the act, an appropriate economic development area consisting of one or more counties may be designated: (a) where the median annual income of families and unrelated individuals is lower than the median annual income of families and unrelated individuals in any other area with approximately the same population within the State, or (b) where the unemployment in the county or counties is most severe, within the State, or (c) where federally aided public assistance rates are among the highest in the State."

The following areas were classified under this standard on the following dates:

Hawaii.—Hawaii County redevelopment area, July 20, 1961.

Vermont.—Caledonia, Essex, and Orleans Counties redevelopment area, July 19, 1962 (northern kingdom redevelopment area).

Delaware.—Kent and Sussex Counties redevelopment areas, January 24, 1963.

New Hampshire.—Grafton, Carroll, and Coos Counties redevelopment area, April 25, 1963.

The Comptroller General maintains, in effect, not that the areas were improperly designated under the standard, but that standards are not in accord with the intent of the Area Redevelopment Act. As a result, according to GAO, areas were designated which were not "depressed," especially by comparison with other undesignated areas throughout the Nation, which had lower incomes and/ higher unemployment rates than the areas in question.

Section 5(b) of the Area Redevelopment Act (Public Law 87-27) states that:

(1) "The Secretary shall designate as "redevelopment areas" those areas (including Indian reservations) within the United States which do not meet the requirements set forth in subsection (a) but which he determines are among the highest in numbers and percentages of low-income families, and in which there exists a condition of substantial and persistent unemployment or underemployment."

(2) "In making (such) designations * * * the Secretary shall, by regulation, prescribe detailed standards upon which the designations under (the) subsection shall be based. * * *"

(3) "In making the designation under this subsection, the Secretary shall endeavor to distribute the projects widely among the several States, so far as is feasible and proper, in order that actual experience with this program may be had in as many States and in as many areas and under as many different circumstances as possible."

The above sentence is the basis upon which the standard was developed for the areas in question.

It is the opinion of ARA that the words: "in as many States and in as many areas and under as many different circumstances as possible," interpreted in the

light of their legislative history, authorizes the standard which was the basis for the designation of the eligible areas.

It is the opinion of the GAO Report that it does not.

It is the opinion of Senator Paul Douglas, principal sponsor of the Area Redevelopment Act, that the "Secretary clearly has the authority" under the sentence quoted above to designate at least one area in every State. A full letter from Senator Douglas on this point was made available to the GAO prior to the issuance of the report.

What is being disputed here is not a question of fact, but of opinion. The principal sponsor of the act believes that ARA had the authority to designate the areas in question. ARA believes that it had the authority to designate the areas in question. The report maintains that ARA did not have the authority.

The GAO argument analyzed

The Comptroller General's report makes much of the following points:

1. The opening sentence of subsection 5(b) of the Area Redevelopment Act requires that areas designated under that subsection be among the highest in numbers and percentages of low income families and that there are many counties in the United States with higher percentages of low-income families than the areas in question.

2. Congress considered and rejected an amendment to the act which would have required the Secretary to designate at least one area in every State.

ARA believes and Senator Douglas supports ARA's opinion in this respect that although Congress did not make it mandatory that at least one area in each State be designated, it did make it permissive. In addition, the legislative history is not clear as to whether the amendment which was rejected referred to approving an area in every State or a project in every State. The basic argument of the majority was its insistence on providing administrative discretion.

Moreover, it should also be kept in mind that the ARA regulation makes it clear that areas within a State must be the most disadvantaged within the State in terms of low family income, unemployment, or established need for federally aided public assistance. This is clearly in keeping with the purpose of the law.

It appears irrelevant for GAO to advance as an argument the claim that certain other counties are worse off in terms of average family income than the counties in question. If Congress had intended average family income to be the overriding determinant, it would have been easy to write a law to do so. The fact is that Congress specified a number of factors which would make areas eligible including unemployment, family income, farm family income, previous participation in the rural development program of the Department of Agriculture (clearly a requirement having no direct relationship either to employment or income), current and prospective employment opportunities, availability of manpower, out-migration, and proportion of families on public assistance.

It seems clear that in order to see to it that actual experience with the program was distributed as widely as possible, the Administrator was justified in issuing a regulation which would authorize designating certain areas which might be considered relatively better off than certain other nondesignated areas. This justification is even stronger in light of the 4-year experimental nature of the current act. It may be that Congress will wish to consider designation criteria based upon the relative needs of areas when the act is renewed, but this prospect should not be a reason for declaring improper an action which is permissive under the present law.

It should also be kept in mind that two of the areas in question—the Hawaii redevelopment area and the northern kingdom redevelopment area—were designated as eligible redevelopment areas under the Area Redevelopment Act prior to the passage of the Public Works Acceleration Act. Therefore, Congress knew that these areas would receive benefits under the Public Works Acceleration Act when that act was passed with provisions making all ARA areas eligible. It seems unfair to criticize ARA for approving ARA assistance to an area such as Hawaii County, when Congress knew Hawaii County would be eligible under the terms of the act it was passing at the time it was voting on passage.

GAO has also argued that in making the disputed areas eligible, ARA was "diverting" a substantial portion of its limited funds to areas which somehow did not deserve to receive help because they were "nondepressed." In view of the fact that less than 1 percent of the total approved went to these areas, would it not seem reasonable to allot 1 percent of a total amount to making sure that experience with the program is had "in as many States and in as many areas and under as many different circumstances as possible?"

ARA cannot agree with GAO

ARA has carefully considered the arguments which the GAO has offered in support of its views. There have been discussions on the matter between representatives of ARA and GAO for more than a year. Nevertheless, ARA is unable to agree with the GAO interpretation of the relevant portions of the statute. Because of sharp differences in interpretation, however, a clarification of the law should be made when consideration is given to extending the legislation next session.

Mr. CLEVELAND. Now, I want to inquire further on this same line of questioning, because, as one of the gentlemen has already mentioned, I do come from New Hampshire. I have been told, I believe, by the Secretary of Commerce or his representative who was here when I asked him what sections of the country would be included under this new act that we are considering, and they produced a map for me, and this map showed that northern New Hampshire—three counties of northern New Hampshire would be included in the benefits of this act that we are discussing.

And yet, according to the information that I have now, and that you have confirmed, ARA wrote you and stated that there would be no more grants given for New Hampshire.

Now, there is something here that does not mesh or check out. And I want to know; the next question to you gentlemen is this: Under this act that we are now considering, as you interpret the law, would these three northern counties of New Hampshire who are presently in abeyance according to this letter of October 6 from ARA, would they or would they not be eligible for the benefits of this act?

Mr. HENIG. We cannot really answer that until we have made a study of the criteria under this act and the factual information pertaining to the areas themselves. Our report pointed out that the areas were not eligible—or did not meet the economic or unemployment criteria of the Area Redevelopment Act.

With respect to the letter that we received from the Area Redevelopment Administration, if we are talking about the same letter, I believe they said they were not going to approve any additional projects until the intent of Congress had been clarified.

Mr. CLEVELAND. Well, my question now was quite clear. I want to know, if we pass this act as we have it before the committee now, would these counties be in or would they not? Yes or no?

Mr. HENIG. I could not give you—they are in now, sir, and under this act, any county that is designated now would remain an eligible area until the first annual review.

Mr. CLEVELAND. Would this be so in spite of the letter written to you, dated October 6, 1964? You people say that they should not be designated. They have concurred with you to the extent that they will make no more loans in the area. Now, is it in or is it out under the provisions of this act?

Mr. HENIG. Well, sir, under the provisions of this act, the area would continue to remain designated as an ARA area. Whether the ARA Administrator would consider it advisable to make any additional commitments for assistance to this area would be up to the Administrator.

Mr. CLEVELAND. Yes, but my question is—you say the area is designated now, but then in your report you said it should not be designated, and apparently in their letter to you the ARA concurred with your

report. And I want to know on that set of facts whether or not these areas of northern New Hampshire and Vermont, for that matter, would or would not be interpreted, when you go around the next time, as being covered?

Mr. RAMSEY. Mr. Cleveland, I think that calls for, may perhaps call for a determination by the Comptroller General, but I believe that as far as our current reaction to the problem, it would be along the lines that Mr. Henig has stated; that, while we believe that those areas were improperly designated, and apparently ARA concurred at the time, we now have a bill coming along which says that any area so designated shall continue to be designated until the annual review and some action taken pursuant to it.

We do not have in this new act the provision at which we pointed a finger. I think it is the so-called Proxmire amendment. We have a—well, without predicting what will be in the legislative history of an act which may ensue from this consideration, we certainly do have some indication up to now that the Proxmire amendment was consciously left out and an indication that that was intended as a clarification of the previous laws. So I think—

Mr. CLEVELAND. In other words, it would be your interpretation that these northern counties of New Hampshire would be eligible until at least the first annual report or review?

Mr. RAMSEY. That, of course, is my personal view on the thing. But as far as the Comptroller General is concerned, he, of course, would have to express himself on that if the question comes up.

Mr. CLEVELAND. Mr. Chairman, may I request that the committee request the Comptroller General to give us an opinion on that and to do so prior to our executive sessions on this legislation? This is a matter of obvious concern to me. So I would like to have the committee chairman request such an opinion from the Comptroller General.

Mr. BLATNIK. On the designation of the counties to which the gentleman was making reference?

Mr. CLEVELAND. Yes. The ones in this particular report are Hawaii, New Hampshire, Vermont, and Delaware.

Mr. BLATNIK. Mr. Ramsey, would that information be available from your office?

Mr. RAMSEY. In response to your request, sir, we certainly will reply to it.

Mr. BLATNIK. My question was would that be within your jurisdiction or would there be some other agency that would have the authority to make that determination?

Mr. RAMSEY. We may need to contact ARA on that. If we have an indication of the time limit on it so we would know how we have to proceed, I think we may find it advisable—

Mr. BLATNIK. I want to get the information and I want to explain to the gentleman I am only asking if it was not within GAO's jurisdiction and if they had to go to other jurisdictions, we ourselves could go directly to the agencies.

So if you could furnish the information, we ask that it be furnished in writing. If it is a matter of dealing with other agencies not concerned with you, with an informational inquiry of responsibility, let

us know where the information is and we will request the proper agency to submit the information.

Mr. RAMSEY. Yes, sir; we will do that.

Mr. CLEVELAND. Now, Mr. Chairman, he also said—the gentleman suggested he would like to know when we need this information, and I need it before we have our final committee disposition of this legislation. And so this leads me to ask you—

Mr. BLATNIK. Within a week's time would be more than sufficient; by the end of the week, a week from today.

Mr. RAMSEY. Yes, sir. Thank you, sir.

(The information follows:)

COMPTROLLER GENERAL OF THE UNITED STATES,

Washington, June 2, 1965.

HON. GEORGE H. FALLON,
Chairman, Committee on Public Works,
House of Representatives.

DEAR MR. CHAIRMAN: During the hearings held by your committee on May 26, 1965, on H.R. 6991, which if enacted would be cited as the "Public Works and Economic Development Act of 1965," there was some discussion of our report of August 24, 1964, titled "Unauthorized Assistance of Seemingly Nondepressed Areas Under the Public Works Acceleration Act and the Area Redevelopment Act." That report sets forth our views that the Area Redevelopment Administrator had misconstrued his authority under section 5(b) of the Area Redevelopment Act and, as a result, four areas were improperly designated as qualified for aid under that act and the Public Works Acceleration Act. We were requested to advise your committee whether we would further question such designations if the bill then under consideration were enacted into law.

Particular reference was made in those hearings to section 40(a)(5) of that bill which provides that those additional areas which were designated redevelopment areas under the Area Redevelopment Act on the date of the enactment of this bill shall continue to be so designated until an annual review of their qualifications could be made. Thereafter their eligibility for designation as redevelopment areas would depend on their qualification for designation under the standards of economic need set forth elsewhere in the bill.

Our conclusion that the four areas in question were not eligible for aid under the Area Redevelopment Act was based, in part, on our understanding of the intent of the Congress in the matter as disclosed by a review of the legislative history of the involved section 5(b) of the said Area Redevelopment Act.

We note that the Senate Committee on Public Works in reporting on S. 1648 the companion bill to H.R. 6991, referred to the matter set out in our report and stated that:

"Under the Area Redevelopment Act, regulations were issued providing that in any State which did not otherwise have a qualified area, the Administrator could designate the most needy area in that State. Four areas, one each in Vermont, New Hampshire, Delaware, and Hawaii were designated under these regulations. The Comptroller General has maintained that the designation of these areas was not authorized by the cited language of section 5(b).

"This is a matter of clarifying the intent of Congress. We join with the Banking and Currency Committee in the view that the actions taken by the Area Redevelopment Administration were not an unreasonable interpretation of section 5(b) of the Area Redevelopment Act and that the Administrator acted within his discretionary powers. Therefore, the areas designated should remain eligible for assistance at least until the first annual review of eligibility under the new act."

See page 16 of Senate Report No. 193, 89th Congress.

As indicated therein the Senate Committee on Banking and Currency had expressed similar views regarding this matter. See page 31 of the above-mentioned Senate report.

In view of those statements regarding the intent of the Congress with respect to section 5(b) of the Area Redevelopment Act and the fact that the pertinent language in section 5(b) is not included in either H.R. 6991 or S. 1648, you are

advised that under the provisions of H.R. 6991 and in the absence of any overriding contrary expression of congressional intent with regard to this matter, we would not further question the continued eligibility for assistance of those four areas previously designated as redevelopment areas under the provisions of section 5(b) of the Area Redevelopment Act.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

Mr. CLEVELAND. Now, I want to continue with this line of questioning, because I know that this is going to be of great concern to many other Members of the House besides myself.

Did I understand that the so-called Proxmire amendment has been consciously left out of this legislation, is that correct—consciously, or otherwise, is it left out? Let us take the word “consciously” out.

Mr. RAMSEY. It is left out, Mr. Cleveland. It raises a little question of protocol. That comment was made on the basis of my reading of the very similar Senate bill and report on it.

Mr. CLEVELAND. So with the Proxmire amendment out of this legislation, then a State like New Hampshire that had the northern part of the State included previously, by virtue only of the Proxmire amendment, will be completely at the mercy of what comes up at the end of the so-called first annual review. Is this not true?

Mr. RAMSEN. Mr. Henig.

Mr. HENIG. Based on the facts that we know and the facts reported in our report, if the criteria of this bill for designation of an area remains the same, it does not appear—this again is not based on a complete review—that the northern areas in New Hampshire that were designated under the Proxmire amendment would be eligible for designation again under this bill.

Mr. CLEVELAND. No, no; I did not make my question clear, or either your answer is not clear to me.

My question is this. Without the Proxmire amendment, a State like New Hampshire, that was put into it back in the first instance because of the Proxmire amendment, would very likely be knocked out of coverage of this act after the first annual review; is this not a true statement?

Mr. HENIG. It would appear that way, sir.

Mr. CLEVELAND. Now, I think that the members should realize this.

Let me ask you this. How many States had areas that came under the coverage of ARA because of the Proxmire amendment?

Mr. HENIG. To the best of our knowledge, the four States that are mentioned in our report—Hawaii, New Hampshire, Vermont, and Delaware were the only ones.

Mr. CLEVELAND. Unfortunately for those States, they are small with not very large delegations in Congress.

But I might state here for the information of the committee and for the information of the gentleman from GAO that, although the northern part of New Hampshire does not meet the precise tests established because of the rate of unemployment is not as high, one of the reasons why the rate of unemployment is not as high is the people of the northern part of New Hampshire when they are out of work are perfectly willing to drive up to 50 or 100 miles or 150 miles to find work, and thus they come out of the statistics on which the qualification for this act is based.

This act has as one of its fatal defects the fact that there is no reward for a community in this act that has the initiative, the people who are members of these communities have the get up and go and the initiative to go far from their homes to find work.

And this to me is something that I hope the committee will do something to correct, because there is a penalty here on those areas where the people are driving long distances, and sometimes, of course, moving out of the area to obtain work.

I think I have no other questions. But I would like to remind the chairman that this is a matter that I hope that he and his staff will pay some serious attention to because of the manifest unfairness to these four States involved, particularly in view of the fact that we have already passed Appalachia-type of legislation that has been so beneficial to other areas of the country. And I think it will be an extreme unfairness and a great hardship if this legislation is passed in a way that will not permit those four States, small as they are, to participate in this act.

I think it is significant that these States are all small, because Vermont I know is much the same as New Hampshire, because it is true that the unemployment rate is not alarmingly high, but one of the reasons is that the people will drive as far as Boston or Connecticut to get work. Sometimes they come back home, or sometimes they have to move out. And this out-migration situation and the general depressed situation is not reflected in these statistics that we are using.

Mr. CRAMER. Would the gentleman yield?

Mr. CLEVELAND. Yes; I yield.

Mr. CRAMER. I do not mean to take issue with the gentleman, but one of your criticisms, of course, with the program generally was that, as previously drafted, it did take a formula of some assistance to all States, even within those given States where there were no areas that met the basic criteria; is that not correct? It shows they were not really depressed areas. But each State had a right to have some part of the program under ARA.

Mr. SCHOENHAUT. This is how the administration interpreted the language.

Mr. CRAMER. Yes; interpreted the language of the legislation.

Mr. SCHOENHAUT. Yes, sir.

Mr. CRAMER. I wanted to ask a question relating to these economic development districts, page 25, very briefly.

As I read it, in setting up these distances they are done without further action by Congress, without review by Congress, without approval of other than the Secretary, and can be made up of an even group of States, let alone areas within the States. And the only criteria as it relates to redevelopment areas within the development district, the only criteria is that there be two, a minimum, on page 26, line 3; is that not correct?

Mr. RAMSEY. Yes, sir.

Mr. CRAMER. It says "* * * the proposed district contains two or more redevelopment areas."

Mr. SCHOENHAUT. Yes, sir.

Mr. CRAMER. Now, with only two such areas in a large redevelopment district, the whole State can be designated a redevelopment district under this, or a group of States. The only criteria required

to get 100 percent money for administrative expenses for 2 years, 50 percent money thereafter indefinitely, as I read it—or 3 years thereafter?—is that they have two development districts in the whole area involved. Is that not true?

Mr. SCHOENHAUT. Yes, sir. I think so.

Mr. CRAMER. So you could have the obvious result—it would be a pretty profitable situation.

The 50 percent is indefinite, I am told.

Section 503, page 34, indicates that it is indefinite.

So that possibly settles that point; 100 percent for 3 years, 50 percent thereafter indefinitely.

Now, that obviously can lead, I think, to gross abuse. In order to get this 100 percent administrative expenses, in order to get 50 percent after 3 years, indefinitely, all the organizing group has to do is make sure they have two redevelopment areas in it, set up a district—naturally it has to have plans for the development of the whole area; but the relationship can be very small to unemployment areas or depressed areas.

And as a matter of fact, as I read it further, on page 26, lines 18 through 20, where they discuss economic development centers, it does not have to be located within a redevelopment area, does it?

Mr. RAMSEY. I think not, sir.

If I may, Mr. Cramer, I believe your reference to this 50 percent on page 34 is participation in administrative expenses of these commissions. However, the assistance which would be rendered would follow the criteria of 101, 201, and 202, which would—

Mr. CRAMER. And then under title V, of course, Regional Action Planning Commissions, you have to have at least two districts set up in two different States, more than the one State, under the previous section. And then you would have to have two redevelopment areas in each of those districts. So conceivably you could have a regional action planning commission with four regional redevelopment areas.

Mr. RAMSEY. Yes, sir.

Mr. CRAMER. Interested with a number of States developed. And they get 100 percent administrative expenses for 3 years and 50 percent indefinitely.

Now, would you care to comment on that matter, or do you consider that a policy matter?

Mr. RAMSEY. I think we do, sir. I believe we do not comment on it in our statement.

Mr. CRAMER. Yes. Well, the point I am making is that the way it is drafted it can be set up so that it has very little relationship to the objective attempted to be sought because of the limited number of redevelopment areas that have to be included.

And is there a set of limitations on how much you give a commission, or given district get out of the total amount available? There is no limitation, is there, of the amount of administrative expense that can be made available to one of these districts or one of the regions? It is just a total authorization of \$15 million?

Mr. RAMSEY. Yes, that is right.

Mr. CRAMER. So if it is big enough, you can get a big chunk of \$15 million, even though it may have only—if it is a district II area rede-

velopment problem area, and if it is a region 4; is that not the effect of the way the bill is drafted?

Regional expenses is what I am talking about.

Mr. SCHOENHAUT. I might point out, Mr. Chairman, that our testimony was directed primarily to titles I, II, and IV.

Mr. CRAMER. That is why I was asking about this, because I know you did not touch on it.

Mr. SCHOENHAUT. And, frankly, we are probably not as familiar with the details of these other titles as might be necessary to respond to some of these questions.

Mr. CRAMER. Well, then I will not ask any further relating to it. But I will say that, as drafted, it appears to me that those would be the results, and it certainly would permit a windfall in areas where you do not have much redevelopment area problem. I do not think there is any question about it. It shows in what a shoddy manner this entire bill was drafted.

That is all I have to say about it.

Mr. BLATNIK. Mr. Kee.

Mr. KEE. Mr. Chairman, we have to go answer the rollcall too. A rather quick request.

Mr. Chairman, I respectfully request unanimous consent to insert at this point in the hearings a letter from Mr. John Faulconer, publisher and editor of the Hinton Daily News, Hinton, W. Va., wherein he enthusiastically endorses H.R. 6991 and related bills—the Public Works and Economic Development Act of 1965.

At this point, Mr. Chairman, I should like to add that Mr. Faulconer has made an excellent statement in this letter, which has been based on his firsthand experience with the Area Redevelopment Administration, including both the Area Redevelopment Administration loan program and the accelerated public works program, as administered by the Area Redevelopment Administration.

Mr. Faulconer has given freely and most willingly a considerable amount of his time in helping his entire area qualify and benefit under these programs.

A second request, Mr. Chairman, is to ask unanimous consent to present for inclusion in the record my own statement before our committee, in full and complete support of H.R. 6991.

Mr. BLATNIK. Without objection, both of the requests are so ordered. (Mr. Faulconer's letter follows:)

THE HINTON DAILY NEWS.
Hinton, W. Va., May 13, 1965.

HON. JAMES KEE,
Member of Congress, Public Works Committee,
House Office Building, Washington, D.C.

DEAR MR. KEE: I am writing this letter to endorse the Federal investments made in this area by the ARA.

So much has been accomplished that I would like to urge with all possible sincerity that Congress approve the Public Works and Economic Development Opportunity Act of 1965 as proposed by Chairman Fallon.

I feel that continued Federal investments will do much to promote the continued improvements of the economy throughout West Virginia. It has already done that for Summers County and the Fifth Congressional District.

Briefly, a new spirit now prevails as a result of these Federal investments of the past, and the people are looking forward to the future with optimism and hope. With ARA investments here, our economy has been greatly improved, and

the leaders feel that we are on the verge of future economic progress so the Federal Government must continue to play its part.

Employment has been furnished through self-help programs that have provided new city streets, sewage disposal system, a new city hall, new civic center, a new fire station, and now the Bluestone-Pipestem complex that we expect to become one of the finest tourist and recreational attractions in the eastern United States will soon get under actual construction with a completion date set for December 1966. This will provide jobs for more than 350 persons, plus the supplemental jobs that will be created as a result of this development.

Our bootstrap operation has already attracted one industry which will employ an estimated 400 persons and is expected to be in operation by October 1, 1965. Two other industries are looking over the area and may locate here. All of this is a result of Federal investments by the ARA in the past.

New homes are being built, as well as new schools. Last year we were fortunate to be able to pass a special levy and bond issue at one election, which is most unusual, in order that we may continue to pay our part with the aid given by the Federal agency.

Various business places are planning and have completed expansions which have brought about additional employment. Here at the newspaper we are seriously considering a substantial advancement within the next year that will increase our employment by more than one-third.

Several nationally known restaurant and motel chains have been in the area looking for sites as they too realize this section of West Virginia is on the move and will be served by the great interstate system.

In the last few weeks we announced in our newspaper the acquisition of property here by outside capital who plan to invest one-half million dollars in a new motel and sports center as they too realize the potential for the future.

I certainly hope that you continue your efforts on the Public Works Committee and work for the proposals sought by Chairman Fallon.

I have only given a brief sketch of the many things that are happening here, and if you should need further information as to the importance of continuing the Federal investments programs, please let me know and I will be glad to furnish additional details.

With sincere regards, I remain,

Very truly yours,

J. E. FAULCONER.

(The complete text of Mr. Kee's statement follows:)

STATEMENT OF HON. JAMES KEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WEST VIRGINIA

Mr. Chairman, I am grateful to you and my associate members of the Committee on Public Works of the United States House of Representatives for your courtesy in permitting me to submit this statement in full and complete support of H.R. 6991—the Public Works and Economic Development Act of 1965.

This proposed legislation, which we are now considering, is one that is truly close to my heart and in my opinion it is absolutely essential that the Congress pass this essential legislation.

For those residents who live in areas of substantial and persistent unemployment and underemployment—this legislation will make a real tangible difference—the difference between misery, cold, hunger, a downcast heart, a bowed head, and life, pride, and the joy of looking into the future with hope. This program is the type of program that will provide essential outside help for those areas in need if they are to have any chance of continuing to move forward.

During the period of its operation, I have worked closely with the officials of the Area Redevelopment Administration and have seen first-hand its accomplishments and unsurpassed value to the residents of my own congressional district.

It has been clearly demonstrated through hearings before our committee that the accomplishments of the Area Redevelopment Administration—including both the loan provisions and the public works provisions—has been entirely dependent upon the initiative of local residents.

The requirement of the Area Redevelopment Administration that local groups organize in order to study and initiate a recommendation for their overall economic development program has been and will continue to be of lasting value and benefit to those areas whose local citizens are determined to do something to improve their economic conditions.

My congressional district is the second largest coal-producing congressional district in the United States. Since the building of the railroads into this coal-producing area our economy has been dependent upon one industry—coal. In view of changing conditions and mechanization, the coal industry will no longer provide the employment for coal producers, as the industry once did, which, in turn, provided sufficient purchasing power to keep our small business establishments in operation. Through the benefits of the Area Redevelopment Administration, an entirely new and bright economic future for the residents of my congressional district has been chartered. We have learned that our future primarily lies in the revenue-producing fields of recreation and tourism. As the result of an authorization of a Federal investment, which is based on a sound financial structure in southern West Virginia, by the Area Redevelopment Administration, our local citizens have now moved forward, limited only by their financial and managerial limitations, diversifying our economy. As a matter of fact, the mere charting of the way and the essential Federal investment has given our business communities and people hope for the future and in one area alone, we have 43 new and expanded establishments of small businesses. Because of this vital help our people have hope and are on the road to improved economic conditions.

However, in view of the limitations of local financing available, both in loans for private industry and commercial establishments, as well as public facilities, our people are in dire need of the benefits proposed under H.R. 6991. With the enactment of this legislation the day will soon come when our people will once again participate in our rapidly growing economy and enjoy the benefits of prosperity.

As we have in previous years, we will again, through these improvements, pay our fair share in taxes, Federal, State, and local.

In short, H.R. 6991 will pave the way for a better America.

In conclusion, I realize the urgency of the provisions of this legislation we are now considering, in view of the fact that I have seen with my own eyes the economic gains that have been made possible under the existing Area Redevelopment Administration program. Therefore, I fully and completely endorse the measure we are now considering because southern West Virginia will be able to truly continue to move forward economically.

Mr. BLATNIK. We thank you gentlemen.

We will now hear from Mr. Perkins from Kentucky.

STATEMENT OF HON. CARL D. PERKINS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KENTUCKY

Mr. Chairman, my purpose in appearing at this time is to wholeheartedly endorse H.R. 6991, a bill which you introduced on March 31, 1965, to provide grants for public works and development facilities and other financial assistance needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas. This legislation is urgently needed and you, as its author, are to be congratulated upon your sponsorship of a measure which would continue those projects and programs under the Public Works Acceleration Act and the Area Redevelopment Act which have proven to be meritorious.

As a Representative of 23 counties in economically hard-pressed eastern Kentucky, I am aware of the urgency of enabling cities and small communities in the area to obtain water systems, sewage facilities, streets, access ways, recreational facilities, small reservoirs, libraries, and other public buildings and works so essential for a community to provide the economic basis on which to encourage industrial and commercial development.

In the short period of its existence the Accelerated Public Works Act has done more to change the appearance and the actual living conditions of the eastern Kentucky counties it is my privilege to represent than any other single program enacted to date. However, we

have only made a beginning. There are many small communities that have yet to realize any benefit from the program and in those communities where there have been approved projects for the construction of water, sewer, and other facilities, other public works needs should be fulfilled. Not only has the accelerated public works program worked admirably, but it has been administered in harmony with the provisions of the Area Redevelopment Act in opening up new economic potential "in many of the economically hard-pressed communities of eastern Kentucky."

I am particularly pleased with those aspects of the legislation which indicate other important public works which can be undertaken under a public works acceleration program—such as industrial access roads, tourism facilities, airports, watershed and flood control prevention projects. Many of the existing Federal programs are not designed for and are unsuitable and never reach the small communities of eastern Kentucky. I am hopeful that the committee will see fit to make it clear in fashioning the final draft of the legislation and in preparing its report, that the construction of public buildings can make a meaningful contribution to a community's efforts to attract newly developing and expanding commercial enterprises and industrial interests.

Without a continuation of a public works acceleration program, most of the county seats and small communities of the counties of eastern Kentucky will find it impossible to obtain necessary community improvements.

Because of the extremely desperate financial condition of many of these counties, I would hope that the local matching requirements could be as liberal as possible. In this connection, authority to require only 20 percent matching is a step in the right direction. I would hope however, that where local communities completely lack the financial resources to finance 20 percent of the cost of the project that the entire cost could be carried by Federal funds. Even a 20-percent matching requirement will operate to deny program benefits to the most hard-pressed communities.

I am also pleased with those portions of the legislation which expand direct loan authority to enable the development of job-creating enterprises in economically hard-pressed areas. In particular, it is essential that those provisions of the bill that extend loan authority to include the financing of needed working capital be retained.

In conclusion, let me express the hope that this measure can be favorably acted upon at an early date.

Thank you, Mr. Chairman.

Mr. BLATNIK. Thank you, Mr. Perkins.

The hearings are now adjourned.

(Whereupon, at 12:25 p.m., the subcommittee adjourned.)

(The following was furnished for insertion:)

THE NEW ENGLAND COUNCIL,
Boston, Mass., May 26, 1965.

HON. GEORGE H. FALLON,
Chairman, Committee on Public Works,
U.S. House of Representatives, Washington, D.C.

DEAR CONGRESSMAN FALLON: On behalf of the New England Council, I would like to take this opportunity to submit for your consideration our views on H.R. 6991, the proposed Public Works and Economic Development Act of 1965.

The New England Council is a private, nonprofit organization with offices in Boston, Mass. It is composed of 2,200 members from business, labor, educa-

tion, and government, and is dedicated to the development of a sound and dynamic region through the full utilization of all human, natural, and material resources. With New England's economic development as a focus, the organization seeks, with the aid of studies, to identify the region's broad public interest, and promotes appropriate programs of action to implement its findings.

Ever since its formation at the recommendation of the New England Governors in 1925, the council has called for common, regionwide solutions to the six States' separate problems and has promoted regional opportunities for development designed to utilize the full potential of New England.

The concept of regionalism which has always been at the root of the council's thinking, has held out particular promise for New England with its relatively small States situated in an area where people have identified with a common history, and where the economic links have grown stronger over time. Regionalism, particularly in recent years, has become an accepted tenet in New England, with the recognition that the creation of a balanced and viable economic system for the entire area is an essential condition for full participation in the opportunities inherent in a rapidly changing economic structure. Regional cooperation has been recognized as a vehicle for balanced growth. It is a response to the process of change. It is also a way of amplifying the forces of change and regulating their direction. The council is, therefore, vitally interested in H.R. 6991, the proposed Public Works and Economic Development Act of 1965.

Though New England is a small region—smaller than some of the States in the Union—differences in economic wealth, such as levels of income and availability of resources, do exist, but do not necessarily conform to State lines. In many respects, the six States regard themselves as interdependent, and the differences are regarded as opportunities for deriving mutual benefits.

This prevailing attitude and orientation, plus the fact that the various components of the area's economy can complement each other, eminently qualify New England for regional planning and for pioneering in regionwide programs for economic development. The New England States have recognized this fact and have already cooperated to establish a number of interstate mechanisms to deal with common problems. Appendix A lists 27 New England conference groups which are presently in operation. While the New England States have already made important progress in interstate cooperation, much remains to be done.

A few of the basic requirements for New England's growth can be enumerated:

First, we need effective and coordinated mechanisms by which all levels of government can work closely in designing a workable system necessary for the deliberate and orderly development of the region. One of the barriers to effective interstate cooperation has often been the variety of Federal programs with differing orientations and goals and relating to different parts of the State governmental structure. There has been a growing recognition within New England of the need to avoid administrative confusion and our New England States, on their own initiative, have moved on this problem by seeking creation of a New England Regional Planning Commission. The purpose of this interstate body is to provide a mechanism by which the various statewide planning and development efforts may be coordinated and by which a comprehensive regional plan may be developed. It is our belief that already existing and proposed interstate cooperative efforts in New England can be an extremely valuable asset in mounting the types of effective regional development programs proposed by H.R. 6991. We envision the commission proposed by the interstate planning compact and the joint Federal-State Regional Action Planning Commission as having a complementary relationship. By providing authority to create a series of joint Federal-State regional action planning commissions, H.R. 6991 would initiate a creative experiment with unique and important emphasis on the role of participating States in decisionmaking.

Second, we in New England need an economic system flexible enough to spread the benefits of economic growth to those areas that have lagged behind as a result of structural changes in the economy. New England's economy has been gradually changed from manufacturing to nonmanufacturing activities, from nondurable manufacturing to durable manufacturing, and this has naturally caused a shift in the region's location of economic growth centers and a further concentration of prime economic activity in the metropolitan areas. This realignment in turn has reinforced the population movement to these areas away from outlying towns. Many of the more distant areas have experienced chronically rates of unemployment and poverty, accompanied by a deterioration of public facilities. The stresses and strains of making up for lost tax bases have created severe burdens on the remaining economic elements of communi-

ties which must support facilities such as schools, water and street systems, recreation facilities, and downtown rehabilitation programs in order to qualify for new economic development. Expanding metropolitan areas, on the other hand, have spilled over their former borders and many of the problems associated with urban sprawl have followed. The problems of the expanding urban centers and the decline of the smaller communities and outlying areas are related. They suggest the need for new solutions. The idea of organizing a three-tier approach in terms of redevelopment areas, multicounty development districts including growth centers, and long-term, multistate programs for development, promises to hold creative answers. It should become possible to develop a more adequate transportation system and better technical services, a more meaningful and complementary relationship between economically weaker communities and the growth centers in which the potential for development exists. Such an approach can go far towards the effective treatment of one of New England's basic problems—the uneven distribution of economic activity. Spreading the wealth is not only a necessity for the lagging areas of New England, but also a requirement for those areas that are already growing rapidly and finding it increasingly difficult to maintain their momentum. Industries in these rapidly expanding areas must find new markets and new opportunities for expansion.

Against the background of general need, namely, creation of a balanced, viable economic system, and coordination of governmental efforts, it is possible to single out some of New England's specific requirements. For the sake of simplicity, they may be categorized as functional and geographical.

A. FUNCTIONAL

1. Passenger transportation, both intercity and commuter service.
2. Urban development, particularly along the circumference of our metropolitan areas, and redevelopment of the downtown sections in our older industrial towns.
3. Comprehensive multipurpose river basin development.
4. Air and water pollution control planning.
5. A regional program to alleviate poverty.
6. A regional program for retraining and placement of workers.
7. A regional program for technological development with particular emphasis on rendering technical assistance to industries and local governments in the outlying areas.
8. A regional program for health services.
9. A coordinated regional program for outdoor recreation planning and development.
10. Optimum regional development of all power resources.
11. Development of adequate port and air facilities.

B. GEOGRAPHIC

We have urgent need for action programs in certain subregional areas in New England including the following:

1. Redevelopment of the Fall River-New Bedford-Providence area which comprises major portions of Rhode Island and southeastern Massachusetts.
2. Development of northern Maine.
3. Development of northern Vermont.
4. Development of the Berkshire area, including Pittsfield and North Adams, Mass.
5. Development of the fringe areas of Boston's metropolitan area which reaches northward toward Maine and New Hampshire.

It should be stressed that this list is selective rather than exhaustive, and is primarily intended to sketch out some of the major elements of New England's development needs. The proposed bill before the committee provides for a period of study to permit completing this picture, establishing priorities, and making a specific recommendation for regional action. Such an evaluation, of course, will have to take account of regional growth trends. The pending legislation also opens up the possibility not only to correct, but also to guard against anticipated future problems of economic growth.

One criteria of eligibility for assistance would permit areas to qualify where the removal or closing of a major source of employment would lead to depressed conditions. New England has numerous examples where large single industries or large Government installations dominate the local area's economy. Some of

these were not eligible for area redevelopment assistance under previous legislation and could not qualify for immediate assistance. The whole area around Portsmouth-Kittery, including portions of Maine and New Hampshire, could become eligible. The people around Bangor could be helped in adjusting to the proposed closing of Dow Air Force Base. Cities such as Watertown in Massachusetts would be able to respond more effectively to the possible phasing out of the defense facilities. Even such prosperous areas as Groton and New London might some day in the future be able to take advantage of this section if there were to be a major curtailment in nuclear submarine construction. We think that this provision of the bill would have special significance for numerous other areas in New England and is an important step forward in preventing economic disasters from occurring.

Indeed, the emphasis on overall economic development programs throughout this legislative proposal creates the tools for turning economic change to best advantage. It is, therefore, well worth looking at a few benchmarks for regional economic growth which are derived from projections of the National Planning Association for the year 1976. Though merely indicative of potential change, a picture emerges that lends support to the urgent need for action.

Based on these studies, the population of New England will be approximately 14 million by 1976, an increase of approximately 3 million over the present. As a consequence, New England will have an increase in its labor force of approximately 1¼ million people by 1976. Approximately 700,000-800,000 new and better-paying jobs are going to be required in New England if the increased population is to be accommodated and growth in the standard of living is to be maintained.

Futhermore, urbanization will continue to spread and 78 percent of this larger population will live in urban areas. Today's major centers of population will continue to radiate outward forming an integral part of what is referred to as the "megalopolis" of the Northeastern United States. More urbanization means more need for recreational opportunities, but it is equally obvious that open space for such needs will be in less supply. This increased population will require newer and expanded methods of air and water pollution control, waste disposal, improved passenger transportation, and a number of other public services.

It is no less significant that there will be an increase of approximately a quarter of a million people 65 years of age and older that will have to be accommodated, and that additional health facilities will have to be constructed. Even more dramatic in its impact is the projected increase in the number of our young people. It is predicted that within 10 years, we will have approximately 1 million more children 14 years of age or younger. We will need teachers and schools in sufficient number and quality to meet the region's educational requirements.

Much is known about the general nature of the New England economy and we are ready to prepare a program of action. Some of the problems are not unique but can be found in other regions. Much of our frustration in not finding quick and easy solutions is inherent in the growing complexity of our system. But some of the solutions must be based on a more effective alinement of governmental programs to deal with the economic realities of today and the future through systematic studies and appropriate action programs. Coordinated regional approaches which replace fragmented efforts can go a long way toward creating a more viable economic system. We believe that the willingness to experiment with new approaches to economic distress, as H.R. 6991 would authorize, is an important step forward in an effort to make the forces of economic change an opportunity not a threat.

Respectfully yours,

GARDNER A. CAVERLY,
Executive Vice President.

APPENDIX A

OFFICIAL NEW ENGLAND INTERSTATE CONFERENCE GROUPS

New England Governors' Conference
New England State Planning Administrators' Conference
New England State Police Administrators' Conference
New England Conference of State Aviation Officials
New England Commissioners of Agriculture
New England Commissioners of Education

New England Board of Higher Education
 New England Librarians' Association
 New England State University Bureaus of Government Research
 New England Interstate Water Pollution Control Commission
 Northeastern Resources Committee
 New England Conference of Public Utility Commissioners
 New England Senators' Conference
 New England Correction Administrators' Conference
 New England Conference of State Public Health Officials
 New England Conference of Public Welfare Officials
 New England Conference of Parks and Recreation Directors
 New England Governors' Conference of Milk Officials
 New England Governors' Traffic Safety Conference
 Northeastern Forest Fire Protection Commission
 New England State Budget Officers
 New England Fiscal Agents Association
 New England Governors' Committee on Personnel Management
 New England Conference of State Purchasing Officers
 New England Conference of Workmen's Compensation Officials
 New England Conference of State University Cooperation Extension Service
 Directors
 New England State Tax Officials Association

JUNE 4, 1965.

HON. GEORGE H. FALLON,
Chairman, Public Works Committee,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: On Friday, June 4, we, the Governors of Arkansas, Kansas, Missouri, and Oklahoma, met at the Colonial Hotel in Springfield, Mo. We agreed to establish a four-State compact which would implement the regional action planning commission, as provided in title V of H.R. 6991 which is pending before your committee.

We urge the early and favorable consideration of this legislation. It is our understanding that this legislation will provide for the active participation by the Governors of the several States. We believe that such participation is necessary to the maximum development of this region, and therefore our support is based upon this understanding.

Sincerely,

ORVAL E. FAUBUS,
Governor of Arkansas.
 WM. H. AVERY,
Governor of Kansas.
 WARREN E. HEARNES,
Governor of Missouri.
 HENRY BELLMON,
Governor of Oklahoma.



LEGISLATIVE HISTORY

Public Law 89-136
S. 1648

TABLE OF CONTENTS

Index and summary of S. 1648 . . . . .	.1
Digest of Public Law 89-136. . . . .	.2

INDEX AND SUMMARY OF S. 1648

Mar. 31, 1965	Rep. Fallon introduced and discussed H. R. 6991 which was referred to the House Public Works Committee. Print of bill and remarks of author.
April 1, 1965	Sen. Douglas and others introduced and Sen. Douglas discussed S. 1648 which was referred to Senate Public Works Committee. Print of bill and remarks of Sen. Douglas.
May 4, 1965	Sen. Randolph submitted a proposed amendment to S. 1648.
May 11, 1965	Senate subcommittee voted to report S. 1648.
May 13, 1965	Senate Banking and Currency Committee "agreed to submit its views" to Public Works Committee.
May 14, 1965	Senate committee voted to report S. 1648. Senate committee reported S. 1648 with amendments. S. Report 193. Print of bill and report.
May 26, 1965	Senate began debate on S. 1648. Sen. Moss submitted proposed amendment.
May 27, 1965	Senate continued debate on S. 1648.
June 1, 1965	Senate passed S. 1648 with amendments.
June 2, 1965	S. 1648 was referred to House Public Works Committee. Print of bill as referred.
June 3, 1965	Rep. Sweeney spoke in favor of H. R. 6991.
June 17, 1965	House committee voted to report S. 1648.
June 22, 1965	House committee reported S. 1648 with amendment. H. Report 539. Print of bill and report.
Aug. 4, 1965	House Rules Committee granted an open rule on S. 1648.
Aug. 5, 1965	House Rules Committee reported resolution for consideration of S. 1648. H. Res. 503, H. Report 730.
Aug. 11, 1965	House began debate on S. 1648.

INDEX AND SUMMARY OF S. 1648, cont'd

Aug. 12, 1965 House passed S. 1648 with amendments.
Aug. 16, 1965 Senate concurred in House amendments to
S. 1648.
Aug. 26, 1965 Approved: Public Law 89-136.

President's remarks when signing bill.

Hearings: S. Public Works Committee on S. 1648
S. Banking and Currency Committee on S. 1648
H. Public Works Committee on H. R. 6991

DIGEST OF PUBLIC LAW 89-136

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965.

Authorizes the Secretary of Commerce, following application by State and certain local organizations, to make direct grants and provide other financial assistance for commercial and industrial projects, and for community facilities, in order to assist in creation of long-term employment to benefit low-income families and long-term unemployed.

Directs the Secretary of Commerce, in cooperation with other agencies having similar functions, to establish a continuing program of study, training, and research to help determine the causes of chronic depression in various areas of the country; to produce solutions to the problems resulting from these conditions through national, State, and local programs; and to assist in providing the personnel needed to conduct such programs.

Directs the Secretary of Commerce to furnish redevelopment areas technical assistance, market research, or other forms of assistance which will be useful in preventing excessive unemployment.

Authorizes the Secretaries of Labor, Agriculture, and Interior, and heads of other agencies, upon the request of the Secretary of Commerce, to furnish him such data as would enable him to make determinations as to the eligibility of redevelopment areas.

Stipulates that the Secretary of Commerce shall administer the Act assisted by an Assistant Secretary and an Administrator for Economic Development and directs the appointment of a 25-member National Public Advisory Committee on Regional Economic Development with representatives of labor, management, agriculture, State and local governments and the public.

TEXT OF PUBLIC LAW 89-135

UNITED STATES AND ECONOMIC DEVELOPMENT ACT OF 1965

Authorizes the Secretary of Commerce, following application by a State and certain local governments, to make direct grants and provide other financial assistance for industrial and business projects for community facilities in order to assist in the development of low-income areas.

Provides that the Secretary of Commerce may, in the long-term, make grants to States and local governments for the development of low-income areas.

Requires the Secretary of Commerce, in cooperation with other agencies having jurisdiction, to establish a program of study, training, and research to determine the causes of chronic unemployment.

Requires the Secretary of Commerce to conduct studies of the causes of chronic unemployment in the States and local governments; to provide technical assistance, training, and research to assist in the development of low-income areas; and to make grants to States and local governments for the development of low-income areas.

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89TH CONGRESS
1ST SESSION

H. R. 6991

IN THE HOUSE OF REPRESENTATIVES

MARCH 31, 1965

Mr. FALLON introduced the following bill; which was referred to the Committee on Public Works

A BILL

To provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Public Works and Eco-
4 nomic Development Act of 1965."

5 STATEMENT OF PURPOSE

6 SEC. 2. The Congress declares that the maintenance of
7 the national economy at a high level is vital to the best
8 interests of the United States, but that some of our regions,

1 counties, and communities are suffering substantial and per-
2 sistent unemployment and underemployment; that such un-
3 employment and underemployment cause hardship to many
4 individuals and their families, and waste invaluable human
5 resources; that to overcome this problem the Federal Gov-
6 ernment, in cooperation with the States, should help areas
7 and regions of substantial and persistent unemployment and
8 underemployment to take effective steps in planning and
9 financing their public works and economic development; that
10 Federal financial assistance, including grants for public works
11 and development facilities to communities, industries, enter-
12 prises, and individuals in areas needing development should
13 enable such areas to help themselves achieve lasting improve-
14 ment and enhance the domestic prosperity by the establish-
15 ment of stable and diversified local economies and improved
16 local conditions: *Provided*, That such assistance is preceded
17 by and consistent with sound, long-range economic planning;
18 and that under the provisions of this Act new employment
19 opportunities should be created by developing and expanding
20 new and existing public works and other facilities and re-
21 sources rather than by merely transferring jobs from one
22 area of the United States to another.

TITLE I—GRANTS FOR PUBLIC WORKS AND
DEVELOPMENT FACILITIES

SEC. 101. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary of Commerce (hereinafter referred to as the Secretary) is authorized—

(1) to make direct grants for the acquisition or development of land and improvements for public works, public service, or development facility usage, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, within a redevelopment area, if he finds that—

(A) the project for which financial assistance is sought will directly or indirectly (i) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities, (ii) otherwise assist in the creation of additional long-term employment opportunities for such area, or (iii) primarily benefit the

1 long-term unemployed and members of low-income
2 families or otherwise substantially further the ob-
3 jectives of the Economic Opportunity Act of 1964;

4 (B) the project for which a grant is requested
5 will fulfill a pressing need of the area, or part
6 thereof, in which it is, or will be, located; and

7 (C) the area for which a project is to be under-
8 taken has an approved overall economic develop-
9 ment program as provided in section 202 (b) (10)
10 and such project is consistent with such program;

11 (2) to make supplementary grants in order to
12 enable the States and other entities within redevelopment
13 areas to take maximum advantage of designated Federal
14 grant-in-aid programs (as hereinafter defined) for which
15 they are eligible but for which, because of their economic
16 situation, they cannot supply the required matching
17 share.

18 (b) Subject to subsection (c) hereof, the amount of
19 any direct grant under this section for any project shall
20 not exceed 50 per centum of the cost of such project.

21 (c) The amount of any supplementary grant under this
22 section for any project shall not exceed the applicable
23 percentage established by regulations promulgated by the
24 Secretary, but in no event shall the non-Federal share
25 (including assumptions of debt) of the aggregate cost of

1 any such project be less than 20 per centum of such cost.
2 Supplementary grants shall be made by the Secretary, in
3 accordance with such regulations as he shall prescribe, by
4 increasing the amounts of direct grants authorized under this
5 section or by the payment of funds appropriated under this
6 Act to the heads of the departments, agencies, and instru-
7 mentalities of the Federal Government responsible for the
8 administration of such grant-in-aid programs. Notwithstand-
9 ing any limitation on the use of supplementary grants that
10 may otherwise be applicable to the grant-in-aid program
11 involved, funds so allocated shall be used for the sole purpose
12 of increasing the Federal contribution to specific projects in
13 redevelopment areas under such programs above the fixed
14 maximum portion of the cost of such project otherwise au-
15 thorized by the applicable law. The term "designated Fed-
16 eral grant-in-aid programs," as used in this subsection, means
17 such existing or future Federal grant-in-aid programs assist-
18 ing in the construction or equipping of facilities as the
19 Secretary may, in furtherance of the purposes of this Act,
20 designate as eligible for allocation of funds under this section.
21 In determining the amount of any supplementary grant avail-
22 able to any project under this section, the Secretary shall take
23 into consideration the relative needs of the area, the nature
24 of the project to be assisted, and the amount of such fair

1 user charges or other revenues as the project may reasonably
2 be expected to generate in excess of those which would
3 amortize the local share of initial costs and provide for its
4 successful operation and maintenance (including deprecia-
5 tion) .

6 (d) The Secretary shall prescribe rules, regulations, and
7 procedures to carry out this section which will assure that
8 adequate consideration is given to the relative needs of
9 eligible areas. In prescribing such rules, regulations, and
10 procedures the Secretary shall consider among other relevant
11 factors (1) the severity of the rates of unemployment in the
12 eligible areas and the duration of such unemployment and
13 (2) the income levels of families and the extent of under-
14 employment in eligible areas.

15 (e) No financial assistance shall be extended under this
16 section with respect to any public service or development
17 facility which would compete with an existing privately
18 owned public utility rendering a service to the public at rates
19 or charges subject to regulation by a State regulatory body,
20 unless the State regulatory body determines that in the
21 area to be served by the facility for which the financial assist-
22 ance is to be extended there is a need for an increase in such
23 service (taking into consideration reasonably foreseeable
24 future needs) which the existing public utility is not able to

1 meet through its existing facilities or through an expansion
2 which it agrees to undertake.

3 SEC. 102. There is hereby authorized to be appro-
4 priated not to exceed \$250,000,000 annually for the pur-
5 poses of this title.

6 TITLE II—OTHER FINANCIAL ASSISTANCE

7 PUBLIC WORKS AND DEVELOPMENT FACILITY LOANS

8 SEC. 201. (a) Upon the application of any State, or
9 political subdivision thereof, Indian tribe, or private or pub-
10 lic nonprofit organization or association representing any re-
11 development area or part thereof, the Secretary is author-
12 ized to purchase evidences of indebtedness and to make loans
13 to assist in financing the purchase or development of land
14 and improvements for public works, public service, or de-
15 velopment facility usage, and the acquisition, construction,
16 rehabilitation, alteration, expansion, or improvement of such
17 facilities, within a redevelopment area, if he finds that—

18 (1) the project for which financial assistance is
19 sought will directly or indirectly—

20 (A) tend to improve the opportunities, in the
21 area where such project is or will be located, for
22 the successful establishment or expansion of indus-
23 trial or commercial plants or facilities,

24 (B) otherwise assist in the creation of addi-

1 tional long-term employment opportunities for such
2 area, or

3 (C) primarily benefit the long-term unem-
4 ployed and members of low-income families or other-
5 wise substantially further the objectives of the Eco-
6 nomic Opportunity Act of 1964;

7 (2) the funds requested for such project are not
8 otherwise available from private lenders on reasonable
9 terms, or from other Federal agencies on terms more
10 favorable to the Government which would permit the
11 accomplishment of the project;

12 (3) the amount of the loan plus the amount of
13 other available funds for such project are adequate to
14 insure the completion thereof;

15 (4) there is a reasonable expectation of repayment;
16 and

17 (5) such area has an approved overall economic
18 development program as provided in section 202 (b)

19 (10) and the project for which financial assistance is
20 sought is consistent with such program.

21 (b) Subject to section 701 (5), the maturity date of
22 any such loan shall be not later than forty years after the
23 date such loan is made. Such loans shall bear interest at a
24 rate not less than (i) a rate determined by the Secretary of

1 the Treasury taking into consideration the current average
2 market yield on outstanding marketable obligations of the
3 United States with remaining periods to maturity comparable
4 to the average maturities of such loans, adjusted to the
5 nearest one-eighth of 1 per centum, less (ii) not to exceed
6 one-half of 1 per centum per annum.

7 (c) There are hereby authorized to be appropriated
8 such sums as may be necessary to carry out the provisions
9 of this section and section 202: *Provided, however,* That
10 annual appropriations for the purpose of making and guar-
11 anteeing loans shall not exceed \$170,000,000.

12 (d) No financial assistance shall be extended under this
13 section with respect to any public service or development
14 facility which would compete with an existing privately
15 owned public utility rendering a service to the public at rates
16 or charges subject to regulation by a State regulatory body,
17 unless the State regulatory body determines that in the area
18 to be served by the facility for which the financial assistance
19 is to be extended there is a need for an increase in such serv-
20 ice (taking into consideration reasonably foreseeable future
21 needs) which the existing public utility is not able to meet
22 through its existing facilities or through an expansion which
23 it agrees to undertake.

LOANS AND GUARANTEES

SEC. 202. (a) The Secretary is authorized (1) to purchase evidences of indebtedness and to make loans (which for purposes of this section shall include participations in loans) to aid in financing any project within a redevelopment area for the purchase or development of land and facilities (including, in cases of demonstrated need, machinery and equipment) for industrial or commercial usage, including the construction of new buildings, the rehabilitation of abandoned or unoccupied buildings, and the alteration, conversion, or enlargement of existing buildings; (2) to guarantee loans for working capital made to private borrowers by private lending institutions in connection with projects in redevelopment areas assisted under subsection (a) (1) hereof, upon application of such institution and upon such terms and conditions as the Secretary may prescribe: *Provided, however,* That no such guarantee shall at any time exceed 90 per centum of the amount of the outstanding unpaid balance of such loan; and (3) to contract to pay, and to pay annually, for not more than ten years, to or on behalf of private business entities amounts sufficient to reduce by 2 percentage points the interest paid by such entities on loans which are obtained from non-Government sources, which are not guaranteed by any Government agency, which provide for annual amortization of principal, and the proceeds of which are used

1 for purposes for which the Secretary is authorized to purchase
2 evidences of indebtedness or make loans under this section:
3 *Provided, however,* That subject to limitations in annual
4 appropriation acts, the annual cost of new contracts approved
5 in any one year shall not exceed \$5,000,000.

6 (b) Financial assistance under this section shall be on
7 such terms and conditions as the Secretary determines, sub-
8 ject, however, to the following restrictions and limitations:

9 (1) Such financial assistance shall not be extended to
10 assist establishments relocating from one area to another:
11 *Provided, however,* That such limitation shall not be con-
12 strued to prohibit assistance for the expansion of an existing
13 business entity through the establishment of a new branch,
14 affiliate, or subsidiary of such entity if the Secretary finds
15 that the establishment of such branch, affiliate, or subsidiary
16 will not result in an increase in unemployment in the area
17 of original location or in any other area where such entity
18 conducts business operations, unless the Secretary has reason
19 to believe that such branch, affiliate, or subsidiary is being
20 established with the intention of closing down the operations
21 of the existing business entity in the area of its original loca-
22 tion or in any other area where it conducts such operations.

23 (2) Such assistance shall be extended only to appli-
24 cants, both private and public (including Indian tribes),
25 which have been approved for such assistance by an agency

1 or instrumentality of the State or political subdivision thereof
2 in which the project to be financed is located, and which
3 agency or instrumentality is directly concerned with prob-
4 lems of economic development in such State or subdivision.

5 (3) The project for which financial assistance is sought
6 must be reasonably calculated to provide more than a
7 temporary alleviation of unemployment or underemploy-
8 ment within the redevelopment area wherein it is, or will
9 be, located.

10 (4) No loan or guarantee shall be extended hereunder
11 unless the financial assistance applied for is not otherwise
12 available from private lenders on reasonable terms, or from
13 other Federal agencies on terms more favorable to the Gov-
14 ernment which would permit the accomplishment of the
15 project.

16 (5) The Secretary shall not make any loan without a
17 participation unless he determines that the loan cannot be
18 made on a participation basis.

19 (6) No evidences of indebtedness shall be purchased
20 and no loans shall be made or guaranteed unless it is deter-
21 mined that there is a reasonable assurance of repayment.

22 (7) Subject to section 701 (5) of this Act, no loan,
23 including renewals or extension thereof, may be made here-
24 under for a period exceeding twenty-five years and no evi-
25 dences of indebtedness maturing more than twenty-five years

1 from date of purchase may be purchased hereunder: *Pro-*
2 *vided*, That the foregoing restrictions on maturities shall not
3 apply to securities or obligations received by the Secretary
4 as a claimant in bankruptcy or equitable reorganization or as
5 a creditor in other proceedings attendant upon insolvency
6 of the obligor.

7 (8) Loans made and evidences of indebtedness purchased
8 under this section shall bear interest at a rate not less than
9 (i) a rate determined by the Secretary of the Treasury
10 taking into consideration the current average market yield
11 on outstanding marketable obligations of the United States
12 with remaining periods to maturity comparable to the aver-
13 age maturities of such loans, adjusted to the nearest one-
14 eighth of 1 per centum, plus (ii) such additional charge, if
15 any, toward covering other costs of the program as the
16 Secretary may determine to be consistent with its purposes.

17 (9) Loan assistance shall not exceed 65 per centum of
18 the aggregate cost of the applicant (excluding all other Fed-
19 eral aid in connection with the undertaking) of acquiring or
20 developing land and facilities (including, in cases of demon-
21 strated need, machinery and equipment), and of construct-
22 ing, altering, converting, rehabilitating, or enlarging the
23 building or buildings of the particular project, and shall,
24 among others, be on the condition that—

1 (A) other funds are available in an amount which,
2 together with the assistance provided hereunder, shall be
3 sufficient to pay such aggregate cost;

4 (B) not less than 15 per centum of such aggregate
5 cost be supplied as equity capital or as a loan repayable
6 in no shorter period of time and at no faster an amortiza-
7 tion rate than the Federal financial assistance extended
8 under this section is being repaid, and if such a loan is
9 secured, its security shall be subordinate and inferior to
10 the lien or liens securing such Federal financial assist-
11 ance: *Provided, however,* That except in projects involv-
12 ing financial participation by Indian tribes, not less than
13 5 per centum of such aggregate cost shall be supplied by
14 the State or any agency, instrumentality, or political
15 subdivision thereof, or by a community or area organiza-
16 tion which is nongovernmental in character, unless the
17 Secretary shall determine in accordance with objective
18 standards promulgated by regulation that all or part of
19 such funds are not reasonably available to the project
20 because of the economic distress of the area or for other
21 good cause, in which case he may waive the requirement
22 of this provision to the extent of such unavailability, and
23 allow the funds required by this subsection to be sup-
24 plied by the applicant or by such other non-Federal
25 source as may reasonably be available to the project;

(C) to the extent the Secretary finds such action necessary to encourage financial participation in a particular project by other lenders and investors, and except as otherwise provided in subparagraph (B), any Federal financial assistance extended under this section may be repayable only after other loans made in connection with such project have been repaid in full, and the security, if any, for such Federal financial assistance may be subordinate and inferior to the lien or liens securing other loans made in connection with the same project.

(10) No such assistance shall be extended unless there shall be submitted to and approved by the Secretary an overall program for the economic development of the area and a finding by the State, or any agency, instrumentality, or local political subdivision thereof, that the project for which financial assistance is sought is consistent with such program: *Provided*, That nothing in this Act shall authorize financial assistance for any project prohibited by laws of the State or local political subdivision in which the project would be located, nor prevent the Secretary from requiring such periodic revisions of previously approved overall economic development programs as he may deem appropriate.

ECONOMIC DEVELOPMENT REVOLVING FUND

SEC. 203. Funds obtained by the Secretary under section 201, loan funds obtained under section 403, and collections

1 and repayments received under this Act, shall be deposited
2 in an economic development revolving fund (hereinafter
3 referred to as the "fund"), which is hereby established in the
4 Treasury of the United States, and which shall be available
5 to the Secretary for the purpose of extending financial assist-
6 ance under sections 201, 202, and 403, and for the payment
7 of all obligations and expenditures arising in connection
8 therewith. There shall also be credited to the fund such
9 funds as have been paid into the area redevelopment fund
10 or may be received from obligations outstanding under the
11 Area Redevelopment Act. The fund shall pay into miscel-
12 laneous receipts of the Treasury, following the close of each
13 fiscal year, interest on the amount of loans outstanding com-
14 puted in such manner and at such rate as may be determined
15 by the Secretary of the Treasury taking into consideration
16 the current average market yield on outstanding marketable
17 obligations of the United States with remaining periods to
18 maturity comparable to the average maturities of such loans,
19 adjusted to the nearest one-eighth of 1 per centum, during
20 the month of June preceding the fiscal year in which the
21 loans were made.

TITLE III—TECHNICAL ASSISTANCE, RE-
SEARCH, AND INFORMATION

TECHNICAL AND ADMINISTRATIVE ASSISTANCE

SEC. 301. (a) In carrying out his duties under this Act the Secretary is authorized to provide technical assistance which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment (1) to areas which he has designated as redevelopment areas under this Act, and (2) to other areas which he finds have substantial need for such assistance. Such assistance shall include studies evaluating the needs of, and developing potentialities for, economic growth of such areas. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government, through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants-in-aid to appropriate public or private nonprofit State, area, district, or local organizations. The Secretary, in his dis-

1 cretion, may require the repayment of assistance provided
2 under this subsection and prescribe the terms and conditions
3 of such repayment.

4 (b) The Secretary is authorized to make grants for eco-
5 nomic planning staff and administrative expenses to organiza-
6 tions which he determines to be qualified to receive grants-
7 in-aid under subsection (a) hereof: *Provided, however,* That
8 no such grant shall exceed 75 per centum of the aggregate
9 cost of the undertaking for which the assistance is rendered,
10 or of the administrative expenses of any qualified organiza-
11 tion in any one year. In determining the amount of the
12 non-Federal share of such costs or expenses, the Secretary
13 shall give due consideration to all contributions both in cash
14 and in kind, fairly evaluated, including but not limited to
15 space, equipment, and services. Where practicable, grants-
16 in-aid authorized under this subsection shall be used in con-
17 junction with other available planning grants, such as urban
18 planning grants authorized under the Housing Act of 1954,
19 as amended, and highway planning and research grants
20 authorized under the Federal-Aid Highway Act of 1962, to
21 assure adequate and effective planning and economical use
22 of funds.

23 (c) There is hereby authorized to be appropriated
24 \$20,000,000 annually for the purposes of this section.

RESEARCH

SEC. 302. To assist in the long-range accomplishment of the purposes of this Act, the Secretary, in cooperation with other agencies having similar functions, shall establish and conduct a continuing program of study and research designed to assist in determining the causes of unemployment, underemployment, underdevelopment, and chronic depression in the various areas and regions of the Nation and in the formulation and implementation of national, State, and local programs which will raise income levels and otherwise produce solutions of the problems resulting from these conditions. The Secretary shall include in his annual report under section 706 a detailed statement concerning the study and research conducted under this section together with his findings resulting therefrom and his recommendations for legislative and other action.

INFORMATION

SEC. 303. The Secretary shall aid redevelopment areas and other areas by furnishing to interested individuals, communities, industries, and enterprises within such areas any assistance, technical information, market research, or other forms of assistance, information, or advice which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment within such areas. The

1 Secretary may furnish the procurement divisions of the vari-
2 ous departments, agencies, and other instrumentalities of
3 the Federal Government with a list containing the names and
4 addresses of business firms which are located in redevelop-
5 ment areas and which are desirous of obtaining Government
6 contracts for the furnishing of supplies or services, and design-
7 ating the supplies and services such firms are engaged in
8 providing.

9 TITLE IV—AREA AND DISTRICT ELIGIBILITY

10 PART A—REDEVELOPMENT AREAS

11 AREA ELIGIBILITY

12 SEC. 401. (a) The Secretary shall designate as “rede-
13 velopment areas”—

14 (1) those areas in which he determines, upon the
15 basis of standards generally comparable with those set
16 forth in paragraphs (A) and (B), that there has ex-
17 isted substantial and persistent unemployment for an
18 extended period of time. There shall be included among
19 the areas so designated any area—

20 (A) where the Secretary of Labor finds that
21 the current rate of unemployment, as determined by
22 appropriate annual statistics for the most recent
23 available calendar year, is 6 per centum or more and

1 has averaged at least 6 per centum for the qualifying
2 time periods specified in paragraph (B) ; and

3 (B) where the Secretary of Labor finds that
4 the annual average rate of unemployment has been
5 at least—

6 (i) 50 per centum above the national aver-
7 age for three of the preceding four calendar
8 years, or

9 (ii) 75 per centum above the national aver-
10 age for two of the preceding three calendar
11 years, or

12 (iii) 100 per centum above the national
13 average for one of the preceding two calendar
14 years.

15 The Secretary of Labor shall find the facts and provide
16 the data to be used by the Secretary in making the
17 determinations required by this subsection.

18 (2) those additional areas which have a median
19 family income not in excess of 40 per centum of the
20 national median, as determined by the most recent avail-
21 able statistics for such areas ;

22 (3) those additional Federal or State Indian res-

1 ervations which the Secretary, after consultation with
2 the Secretary of the Interior, determines manifest the
3 greatest degree of economic distress on the basis of unem-
4 ployment and income statistics and other appropriate
5 evidence of economic underdevelopment;

6 (4) upon request of such areas, those additional
7 areas in which the Secretary determines that the loss,
8 removal, or closing of a major source of employment, has
9 caused or is about to cause an unusual and abrupt rise
10 in unemployment or underemployment of such magni-
11 tude that the area can reasonably be expected to become
12 eligible for designation under the other provisions of
13 this Act within three years unless assistance is provided.
14 Notwithstanding any provision of this section to the
15 contrary, an area may be designated at any time under
16 the authority of this subsection and may be given a rea-
17 sonable time after designation in which to submit the
18 overall economic development program required by
19 subsection 202 (b) (10) of this Act;

20 (5) notwithstanding any provision of this section
21 to the contrary, those additional areas which were desig-
22 nated redevelopment areas under the Area Redevelop-
23 ment Act on the date of the enactment of this Act:
24 *Provided, however,* That the continued eligibility of such
25 areas after the first annual review of eligibility con-

ducted in accordance with section 402 of this Act shall be dependent on their qualification for designation under the standards of economic need set forth in subsections (a) (1) through (a) (4) of this section.

(b) The size and boundaries of redevelopment areas shall be as determined by the Secretary: *Provided, however,* That—

(1) no area shall be designated until it has an approved overall economic development program in accordance with subsection 202 (b) (10) of this Act;

(2) any area which does not submit an acceptable overall economic development program in accordance with subsection 202 (b) (10) of this Act within a reasonable time after notification of eligibility for designation, shall not thereafter be designated prior to the next annual review of eligibility in accordance with section 402 of this Act;

(3) no area shall be designated which does not have a population of at least one thousand five hundred persons; and

(4) except for areas designated under subsections (a) (3) and (a) (4) hereof, no area shall be designated which is smaller than a “labor area” (as defined by the Secretary of Labor), a county, or a municipality with a

1 population of over two hundred and fifty thousand,
2 whichever in the opinion of the Secretary is appropriate.

3 (c) Upon the request of the Secretary, the Secretary of
4 Labor, the Secretary of Agriculture, the Secretary of the In-
5 terior, and such other heads of agencies as may be appro-
6 priate are authorized to conduct such special studies, obtain
7 such information, and compile and furnish to the Secretary
8 such data as the Secretary may deem necessary or proper to
9 enable him to make the determinations provided for in this
10 section. The Secretary shall reimburse when appropriate,
11 out of any funds appropriated to carry out the purposes of
12 this Act, the foregoing officers for any expenditures incurred
13 by them under this section.

14 (d) As used in this Act, the term "redevelopment area"
15 refers to any area within the United States which has been
16 designated by the Secretary as a redevelopment area.

17 ANNUAL REVIEW OF AREA ELIGIBILITY

18 SEC. 402. The Secretary shall conduct an annual review
19 of the eligibility of all areas designated or under considera-
20 tion for designation in accordance with section 401 of this
21 Act, and on the basis thereof may terminate or modify the
22 designations of such areas in accordance with objective stand-
23 ards which he shall prescribe by regulation. No area pre-
24 viously designated shall retain its designated status unless it

1 maintains a currently approved overall economic develop-
2 ment program in accordance with subsection 202 (b) (10).
3 No termination of eligibility shall (1) be made without
4 thirty days' prior notification to the area concerned, (2)
5 affect the validity of any application filed, or contract or un-
6 dertaking entered into, with respect to such area pursuant to
7 this Act prior to such termination, or (3) prevent any such
8 area from again being designated a redevelopment area un-
9 der section 401 of this Act if the Secretary determines it to
10 be eligible under such section. The Secretary shall keep the
11 departments and agencies of the Federal Government, and
12 interested State or local agencies, advised at all times of any
13 changes made hereunder with respect to the classification
14 of any area.

15 PART B—ECONOMIC DEVELOPMENT DISTRICTS

16 SEC. 403. (a) In order that economic development
17 projects of broader geographical significance may be planned
18 and carried out, the Secretary is authorized—

19 (1) to designate appropriate “economic develop-
20 ment districts” within the United States with the con-
21 currence of the States in which such districts will be
22 wholly or partially located, if—

23 (A) the proposed district is of sufficient size or
24 population, and contains sufficient resources, to fos-

1 ter economic development on a scale involving more
2 than a single redevelopment area;

3 (B) the proposed district contains two or more
4 redevelopment areas;

5 (C) the proposed district contains one or more
6 redevelopment areas or economic development cen-
7 ters identified in an approved district overall eco-
8 nomic development program as having sufficient size
9 and potential to foster the economic growth activities
10 necessary to alleviate the distress of the redevelop-
11 ment areas within the district; and

12 (D) the proposed district has a district overall
13 economic development program which includes ade-
14 quate land use and transportation planning and con-
15 tains a specific program for district cooperation, self-
16 help, and public investment and is approved by the
17 State or States affected and by the Secretary;

18 (2) to designate as "economic development cen-
19 ters," in accordance with such regulations as he shall
20 prescribe, such areas as he may deem appropriate, if—

21 (A) the proposed center has been identified
22 and included in an approved district overall eco-
23 nomic development program and recommended by
24 the State or States affected for such special designa-
25 tion;

(B) the proposed center is geographically and economically so related to the district that its economic growth may reasonably be expected to contribute significantly to the alleviation of distress in the redevelopment areas of the district; and

(C) the proposed center does not have a population in excess of two hundred and fifty thousand according to the last preceding Federal census.

(3) to provide financial assistance in accordance with the criteria of sections 101, 201, and 202 of this Act, except as may be herein otherwise provided, for projects in economic development centers designated under subsection (a) (2) above, if—

(A) the project will further the objectives of the overall economic development program of the district in which it is to be located;

(B) the project will enhance the economic growth potential of the district or result in additional long-term employment opportunities commensurate with the amount of Federal financial assistance requested; and

(C) the amount of Federal financial assistance requested is reasonably related to the size, population, and economic needs of the district;

(4) subject to the 20 per centum non-Federal

1 share required for any project by subsection 101(c)
2 of this Act, to increase the amount of grant assistance
3 authorized by section 101 for projects within redevelop-
4 ment areas (designated under section 401), by an
5 amount not to exceed 10 per centum of the aggregate
6 cost of any such project, in accordance with such regula-
7 tions as he shall prescribe, if—

8 (A) the redevelopment area is situated within
9 a designated economic development district and is
10 actively participating in the economic development
11 activities of the district; and

12 (B) the project is consistent with an approved
13 district overall economic development program.

14 (b) In designating economic development districts and
15 approving district overall economic development programs
16 under subsection (a) of this section, the Secretary is author-
17 ized, under regulations prescribed by him—

18 (1) to invite the several States to draw up pro-
19 posed district boundaries and to identify potential eco-
20 nomic development centers;

21 (2) to cooperate with the several States—

22 (A) in sponsoring and assisting district eco-
23 nomic planning and development groups, and

24 (B) in assisting such district groups to formu-
25 late district overall economic development programs.

1 (c) The Secretary shall by regulation prescribe stand-
2 ards for the termination or modification of economic develop-
3 ment districts and economic development centers designated
4 under the authority of this section.

5 (d) As used in this Act, the term “economic develop-
6 ment district” refers to any area within the United States
7 composed of cooperating redevelopment areas and, where
8 appropriate, designated economic development centers and
9 neighboring counties or communities, which has been desig-
10 nated by the Secretary as an economic development district.

11 (e) As used in this Act, the term “economic develop-
12 ment center” refers to any area within the United States
13 which has been identified as an economic development center
14 in an approved district overall economic development pro-
15 gram and which has been designated by the Secretary as
16 eligible for financial assistance under sections 101, 201, and
17 202 of this Act in accordance with the provisions of this
18 section.

19 (f) There is hereby authorized to be appropriated not
20 to exceed \$50,000,000 annually for financial assistance ex-
21 tended under the provisions of subsections (a) (3) and (a)
22 (4) hereof.

23 (g) In order to allow time for adequate and careful
24 district planning, subsections (a) and (f) of this section

1 shall not be effective until one year from the date of enact-
2 ment.

3 TITLE V—REGIONAL ACTION PLANNING
4 COMMISSIONS

5 ESTABLISHMENT AND COORDINATION

6 SEC. 501. (a) The Secretary is authorized to invite and
7 encourage the several States to establish appropriate multi-
8 state regional action planning commissions for the purpose
9 of—

10 (1) advising and assisting him in the identification
11 of optimum boundaries for multistate economic devel-
12 opment regions,

13 (2) initiating and coordinating the preparation of
14 long-range overall economic development programs for
15 such regions,

16 (3) fostering surveys and studies to provide data
17 required for the preparation of specific plans and pro-
18 grams for the development of such regions,

19 (4) advising and assisting him and the States con-
20 cerned in the initiation and coordination of economic
21 development districts, in order to promote maximum
22 benefits from the expenditure of Federal, State, and
23 local funds,

24 (5) promoting increased private investment in
25 such regions,

1 (6) preparing legislative and other recommenda-
2 tions with respect to both short-range and long-range
3 programs and projects for Federal, State, and local
4 agencies, and

5 (7) receiving, reviewing, and commenting on all
6 tentative plans or proposals concerning multistate re-
7 gional economic development, and transmitting such
8 plans and proposals with appropriate comments and
9 recommendations to the Secretary and the heads of
10 other interested Federal and State agencies.

11 (b) As used in this Act, the term "region" refers to
12 any area within the United States which includes two or
13 more designated or potential economic development districts
14 in two or more contiguous States.

15 (c) The State members of such Commissions shall be
16 as determined and appointed by the Governors of the States
17 concerned. The President shall appoint the Federal mem-
18 ber or members of such Commissions, if any, who shall
19 report through the Secretary and be compensated at a rate
20 not in excess of that authorized by section 701 (10) of this
21 Act.

22 (d) The Secretary shall present such plans and pro-
23 posals of the Commissions as may be transmitted and recom-
24 mended to him (but are not authorized by any other section
25 of this Act) first for review by the Federal agencies pri-

1 marily interested in such plans and proposals and then,
2 together with the recommendations of such agencies, to the
3 President for such action as he may deem desirable.

4 (e) The Secretary shall provide effective and continu-
5 ing liaison between the Federal Government and each
6 regional Commission.

7 (f) Each Federal agency shall, consonant with law and
8 within the limits of available funds, cooperate with such
9 Commissions as may be established in order to assist them
10 in carrying out their functions under this section.

11 PROGRAM DEVELOPMENT CRITERIA

12 SEC. 502. In developing recommendations for programs
13 and projects for future regional economic development, and
14 in establishing within those recommendations a priority
15 ranking for such programs and projects, the Secretary shall
16 encourage each regional Commission to follow procedures
17 that will insure consideration of the following factors:

18 (1) the relationship of the project or class of proj-
19 ects to overall regional development including its lo-
20 cation in an area determined by the State to have a
21 significant potential for growth;

22 (2) the population and area to be served by the
23 project or class of projects including the relative per
24 capita income and the unemployment rates in the area;

25 (3) the relative financial resources available to the

1 State or political subdivisions or instrumentalities thereof
2 which seek to undertake the project;

3 (4) the importance of the project or class of projects
4 in relation to other projects or classes of projects which
5 may be in competition for the same funds; and

6 (5) the prospects that the project, on a continuing
7 rather than a temporary basis, will improve the op-
8 portunities for employment, the average level of income,
9 or the economic and social development of the area
10 served by the project.

11 REGIONAL TECHNICAL AND PLANNING ASSISTANCE

12 SEC. 503. (a) The Secretary is authorized to provide
13 to the Commissions technical assistance which would be
14 useful in aiding the Commissions to carry out their functions
15 under this Act and to develop recommendations and pro-
16 grams. Such assistance may be provided by the Secretary
17 through members of his staff, through the payment of funds
18 authorized for this section to other departments or agencies
19 of the Federal Government, or through the employment of
20 private individuals, partnerships, firms, corporations, or
21 suitable institutions, under contracts entered into for such
22 purposes, or through grants-in-aid to the Commissions.
23 The Secretary, in his discretion, may require the repayment
24 of assistance provided under this subsection and prescribe the
25 terms and conditions of such repayment.

1 (b) For the period ending on June 30 of the second
2 full Federal fiscal year following the date of enactment of
3 this Act, the administrative expenses of each Commission
4 may be paid by the Federal Government on such terms
5 and conditions as the Secretary may approve. Thereafter, not
6 to exceed 50 per centum of such expenses may be paid by
7 the Federal Government. In determining the amount of the
8 non-Federal share of such costs or expenses, the Secretary
9 shall give due consideration to all contributions both in cash
10 and in kind, fairly evaluated, including but not limited to
11 space, equipment, and services.

12 (c) There is hereby authorized to be appropriated
13 \$15,000,000 annually for the purposes of this section.

14 TITLE VI—ECONOMIC DEVELOPMENT

15 ADMINISTRATOR

16 ADMINISTRATOR FOR ECONOMIC DEVELOPMENT

17 SEC. 601. There shall be appointed by the President, by
18 and with the advice and consent of the Senate, an Adminis-
19 trator for Economic Development in the Department of
20 Commerce, who shall receive compensation at the annual
21 rate applicable to level V of the Federal Executive Salary
22 Act of 1964. The Administrator shall perform such duties
23 in the execution of this Act as the Secretary may assign.

1 ADVISORY COMMITTEE ON REGIONAL ECONOMIC

2 DEVELOPMENT

3 SEC. 602. The Secretary shall appoint a National Public
4 Advisory Committee on Regional Economic Development
5 which shall consist of twenty-five members and shall be com-
6 posed of representatives of labor, management, agriculture,
7 State and local governments, and the public in general.
8 From the members appointed to such Committee the Secre-
9 tary shall designate a Chairman. Such Committee, or any
10 duly established subcommittee thereof, shall from time to
11 time make recommendations to the Secretary relative to the
12 carrying out of his duties under this Act. Such Committee
13 shall hold not less than two meetings during each calendar
14 year.

15 CONSULTATION WITH OTHER PERSONS AND AGENCIES

16 SEC. 603. (a) The Secretary is authorized from time
17 to time to call together and confer with any persons, includ-
18 ing representatives of labor, management, agriculture, and
19 government, who can assist in meeting the problems of area
20 and regional unemployment or underemployment.

21 (b) The Secretary may make provision for such con-
22 sultation with interested departments and agencies as he

1 may deem appropriate in the performance of the functions
2 vested in him by this Act.

3 TITLE VII—MISCELLANEOUS

4 POWERS OF SECRETARY

5 SEC. 701. In performing his duties under this Act, the
6 Secretary is authorized to—

7 (1) adopt, alter, and use a seal, which shall be
8 judicially noticed;

9 (2) hold such hearings, sit and act at such times
10 and places, and take such testimony, as he may deem
11 advisable;

12 (3) request directly from any executive department,
13 bureau, agency, board, commission, office, independent
14 establishment, or instrumentality information, sugges-
15 tions, estimates, and statistics needed to carry out the
16 purposes of this Act; and each department, bureau,
17 agency, board, commission, office, establishment, or in-
18 strumentality is authorized to furnish such information,
19 suggestions, estimates, and statistics directly to the
20 Secretary;

21 (4) under regulations prescribed by him, assign or
22 sell at public or private sale, or otherwise dispose of for
23 cash or credit, in his discretion and upon such terms and
24 conditions and for such consideration as he shall deter-
25 mine to be reasonable, any evidence of debt, contract,

1 claim, personal property, or security assigned to or held
2 by him in connection with loans made or evidences of
3 indebtedness purchased under this Act, and collect or
4 compromise all obligations assigned to or held by him
5 in connection with such loans or evidences of indebted-
6 ness until such time as such obligations may be referred
7 to the Attorney General for suit or collection;

8 (5) further extend the maturity of or renew any
9 loan made or evidence of indebtedness purchased under
10 this Act, beyond the periods stated in such loan or
11 evidence of indebtedness or in this Act, for additional
12 periods not to exceed ten years, if such extension or
13 renewal will aid in the orderly liquidation of such loan
14 or evidence of indebtedness;

15 (6) deal with, complete, renovate, improve, mod-
16 ernize, insure, rent, or sell for cash or credit, upon such
17 terms and conditions and for such consideration as he
18 shall determine to be reasonable, any real or personal
19 property conveyed to, or otherwise acquired by, him in
20 connection with loans made or evidences of indebtedness
21 purchased under this Act;

22 (7) pursue to final collection, by way of compro-
23 mise or other administrative action, prior to reference to
24 the Attorney General, all claims against third parties
25 assigned to him in connection with loans made or evi-

1 dences of indebtedness purchased under this Act. This
2 shall include authority to obtain deficiency judgments or
3 otherwise in the case of mortgages assigned to the Secre-
4 tary. Section 3709 of the Revised Statutes, as amended
5 (41 U.S.C. 5), shall not apply to any contract of
6 hazard insurance or to any purchase or contract for serv-
7 ices or supplies on account of property obtained by the
8 Secretary as a result of loans made or evidences of in-
9 debtedness purchased under this Act if the premium
10 therefor or the amount thereof does not exceed \$1,000.
11 The power to convey and to execute, in the name of the
12 Secretary, deeds of conveyance, deeds of release, assign-
13 ments and satisfactions of mortgages, and any other writ-
14 ten instrument relating to real or personal property or
15 any interest therein acquired by the Secretary pursuant
16 to the provisions of this Act may be exercised by the
17 Secretary or by any officer or agent appointed by him
18 for that purpose without the execution of any express
19 delegation of power or power of attorney;

20 (8) acquire, in any lawful manner, any property
21 (real, personal, or mixed, tangible or intangible), when-
22 ever deemed necessary or appropriate to the conduct of
23 the activities authorized in sections 201, 202, 301, 403
24 and 503 of this Act;

25 (9) in addition to any powers, functions, privileges,

1 and immunities otherwise vested in him, take any and
2 all actions, including the procurement of the services of
3 attorneys by contract, determined by him to be neces-
4 sary or desirable in making, purchasing, servicing, com-
5 promising, modifying, liquidating, or otherwise admin-
6 istratively dealing with or realizing on loans made or
7 evidences of indebtedness purchased under this Act;

8 (10) employ experts and consultants or organiza-
9 tions therefor as authorized by section 15 of the Admin-
10 istrative Expenses Act of 1946 (5 U.S.C. 55a), com-
11 pensate individuals so employed at rates not in excess
12 of \$100 per diem, including travel time, and allow them,
13 while away from their homes or regular places of busi-
14 ness, travel expenses (including per diem in lieu of sub-
15 sistence) as authorized by section 5 of such Act (5
16 U.S.C. 73b-2) for persons in the Government service
17 employed intermittently, while so employed: *Provided,*
18 *however,* That contracts for such employment may be
19 renewed annually;

20 (11) sue and be sued in any court of record of a
21 State having general jurisdiction or in any United States
22 district court, and jurisdiction is conferred upon such
23 district court to determine such controversies without
24 regard to the amount in controversy; but no attachment,
25 injunction, garnishment, or other similar process, mesne

1 or final, shall be issued against the Secretary or his prop-
2 erty. Nothing herein shall be construed to except the
3 activities under this Act from the application of sections
4 507 (b) and 2679 of title 28, United States Code, and
5 of section 367 of the Revised Statutes (5 U.S.C. 316) ;
6 and

7 (12) establish such rules, regulations, and proce-
8 dures as he may deem appropriate in carrying out the
9 provisions of this Act.

10 SAVINGS PROVISIONS

11 SEC. 702. (a) No suit, action, or other proceeding law-
12 fully commenced by or against the Administrator or any
13 other officer of the Area Redevelopment Administration in
14 his official capacity or in relation to the discharge of his
15 official duties under the Area Redevelopment Act, shall abate
16 by reason of the taking effect of the provisions of this Act,
17 but the court may, on motion or supplemental petition filed
18 at any time within twelve months after such taking effect,
19 showing a necessity for the survival of such suit, action, or
20 other proceeding to obtain a settlement of the questions in-
21 volved, allow the same to be maintained by or against the
22 Secretary or the Administrator or such other officer of the
23 Department of Commerce as may be appropriate.

24 (b) Except as may be otherwise expressly provided in
25 this Act, all powers and authorities conferred by this Act

1 shall be cumulative and additional to and not in derogation
2 of any powers and authorities otherwise existing. All rules,
3 regulations, orders, authorizations, delegations, or other
4 actions duly issued, made, or taken by or pursuant to appli-
5 cable law, prior to the effective date of this Act, by any
6 agency, officer, or office pertaining to any functions, powers,
7 and duties under the Area Redevelopment Act shall con-
8 tinue in full force and effect after the effective date of this
9 Act until modified or rescinded by the Secretary or such
10 other officer of the Department of Commerce as, in accord-
11 ance with applicable law, may be appropriate.

12 TRANSFER OF FUNCTIONS AND EFFECTIVE DATE

13 SEC. 703. (a) The functions, powers, duties and au-
14 thorities and the assets, funds, contracts, loans, liabilities,
15 commitments, authorizations, allocations and records which
16 are vested in or authorized to be transferred to the Secretary
17 of the Treasury under section 29 (b) of the Area Redevelop-
18 ment Act, and all functions, powers, duties, and authorities
19 under section 29 (c) of the Area Redevelopment Act are
20 hereby vested in the Secretary.

21 (b) Any appropriations available to the Secretary for
22 the purposes of the Area Redevelopment Act on or after the
23 date of enactment of this Act shall be available for the
24 purposes of this Act.

25 (c) In the event that the Administrator required by

1 this Act to be appointed by and with the advice and con-
2 sent of the Senate shall not have entered upon office on the
3 effective date of this Act, the President may designate a
4 person to act in such office until the office is filled as pro-
5 vided in this Act or until the expiration of the first period
6 of sixty days following said effective date, whichever shall
7 first occur. While so acting such person shall receive com-
8 pensation at the rate provided by this Act for such office.

9 (d) The provisions of this Act shall take effect upon
10 enactment unless herein explicitly otherwise provided.

11 SEPARABILITY

12 SEC. 704. Notwithstanding any other evidence of the
13 intent of Congress, it is hereby declared to be the intent
14 of Congress that if any provision of this Act, or the applica-
15 tion thereof to any persons or circumstances, shall be ad-
16 judged by any court of competent jurisdiction to be invalid,
17 such judgment shall not affect, impair, or invalidate the
18 remainder of this Act or its application to other persons
19 and circumstances, but shall be confined in its operation to
20 the provision of this Act, or the application thereof to the
21 persons and circumstances, directly involved in the con-
22 troversy in which such judgment shall have been rendered.

23 APPLICATION OF ACT

24 SEC. 705. As used in this Act, the terms "State",
25 "States", and "United States" include the several States, the

1 District of Columbia, the Commonwealth of Puerto Rico,
2 the Virgin Islands, Guam, and American Samoa.

3 ANNUAL REPORT

4 SEC. 706. The Secretary shall make a comprehensive
5 and detailed annual report to the Congress of his operations
6 under this Act for each fiscal year beginning with the fiscal
7 year ending June 30, 1966. Such report shall be printed
8 and shall be transmitted to the Congress not later than
9 January 3 of the year following the fiscal year with respect
10 to which such report is made.

11 USE OF OTHER FACILITIES

12 SEC. 707. (a) To the fullest extent practicable in carry-
13 ing out the provisions of this Act the Secretary shall use the
14 available services and facilities of other agencies and instru-
15 mentalities of the Federal Government, but only with their
16 consent and on a reimbursable basis. The foregoing require-
17 ment shall be implemented by the Secretary in such a man-
18 ner as to avoid the duplication of existing staffs and facilities
19 in any agency or instrumentality of the Federal Government.
20 The Secretary is authorized to delegate to the heads of other
21 departments and agencies of the Federal Government any of
22 the Secretary's functions, powers, and duties under this Act
23 as he may deem appropriate, and to authorize the redelega-
24 tion of such functions, powers, and duties by the heads of
25 such departments and agencies.

(b) Departments and agencies of the Federal Government shall exercise their powers, duties, and functions in such manner as will assist in carrying out the objectives of this Act.

(c) Funds authorized to be appropriated under this Act may be transferred, with the approval of the Director of the Bureau of the Budget, between departments and agencies of the Government, if such funds are used for the purposes for which they are specifically authorized and appropriated.

APPROPRIATION

SEC. 708. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act. Appropriations authorized under this Act shall remain available until expended unless otherwise provided by appropriations acts.

PENALTIES

18 SEC. 709. (a) Whoever makes any statement knowing
19 it to be false, or whoever willfully overvalues any security,
20 for the purpose of obtaining for himself or for any applicant
21 any financial assistance under section 101, 201, 202, or 403
22 or any extension thereof by renewal, deferment of action,
23 or otherwise, or the acceptance, release, or substitution of
24 security therefor, or for the purpose of influencing in any
25 way the action of the Secretary, or for the purpose of obtain-

1 ing money, property, or anything of value, under this Act,
2 shall be punished by a fine of not more than \$10,000 or by
3 imprisonment for not more than five years, or both.

4 (b) Whoever, being connected in any capacity with
5 the Secretary, in the administration of this Act (1) em-
6 bezzles, abstracts, purloins, or willfully misapplies any
7 moneys, funds, securities, or other things of value, whether
8 belonging to him or pledged or otherwise entrusted to him,
9 or (2) with intent to defraud the Secretary or any other
10 body politic or corporate, or any individual, or to deceive any
11 officer, auditor, or examiner, makes any false entry in any
12 book, report, or statement of or to the Secretary, or without
13 being duly authorized draws any order or issues, puts forth,
14 or assigns any note, debenture, bond, or other obligation, or
15 draft, bill of exchange, mortgage, judgment, or decree
16 thereof, or (3) with intent to defraud participates or shares
17 in or receives directly or indirectly any money, profit,
18 property, or benefit through any transaction, loan, grant,
19 commission, contract, or any other act of the Secretary, or
20 (4) gives any unauthorized information concerning any
21 future action or plan of the Secretary which might affect the
22 value of securities, or having such knowledge invests or
23 speculates, directly or indirectly, in the securities or property
24 of any company or corporation receiving loans, grants, or

1 other assistance from the Secretary, shall be punished by a
2 fine of not more than \$10,000 or by imprisonment for not
3 more than five years, or both.

4 EMPLOYMENT OF EXPEDITERS AND ADMINISTRATIVE
5 EMPLOYEES

6 SEC. 710. No financial assistance shall be extended by
7 the Secretary under section 101, 201, 202, or 403 to any
8 business enterprise unless the owners, partners, or offices of
9 such business enterprise (1) certify to the Secretary the
10 names of any attorneys, agents, and other persons engaged
11 by or on behalf of such business enterprise for the purpose of
12 expediting applications made to the Secretary for assistance
13 of any sort, under this Act, and the fees paid or to be paid
14 to any such person; and (2) execute an agreement binding
15 such business enterprise, for a period of two years after such
16 assistance is rendered by the Secretary to such business
17 enterprise, to refrain from employing, tendering any office
18 or employment to, or retaining for professional services, any
19 person who, on the date such assistance or any part thereof
20 was rendered, or within one year prior thereto, shall have
21 served as an officer, attorney, agent, or employee, occupying
22 a position or engaging in activities which the Secretary shall
23 have determined involve discretion with respect to the grant-
24 ing of assistance under this Act.

1 PREVAILING RATE OF WAGE AND FORTY-HOUR WEEK

2 SEC. 711. All laborers and mechanics employed by con-
3 tractors or subcontractors on projects assisted by the Sec-
4 retary under this Act shall be paid wages at rates not less
5 than those prevailing on similar construction in the locality
6 as determined by the Secretary of Labor in accordance with
7 the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-
8 5), and every such employee shall receive compensation at
9 a rate not less than one and one-half times his basic rate of
10 pay for all hours worked in any workweek in excess of
11 eight hours in any workday or forty hours in the workweek,
12 as the case may be. The Secretary shall not extend any
13 financial assistance under section 101, 201, 202, or 403 for
14 such a project without first obtaining adequate assurance that
15 these labor standards will be maintained upon the construc-
16 tion work. The Secretary of Labor shall have, with respect
17 to the labor standards specified in this provision, the au-
18 thority and functions set forth in Reorganization Plan Num-
19 bered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C.
20 133z-15), and section 2 of the Act of June 13, 1934, as
21 amended (40 U.S.C. 276c).

22 RECORD OF APPLICATIONS

23 SEC. 712. The Secretary shall maintain as a permanent
24 part of the records of the Department of Commerce a list of

1 applications approved for financial assistance under section
2 101, 201, 202, or 403, which shall be kept available for pub-
3 lic inspection during the regular business hours of the De-
4 partment of Commerce. The following information shall be
5 posted in such list as soon as each application is approved;
6 (1) the name of the applicant and, in the case of corporate
7 applications, the names of the officers and directors thereof,
8 (2) the amount and duration of the loan or grant for which
9 application is made, (3) the purposes for which the proceeds
10 of the loan or grant are to be used, and (4) a general
11 description of the security offered in the case of a loan.

12 RECORDS AND AUDIT

13 SEC. 713. (a) Each recipient of assistance under this
14 Act shall keep such records as the Secretary shall prescribe,
15 including records which fully disclose the amount and the dis-
16 position by such recipient of the proceeds of such assistance,
17 the total cost of the project or undertaking in connection
18 with which such assistance is given or used, and the amount
19 and nature of that portion of the cost of the project or under-
20 taking supplied by other sources, and such other records as
21 will facilitate an effective audit.

22 (b) The Secretary and the Comptroller General of the
23 United States, or any of their duly authorized representa-
24 tives, shall have access for the purpose of audit and examina-
25 tion to any books, documents, papers, and records of the

1 recipient that are pertinent to assistance received under this
2 Act.

3 CONFORMING AMENDMENT

4 SEC. 714. All benefits heretofore specifically made avail-
5 able (and not subsequently revoked) under other Federal
6 programs to persons or to public or private organizations,
7 corporations, or entities in areas designated by the Secretary
8 as "redevelopment areas" under section 5 of the Area Rede-
9 velopment Act, are hereby also extended, insofar as practi-
10 cable, to such areas as may be designated as "redevelopment
11 areas" or "economic development centers" under the author-
12 ity of sections 401 or 403 of this Act: *Provided, however,*
13 That this section shall be not construed as limiting such
14 administrative discretion as may have been conferred under
15 any other law.

H. R. 6991

A BILL

To provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

By Mr. FALTON

MARCH 31, 1965

Referred to the Committee on Public Works

Sister Patrice had had to return to her home in San Mateo, but Sister Leoline was still marching, her forehead blistered and peeling. This blind man was still there too, with his white cane, his arm linked into a Negro's. So was Jim Lether, swinging along on his crutches. He was haggard and sweating, his voice weakened and roughed.

"Don't tell the people," he said. "I was riding for a while. I'm out of it, I'm gone." He thought a moment, swinging along, and said, "but I'm going to keep on walking."

Dr. King was back now, with his wife. He had left the day before to attend a dinner in his honor in Cleveland. He and others at the head of the line sang as they walked. They sang "Swing Low, Sweet Chariot." The limit was now off—any number could march. The newcomers were distinguished by their clean shoes. At one point, I clocked the progress and counted the marchers. There seemed to be 1,360 of them, and it took them 6 minutes to pass a stationary point. They walked a mile in 35 minutes.

Father Sherrill was thinking of getting home. "I've got to be in the pulpit at 8 o'clock Sunday morning," he said.

And what did he plan to tell his congregation?

"I've been considering that," he said. "I've been thinking about a quotation from Robert Penn Warren. He said that before real peace can come in the South, both communities, black and white, will have to die a little. As a text I'd use, 'Except as a grain of wheat fall into the ground and die, it abides alone.' That's from John's Gospel, I think. I don't have my concordance with me just now, of course, and can't check it, but I think that's right. 'Know ye not that ye are baptized in the death of Jesus?' The New Testament is full of that thought. The new life we talk about is not something we adopt after a course in theology. It's the dying of the old person and the rising of the new. Forget about one's possessions, one's property values, and live in a new relationship with people everywhere—that's what it means.

"In race relations now we have to do more than talk about how we can solve this problem painlessly for both sides. We have almost the same thing in ecumenism. Catholics and Protestants are talking together now, and we can't go on until both sides are willing to accept some pain and some surrender."

He paused and laughed. "I can see that this is going to be an awfully windy sermon unless I can get it organized."

He had about 8 miles left in which to organize it.

And so they came to Montgomery.

And in Montgomery, Wednesday evening two young white women stopped on the sidewalk at the ancient Greystone Hotel. "Isn't that Harry Belafonte?" said one of them. It was; he would lead a group of personages that night in a rally and entertainment program at the marchers' campsite. The two women pressed their noses against the window of the hotel.

"Have you bought his last record?" one of them asked.

"Yes. Have you?"

"Yes. But don't tell anybody we saw him."

One taxi driver: "There're a lot of fruitcakes in town. I hope something real nice happens to them."

Another taxi driver: "I believe everybody's got a right to vote that is qualified. I don't believe in this violence. They've all got a right to vote. Yet they just can't register 600 or 700 of them in a day, with just 3 or 4 people on duty. Commonsense would teach a dumb man that."

A young white man, shouting from his car at a Negro taxi driver with three white passengers: "You got any of them marchers in there?"

A major in the military police—a huge, ruddy Alabamian in Army fatigues and com-

bat boots, before a small impromptu audience in a barbershop: "I agree, they've got some grievances, and they ought to be corrected. But I still think we could have worked it out ourselves, without all this outside interference. What we can't make the Nation see is the Communist element in this thing, and in the country. We've got more Communists in the Government right now than there were in Russia when they took over there. We've got two Communists on the Supreme Court right now, and had three, until one of the son-of-a-bitches retired. And that Reeb, the preacher that was killed. Preacher my ———. He was no more of a preacher than I am. He was a Communist."

A southern white lady in her 70's, leading visitors about her garden, among azaleas, quince, and flowering peach: "My cook used to come home from church crying over how they'd treated her on the bus. They were always shouting at them, 'get to the back, Nigger.' When they had the bus boycott, they couldn't have picked a better issue. It brought them all together, because they'd all been abused on the buses."

This southern lady brought a group together, some Alabamians, some outsiders. They agreed on the civil rights program—it must succeed. How many of her neighbors agreed with her? Very few, she said. Had she discussed it with them? Of course not. One didn't talk about it.

At the campsite the program proceeded—or failed to proceed—with the chaos and the confusion that marked much of the planning for the march. The crowd was too large; people fainted in the crush. The electricians were still at work. The entertainers waited to be called. The crowd waited to be entertained.

Perhaps, one spectator mused, this is one symptom of the tragedy: many of them have had so little opportunity to plan and lead, so little training—their lives have been so regimented, their education so neglected, their expectations so fragile and slender. But they did get this far—from Selma 50 miles to the open field behind the city of St. Jude—and tomorrow they would go to the capitol. Perhaps that was all one should ask, just now, and that was asking a great deal.

And so they came to the capitol of Alabama.

Dr. King led the way, beside Ralph Bunche—two winners of the Nobel peace prize. Behind them came the blind man and the one-legged man ("I am all right now. I'll make it"), and Sister Leoline, and Harry Belafonte, Clinton King, Walter Johnson, John Hope Franklin, many children, and Father Sherrill.

"I'm on a plane leaving Saturday," he said. "But first I'm going back to Selma, to see the children there. I'll make it to my pulpit at 8 o'clock Sunday."

Did he have his sermon ready?

"I'm working on it."

From the head of the line we couldn't see its end. It moved past Negro shacks and into a white area. A fierce old white woman screeched from a porch, "Go home, you dirty ———." A white man did a bump and grind, and held up clinched fists, forefingers extended. But for the most part they were silent watchers who stood on the sidewalks. They simply watched.

The marchers turned from Montgomery at Court Square, and saw before them, down the wide thoroughfare of Dexter Avenue, the white capitol. They marched past the Jefferson Davis Hotel—white watchers stood at windows, and a second-floor balcony—and on to the Dexter Avenue Baptist Church, where Dr. King proclaimed the Montgomery bus strike nearly 10 years ago now. One more block, and the leaders stood at the foot of the steps of the capitol.

The sky was overcast, and there was thunder. A double file of State conservation

officers, in green helmets and new uniforms, guarded the capitol at the first landing, and everywhere were soldiers, the Alabamians with replicas of the Confederate flag sewn above the left pockets of their jackets. On the dome of the capitol flew the red-and-white flag of Alabama and the stars and bars of the Confederacy. The only American flags in sight were carried by marchers.

The entertainers sang.

"Go tell it on the mountain,
Over the hills and everywhere;
Go tell it on the mountain,
To let my people go."

The people sang too. The voices echoed, lagging and lingering, among the State buildings. We Shall Overcome; Michael Row the Boat Ashore; Got To Move When the Spirit Say Move; This Little Light of Mine I'm Going To Let It Shine. There were 50,000 people out there, one of the officials said.

Probably not 50,000—but many. There were many speeches, too, and Dr. King began speaking at 3:30 and finished at 4. Now a committee would attempt to deliver a petition. That was why they were here—citizens petitioning their government. The march was over.

And now I wonder what my obliging, exasperated friend, Mr. Miles of Selma, would want me to write about his city and his State, his capitol, and his way of life?

Would he want me to write about the outside agitators, and the inside irritators? Well they do agitate, and they do irritate. Or about how satisfied the Negroes were until the agitators moved in on them? Well, they did seem satisfied. At least they were silent. About the Negro shacks we walked past that Thursday morning, or the white mansions we did not walk past? They are both there, and some Negroes have fine homes too. A few of them. Or about what one, or both, of the taxi drivers said? Or the white southern lady in her garden, among her blossoming shrubs, with her silent frustration? Or about James Reeb and Jimmie Jackson? Or about the sincere anger of white southerners, their steadfast belief in their cause, their silence before the might of the Federal Government? Or about the singing Negroes?

I don't know. I still don't know what Mr. Miles would want me to write. I do know he would like one question answered, and I believe I could answer it, if he would ask. Why do all these people come to Alabama? Because it's there. That's why.

POSTLUDE

And now—on Friday—now what would they have a writer write about Alabama?

It rained on Alabama, and on Lowndes County, and there was fire in the sky. It rained on St. Paul's Episcopal Church, and on Browns Chapel, on the just and the unjust on the Negro and the white, alike.

It rained even harder than it did on Tuesday, when the marchers were marching through Lowndes, past the place where one of them was to die. It rained on the signs (Martin Luther King at Communist Training Center), "Get the United States Out of the UN"), and on the swamps and the fields, on the Black Angus and the white-faced Herefords, and the shacks and the mansions.

It rained on the gray trees and the gray moss, and the redbud and the flowering peach. It rained on Highway 80, on the sidewalk where James Reeb was beaten to death, and on Jimmie Jackson's grave.

It rained on a blue car still parked against a post it had knocked down, and the wind blew the rain in through the broken window on the driver's side, and it covered the blood there.

The lightning flashed, the thunder rolled, and it rained. But the water could not wash away, nor the fire burn away, the blood in the car, nor the blood on the soil and the hands of bloody Alabama.

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

(Mr. FALLON (at the request of Mr. WHITE of Texas) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. FALLON. Mr. Speaker, I am pleased to introduce today the President's bill, the Public Works and Economic Development Act of 1965.

There are areas of this Nation that do not share in the economic growth and prosperity enjoyed by the Nation as a whole. Some of these areas have had an uneven pattern of development which has not permitted a self-sustaining economy. There are other areas of this Nation that are just beginning to slip behind. If these areas are not assisted, they will soon become trapped in the mire of economic and social decay.

This Nation cannot afford the burden of the underdeveloped economic resources and the underemployed human resources. It does not make sense for this Nation to permit pockets of poverty and economic decay to continue to exist. It does not make sense to continue to waste valuable human and potential economic resources. It does not make sense to permit opportunities to be closed to people because of the circumstances of the area in which they live.

The President, drawing from the vast experience of the accelerated public works program and the experimental area redevelopment program has proposed the bill I introduce today, the "Public Works and Economic Development Act of 1965." In his message on area and regional economic development presented to the Congress on Thursday, March 25, 1965, the President stressed the three basic principles guiding the proposed legislation:

First, we will devote maximum effort to providing the conditions under which our private enterprise system can provide jobs and increased income. It is up to private business to take advantage of improved conditions for making profits by expanding present business or starting new ones, thereby increasing opportunity for the people of the region.

"Second, no Federal plan or Federal project will be imposed on any regional, State or local body. No area will be declared distressed by Federal decree. No economic development district will be designated unless the State and local people want it to be designated. No plan will be approved unless it also has the approval of State and local authorities. No programs or projects will be originated at the Federal level. The initiative, the ideas, and the request for assistance must come to Washington, not from Washington.

"Third, the Federal Government will seek full value from every dollar spent or loaned under this program. Every proposal will be tested to see if it offers substantial promise of increasing economic development commensurate with the Federal funds involved. Only if a project meets this test will it be approved. Over the years the increased economic activity stimulated by this program will return its cost many times to the Federal treasury"

I believe these principles are necessary to the success of the proposed Public Works and Economic Development program because they are the fundamental

principles of this great Nation. There is the recognition and the resolution that the development of the depressed areas of the Nation depends upon the highest degree of cooperation between the public and private enterprise. In order to attract new industry to these areas there must be adequate public works and economic development facilities. This bill provides the vehicle by which private and public resources work together toward a common goal.

The bill also stresses the partnership of officials at every level of government, local, State, and Federal, in working toward this goal. The bill also guarantees that there will be no waste of the development resources, and, indeed, provides that such resources will be used as investments for present and future economic growth.

The bill attacks the problem of development in a variety of ways and provides a well-rounded program of meeting the needs of the depressed areas. It provides a direct and supplemental grant program for public works facilities related to economic development; it encourages private investment in economic depressed areas; and it provides special assistance for the preparation of long-range regional economic development programs.

I have always supported programs designed to improve the economic conditions of the distressed areas. I know that the special grants for public works facilities related to economic development will enable many communities to attract commercial and industrial enterprises. The special feature of the supplemental grant for public works is most important to the community that has suffered from long periods of decline and decay. I am pleased that this is part of the bill because I have long advocated additional Federal assistance for public works to those communities that need it most.

I am also pleased with the provisions of the bill that recognize the need of Federal assistance for regional programs of planning and growth. Just as we have approved action for Appalachia, this bill permits us to begin to act for the other needy regions of the Nation.

Members of the House, this bill is a good bill. It is a carefully prepared program designed at helping resourceful people to help themselves. The bill offers the hope that, as the President stated in his message:

These conditions of our depressed areas can and must be righted. In this generation they will be righted.

I strongly urge your immediate and thorough consideration of this bill and its enactment into law.

SECTION-BY-SECTION ANALYSIS OF THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

The proposed bill is entitled the "Public Works and Economic Development Act of 1965."

STATEMENT OF PURPOSE

Section 2 declares that it is the purpose of the act, in order to maintain the national economy at a high level and to avoid wasting invaluable human resources, to provide Federal financial assistance, including grants

for public works and development facilities, to areas and regions of substantial and persistent unemployment and underemployment to enable them to take effective steps in planning and financing their economic development.

TITLE I—GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES

Section 101 replaces section 8 of the Area Redevelopment Act, which deals with grants for public facilities, with a section which would broaden the Secretary's authority to make grants for needed public works, public service, or development facilities in accordance with criteria identical with those set forth in the new development facility loan section (sec. 201). It would also authorize a new program of supplementary grants to assist with local shares of other Federal grant-in-aid programs. The 100-percent direct grant authority of the Area Redevelopment Act would be replaced by a provision authorizing 50-percent grants; however, supplementary grants, which would vary in amount according to needs of areas and types of projects, would also be authorized for development facility projects directly assisted under the new program. Maximum Federal grant assistance for any project would not exceed 80 percent of project cost, with supplementary grants also being reduced by the amount of loan assistance which could be repaid from such revenues as the project itself might produce, in excess of those which would amortize the local share and provide for the successful operation and maintenance (including depreciation) of the facility. No assistance would be extended for any facility which would compete with an existing privately owned utility.

Section 102 contains an appropriation authorization of \$250 million annually for public works and development facility grants.

TITLE II—OTHER FINANCIAL ASSISTANCE

Public Works and Development Facility Loans

Section 201 replaces section 7 of the Area Redevelopment Act, which deals with loans for public facilities, with a section which would broaden the Secretary's authority to make loans, in order to enable him to assist needed public works, public service, or development facilities which either directly or indirectly assist in the creation of additional long-term employment opportunities or else primarily benefit the long-term unemployed and members of low-income families. Loan criteria would remain the same, except that a new interest formula would be substituted which would vary interest rates according to Federal borrowing costs, less one-half of 1 percent. Pending a change in Federal borrowing costs, the actual interest rate charged to borrowers on such projects would be 3½ percent. An annual authorization of \$170 million for both business and development facility loans replaces the limitation on loans outstanding of the Area Redevelopment Act.

Loans and Guarantees

Section 202 replaces section 6 of the Area Redevelopment Act, which deals with business loans, with a section which would authorize the Secretary (1) to make industrial and commercial loans in accordance with the purpose criteria of the present act, (2) to guarantee loans for working capital made to private borrowers by private lending institutions in connection with projects in redevelopment areas otherwise assisted under the act, and (3) to contract to pay to or on behalf of business entities locating in redevelopment areas a portion of the interest costs which they incur in financing their expansions from private sources. The new section would retain the loan conditions of the Area Redevelopment Act (including a prohibition against aiding relocations, which would apply to all assistance under this section), except that the requirements of sub-

sections 6(b)(9)(B) and (C), dealing with the subordination and deferment of certain non-Federal funds, would be modified (1) to reduce the community share from 10 percent to 5 percent, (2) to enable concurrent repayment with the Federal loan of the subordinated 15 percent funds, and (3) to allow the Secretary to waive the community participation requirement in accordance with standards prescribed by regulations where the necessary funds are not reasonably available to the project because of the economic distress of the area. A minimum 15 percent investment subordinate to the Federal loan would continue to be required in all cases. The new section authorizes the Secretary to require periodic revisions of overall economic development programs and deletes the present limitation on loans outstanding in favor of a single appropriation authorization (placed under the proposed new sec. 201) for both business and development facility loans. Interest rates would be determined in accordance with a new formula based on Federal borrowing costs, which would increase the rate of interest currently charged from 4 to 4½ percent.

Economic Development Revolving Fund

Section 203 establishes an economic development revolving fund in the Treasury of the United States for funds obtained by the Secretary under section 201, for loan funds under section 403, and for collections and repayments. The fund would be available to the Secretary for the purpose of extending loan assistance under sections 201, 202, and 403. Repayment of obligations outstanding under the Area Redevelopment Act would be credited to the fund, and it would pay interest to the Treasury on the amount of the total loans outstanding, based on current average market yield on outstanding Treasury obligations of comparable maturities.

TITLE III—TECHNICAL ASSISTANCE, RESEARCH, AND INFORMATION

Technical and administrative assistance

Section 301 authorizes the Secretary to provide technical assistance in accordance with the criteria of the Area Redevelopment Act. In addition, it authorizes grants-in-aid both for technical assistance and for economic planning and administrative expenses to appropriate public or private nonprofit State, area, district, or local organizations. No grant for economic planning and administrative expenses would exceed 75 percent of the undertaking involved. However, non-Federal contributions in cash and in kind would be authorized. The Secretary would have discretion to require repayment of technical assistance where appropriate, and would take into consideration grants available from other sources (such as urban planning grants and highway planning grants) in determining the need for planning funds. An annual appropriation authorization of \$20 million is provided.

Research

Section 302 authorizes the Secretary to establish and conduct a continuing program of study and research. This section is identical with that contained in the Area Redevelopment Act.

Information

Section 303 directs the Secretary to aid redevelopment areas and other areas by furnishing technical and similar information to such areas.

TITLE IV—AREA AND DISTRICT ELIGIBILITY

Part A—Redevelopment areas

Area Eligibility

Section 401 establishes standards for the designation of "redevelopment areas." It replaces section 5 of the Area Redevelopment Act with a section having more precisely-defined unemployment and low-income criteria. The new criteria are: (1) unemploy-

ment standards for all areas identical with those in the present act for the designation of predominantly urban areas; (2) designation on the basis of low-family income for those additional areas which have a median family income not in excess of 40 percent of the national median; (3) those additional Federal and State Indian reservations which the Secretary after consultation with the Secretary of the Interior determines manifest the greatest need; and (4) those areas experiencing a sudden rise in unemployment due to an economic emergency, such as a major plant closing. However, no area would be eligible for designation if it (1) has a population less than 1,500 persons; (2) is smaller than a "labor area" (as defined by the Secretary of Labor), a county, or a municipality with a population of over 250,000 which ever in the opinion of the Secretary is appropriate; or (3) does not have an approved overall economic development program. In addition to the four types of areas listed, areas eligible under the Area Redevelopment Act would continue to be eligible for assistance until the first annual review of eligibility under section 402, at which time they would be required to qualify under the regular provisions of the act. The Secretary would be authorized to prescribe necessary rules and regulations for the designation of areas, to review such designations annually, and to obtain from the heads of other agencies on a reimbursable basis the data upon which to base area designations.

Annual Review of Area Eligibility

Section 402 replaces section 13 of the Area Redevelopment Act, which deals with the termination of eligibility of areas, with a section which would (1) prescribe an annual review of eligibility of areas, (2) require a currently approved overall economic development program as a condition for continued eligibility, (3) provide 30 days' notice prior to termination of eligibility, and (4) explicitly allow applications filed prior to area termination to be considered by the Secretary.

Part B—Economic development districts

Section 403 authorizes the Secretary to designate new multicounty economic development districts, with the concurrence of the States affected, for the benefit of the districts as a whole and of the redevelopment areas situated in such districts. The districts must include two or more designated redevelopment areas, be of sufficient size and potential to foster economic growth on a scale involving more than a single area, and contain one or more economic development centers. Where the centers were not already designated redevelopment areas, the Secretary would be authorized to designate such centers as he deemed appropriate, as eligible for loan and grant assistance under the act on the same basis as redevelopment areas. Recommendations for such designations would be contained in approved district overall economic development programs, which would be required prior to the designation of the district. To encourage redevelopment areas to participate in multicounty economic development activities, the Secretary would also be authorized to increase development facility grants for projects in redevelopment areas within designated districts by an amount equal to 10 percent of the cost of the project assisted. To insure adequate time for effective planning, no district would be designated and no development center would be eligible for financial assistance until one year after the enactment of the section. However, the Secretary would be authorized to invite the several States to draw up proposed district boundaries and to identify potential economic development centers as soon as practicable. The total authorization for financial assistance to economic development centers and for 10 percent bonuses to redevelopment

areas within designated districts is limited to \$50 million annually.

TITLE V—REGIONAL ACTION PLANNING COMMISSIONS

Establishment and Coordination

Section 501 authorizes the Secretary to invite and encourage the several States to establish appropriate multistate regional action planning commissions for the purpose of advising and assisting him in the identification of practical boundaries for multistate economic development regions, and for performing various other enumerated functions in preparation for the formation of successful multistate economic development regions. A region would be composed of two or more designated or potential economic development districts in two or more contiguous States. State members of the commissions would be appointed by the Governors of the States, and Federal members would be appointed by the President. The Secretary would present the plans and proposals of the commissions first for review by the Federal agencies primarily concerned and then to the President with the agencies' recommendations. The Secretary would provide liaison between the Federal Government and each regional commission, and each Federal agency is directed to cooperate with the commissions to assist them in carrying out their functions.

Program Development Criteria

Section 502 establishes program development criteria for the guidance of the Commissions.

Regional Technical and Planning Assistance

Section 503 authorizes the Secretary to provide technical assistance to the Commissions in carrying out their functions, either directly, through other agencies or private contractors, or through grants-in-aid to the Commissions. The Secretary would have discretion to require repayment of technical assistance in appropriate cases. Administrative expenses of the Commissions for the first 2 years could be paid by the Federal Government, and in subsequent years by the Federal Government and the States in each Commission equally. Non-Federal contributions both in cash and in kind are authorized. An annual appropriation authorization of \$15 million is provided.

TITLE VI—ECONOMIC DEVELOPMENT ADMINISTRATOR

Administrator for Economic Development

Section 601 authorizes the appointment by the President, with the advice and consent of the Senate, of an Administrator for Economic Development in the Department of Commerce, who shall perform such duties in the execution of the act as the Secretary of Commerce may assign.

Advisory Committee on Regional Economic Development

Section 602 directs the Secretary to appoint a National Public Advisory Committee on Regional Economic Development consisting of 25 representatives of labor, management, agriculture, Government, and the general public, to make recommendations to him with respect to the program.

Consultation with other Persons and Agencies

Section 603 authorizes the Secretary to call together and confer with any persons who can assist in meeting the problems of area and regional unemployment and underemployment. It also provides for consultation by the Secretary with other interested departments and agencies.

TITLE VII—MISCELLANEOUS

Powers of Secretary

Section 701, dealing with the powers of the Secretary, is identical with section 12 of the Area Redevelopment Act, except that

subparagraph (10) has been revised to give the Secretary the same authority to use experts and consultants which is customarily available to Federal agencies.

Savings Provisions

Section 702 is a standard savings provision, which is required to effect administrative continuity between the Area Redevelopment Act and the new Economic Development Act.

Transfer of functions and effective date

Section 703 provides that the transfer of functions from the Area Redevelopment Administration to the Secretary of Commerce shall take effect upon enactment except where otherwise explicitly provided. It provides that appropriations available for the purposes of the Area Redevelopment Act shall be available for the purposes of the new act, and it authorizes the President to designate any person to act as Administrator of the new agency until the office is formally filled.

Separability

Section 704 is a standard clause providing that the invalidation of one part of the act by any court shall not invalidate any other part of the act.

Application of act

Section 705 defines the term "State" to include both the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.

Annual report

Section 706 requires the Secretary to make a comprehensive and detailed annual report to the Congress for each fiscal year ending after June 30, 1965.

Use of other facilities

Section 707 is similar to section 24 of the Area Redevelopment Act and requires the Secretary to use the available services and facilities of other Federal agencies to the fullest extent practicable in carrying out the provisions of the act.

Appropriation

Section 708 authorizes to be appropriated such sums as are necessary to carry out the provisions of the act, and provides that appropriations may remain available until expended.

Penalties

Section 709 contains a standard penalty clause for the falsification of information by any applicant for financial assistance.

Employment of expeditors and administrative employees

Section 710 is the same as section 19 of the Area Redevelopment Act and requires the certification to the Secretary of the names of persons hired to expedite applications. It also requires applicants to agree to refrain from tendering employment to agency officials for a period of 2 years after assistance is rendered by the Secretary.

Prevailing rate of wage and 40-hour week

Section 711 is similar to section 21 of the Area Redevelopment Act in requiring the payment of prevailing wage rates under the Davis-Bacon Act to all laborers and mechanics employed on projects assisted by the Secretary. It applies Davis-Bacon wage rates to private as well as public applicants.

Record of applications

Section 712 requires the Secretary to maintain the same record of applications as is required by section 20 of the Area Redevelopment Act.

Records and audit

Section 713 requires each recipient of assistance under this act to keep such records as the Secretary shall prescribe. It also authorizes the Secretary and the Comptroller General of the United States, or their rep-

resentatives, to have access to pertinent documents for the purpose of audit.

Conforming amendment

Section 714 is intended to conform the provisions of other acts (dealing with assistance to redevelopment areas) to the changes made by this act.

HIGHLIGHTS OF THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

Establishes an agency for public works and economic development, within the Department of Commerce, to provide Federal financial assistance in areas and regions of substantial and persistent unemployment and underemployment to enable them to take effective steps in planning and financing economic development.

TITLE I. GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES

[Annual authorization (in millions)]

Sec. 101 provides for direct and supplemental grants (up to 80 percent) for public works and development facilities..... 250

TITLE II. OTHER FINANCIAL ASSISTANCE

Sec. 201 provides for loans to assist in financing public works or development facilities..... 250

Sec. 202:

- (a) Provides industrial and commercial loans to purchase and develop land and facilities, purchase machinery and equipment and construct and rehabilitate buildings..... 5
- (b) Provides for a guarantee of working capital loans made in connection with loan projects..... 170
- (c) Provides 2 point interest subsidies to companies which obtain their financing from non-Government sources and locate within redevelopment areas. Total new subsidy contracts not to exceed \$5 million annually. Total authorization for secs. 201 and 202 loans and guarantees..... 170

Sec. 203 establishes an economic development revolving fund in the U.S. Treasury to receive collections and repayments and to extend financial assistance under secs. 201, 202, and 403..... 170

TITLE III. TECHNICAL ASSISTANCE, RESEARCH, AND INFORMATION

Sec. 301 provides for technical assistance studies and for grants (up to 75 percent) for planning and administrative expenses..... 20

Sec. 302 authorizes a continuing program of study and research.....

Sec. 303 provides for information to redevelopment and other areas useful in alleviating unemployment.....

TITLE IV. AREA AND DISTRICT ELIGIBILITY

Sec. 401 establishes the criteria for designation of "redevelopment areas".....

Sec. 402 provides for annual determination of each area's initial or continuing eligibility under the act.....

Sec. 403 authorizes the designation of economic development districts containing two or more redevelopment areas and one or more centers (which also become eligible for loan and grant benefits). Increases grants for redevelopment areas within districts up to 10 percent..... 50

TITLE V. REGIONAL ACTION PLANNING COMMISSIONS

Sec. 501 provides for the establishment of Regional Action Planning Commissions to identify boundaries and prepare multistate economic development plans. State members would be appointed by State Governors, Federal members by the President.....

Sec. 502 establishes program development criteria for the guidance of the commissions.....

Sec. 503 provides Federal technical assistance for multistate commissions and permits the Federal Government to pay up to 100 percent of commission administrative expenses for 2 years, and 50 percent thereafter..... 15

TITLE VI. ADMINISTRATIVE

Sec. 601 provides for an Administrator for Economic Development within the U.S. Department of Commerce.....

Sec. 602 establishes a representative 25-member National Public Advisory Committee on Regional Economic Development.....

Sec. 603 authorizes the Secretary of Commerce to confer with individuals and agencies or departments which can assist in alleviating unemployment and underemployment.....

Other sections of this bill contain technical and administrative provisions.....

Total..... 510

SENATOR THOMAS J. DODD

(Mr. MONAGAN (at the request of Mr. WHITE of Texas) was granted permission to extend his remarks at this point in the Record and to include extraneous matter.)

Mr. MONAGAN. Mr. Speaker, a very penetrating and well-rounded article "Strong on Advice, Cautious on Consent" on Senator THOMAS J. DODD, by Holmes Alexander, appeared in the New Haven Register on Friday, March 19, 1965. Since this article furnishes highlights of Senator Dodd's career and provides information as to his advice on foreign policy and the respect with which this advice is received in Washington, I append Mr. Alexander's article herewith for the broader circulation which it deserves:

STRONG ON ADVICE, CAUTIOUS ON CONSENT (By Holmes Alexander)

WASHINGTON.—Senator TOM DODD, of Connecticut, has become the good, gray eminence of American foreign policy. This is, I think, a unique position in our politics.

Many Senators, like HUMPHREY under President Kennedy, become spokesmen for an administration. Some are White House cronies. Others are moved by flattery or their own vanity to think they are. Many believe that the Constitution gives the Presidency such initiative and authority that the Senate is only a Chamber of echo and approval. All such Senators usually agree with the President in power and often get credit for sharing in his foreign policy leadership.

FORCEFUL BRIEFS

But Dodd fits none of these categories. Throughout the Kennedy-Johnson years, he has been an untiring writer of memorandums to the White House. They could be described as his briefs for the arguments he usually, but not always, presents later in a Senate speech. The briefs often contain material too sensitive for public disclosure. They are forceful, succinct, and substantiated by Dodd's personal research from sources in this country and abroad. The memos and the speeches, when they are fired off in close sequence, are powerful explosions with repercussions literally heard round the world.

Dodd has resisted cronyism and sponsorship at the White House. He dislikes the glib assumption that he speaks for the President on matters where they happen to be in agreement. Dodd is a strict conformist to the doctrine of division of powers between

S. 1648

IN THE SENATE OF THE UNITED STATES

APRIL 1, 1965

Mr. DOUGLAS (for himself, Mr. McNAMARA, Mr. BARTLETT, Mr. BAYH, Mr. BREWSTER, Mr. BURDICK, Mr. BYRD of West Virginia, Mr. CLARK, Mr. COOPER, Mr. FULBRIGHT, Mr. GORE, Mr. GRUENING, Mr. HARRIS, Mr. HART, Mr. HARTKE, Mr. INOUE, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of New York, Mr. LONG of Missouri, Mr. MAGNUSON, Mr. MCCARTHY, Mr. MCGOVERN, Mr. MCINTYRE, Mr. METCALF, Mr. MONDALE, Mr. MONTAYA, Mr. MORSE, Mr. MOSS, Mr. MUSKIE, Mr. NELSON, Mrs. NEUBERGER, Mr. PASTORE, Mr. PELL, Mr. PROXMIRE, Mr. RANDOLPH, Mr. RIBICOFF, Mr. WILLIAMS of New Jersey, Mr. YARBOROUGH, and Mr. YOUNG of Ohio) introduced the following bill; which was read twice and referred to the Committee on Public Works

A BILL

To provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 That this Act may be cited as the "Public Works and
- 4 Economic Development Act of 1965".

1 long-term unemployed and members of low-income
2 families or otherwise substantially further the ob-
3 jectives of the Economic Opportunity Act of 1964;

4 (B) the project for which a grant is requested
5 will fulfill a pressing need of the area, or part there-
6 of, in which it is, or will be, located; and

7 (C) the area for which a project is to be under-
8 taken has an approved overall economic develop-
9 ment program as provided in section 202 (b) (10)
10 and such project is consistent with such program;

11 (2) to make supplementary grants in order to
12 enable the States and other entities within redevelop-
13 ment areas to take maximum advantage of designated
14 Federal grant-in-aid programs (as hereinafter defined)
15 for which they are eligible but for which, because of
16 their economic situation, they cannot supply the required
17 matching share.

18 (b) Subject to subsection (c) hereof, the amount of
19 any direct grant under this section for any project shall
20 not exceed 50 per centum of the cost of such project.

21 (c) The amount of any supplementary grant under this
22 section for any project shall not exceed the applicable per-
23 centage established by regulations promulgated by the Secre-
24 tary, but in no event shall the non-Federal share (including
25 assumptions of debt) of the aggregate cost of any such

1 project be less than 20 per centum of such cost. Supple-
2 mentary grants shall be made by the Secretary, in accord-
3 ance with such regulations as he shall prescribe, by increasing
4 the amounts of direct grants authorized under this section or
5 by the payment of funds appropriated under this Act to
6 the heads of the departments, agencies, and instrumentalities
7 of the Federal Government responsible for the administration
8 of such grant-in-aid programs. Notwithstanding any limita-
9 tion on the use of supplementary grants that may otherwise
10 be applicable to the grant-in-aid program involved, funds so
11 allocated shall be used for the sole purpose of increasing
12 the Federal contribution to specific projects in redevelop-
13 ment areas under such programs above the fixed maximum
14 portion of the cost of such project otherwise authorized by
15 the applicable law. The term "designated Federal grant-in-
16 aid programs," as used in this subsection, means such existing
17 or future Federal grant-in-aid programs assisting in the con-
18 struction or equipping of facilities as the Secretary may, in
19 furtherance of the purposes of this Act, designate as eligible
20 for allocation of funds under this section. In determining
21 the amount of any supplementary grant available to any
22 project under this section, the Secretary shall take into con-
23 sideration the relative needs of the area, the nature of the
24 project to be assisted, and the amount of such fair user
25 charges or other revenues as the project may reasonably be

1 expected to generate in excess of those which would amortize
2 the local share of initial costs and provide for its successful
3 operation and maintenance (including depreciation).

4 (d) The Secretary shall prescribe rules, regulations, and
5 procedures to carry out this section which will assure that
6 adequate consideration is given to the relative needs of
7 eligible areas. In prescribing such rules, regulations, and
8 procedures the Secretary shall consider among other relevant
9 factors (1) the severity of the rates of unemployment in the
10 eligible areas and the duration of such unemployment and
11 (2) the income levels of families and the extent of under
12 employment in eligible areas.

13 (e) No financial assistance shall be extended under
14 this section with respect to any public service or develop-
15 ment facility which would compete with an existing pri-
16 vately owned public utility rendering a service to the public
17 at rates or charges subject to regulation by a State regula-
18 tory body, unless the State regulatory body determines that
19 in the area to be served by the facility for which the finan-
20 cial assistance is to be extended there is a need for an increase
21 in such service (taking into consideration reasonably fore-
22 seeable future needs) which the existing public utility is not
23 able to meet through its existing facilities or through an
24 expansion which it agrees to undertake.

25 SEC. 102. There is hereby authorized to be appropriated

1 not to exceed \$250,000,000 annually for the purposes of this
2 title.

3 TITLE II—OTHER FINANCIAL ASSISTANCE

4 PUBLIC WORKS AND DEVELOPMENT FACILITY LOANS

5 SEC. 201. (a) Upon the application of any State, or
6 political subdivision thereof, Indian tribe, or private or pub-
7 lic nonprofit organization or association representing any
8 redevelopment area or part thereof, the Secretary is author-
9 ized to purchase evidence of indebtedness and to make loans
10 to assist in financing the purchase or development of land
11 and improvements for public works, public service, or devel-
12 opment facility usage, and the acquisition, construction, reha-
13 bilitation, alteration, expansion, or improvement of such
14 facilities, within a redevelopment area, if he finds that—

15 (1) the project for which financial assistance is
16 sought will directly or indirectly—

17 (A) tend to improve the opportunities, in the
18 area where such project is or will be located, for the
19 successful establishment or expansion of industrial or
20 commercial plants or facilities,

21 (B) otherwise assist in the creation of addi-
22 tional long-term employment opportunities for such
23 area, or

24 (C) primarily benefit the long-term unem-

1 employed and members of low-income families or
2 otherwise substantially further the objectives of the
3 Economic Opportunity Act of 1964;

4 (2) the funds requested for such project are not
5 otherwise available from private lenders on reasonable
6 terms, or from other Federal agencies on terms more
7 favorable to the Government which would permit the
8 accomplishment of the project;

9 (3) the amount of the loan plus the amount of other
10 available funds for such project are adequate to insure
11 the completion thereof;

12 (4) there is a reasonable expectation of repayment;
13 and

14 (5) such area has an approved overall economic
15 development program as provided in section 202 (b)
16 (10) and the project for which financial assistance is
17 sought is consistent with such program.

18 (b) Subject to section 701 (5), the maturity date of any
19 such loan shall be not later than forty years after the date
20 such loan is made. Such loans shall bear interest at a rate
21 not less than (i) a rate determined by the Secretary of the
22 Treasury taking into consideration the current average mar-
23 ket yield on outstanding marketable obligations of the United
24 States with remaining periods to maturity comparable to the
25 average maturities of such loans, adjusted to the nearest one-

1 eighth of 1 per centum, less (ii) not to exceed one-half of
2 1 per centum per annum.

3 (c) There are hereby authorized to be appropriated such
4 sums as may be necessary to carry out the provisions of this
5 section and section 202: *Provided, however,* That annual
6 appropriations for the purpose of making and guaranteeing
7 loans shall not exceed \$170,000,000.

8 (d) No financial assistance shall be extended under this
9 section with respect to any public service or development
10 facility which would compete with an existing privately
11 owned public utility rendering a service to the public at rates
12 or charges subject to regulation by a State regulatory body,
13 unless the State regulatory body determines that in the area
14 to be served by the facility for which the financial assistance
15 is to be extended there is a need for an increase in such serv-
16 ice (taking into consideration reasonably foreseeable future
17 needs) which the existing public utility is not able to meet
18 through its existing facilities or through an expansion which
19 it agrees to undertake.

20 LOANS AND GUARANTEES

21 SEC. 202. (a) The Secretary is authorized (1) to
22 purchase evidences of indebtedness and to make loans (which
23 for purposes of this section shall include participations in
24 loans) to aid in financing any project within a redevel-

1 ment area for the purchase or development of land and facili-
2 ties (including, in cases of demonstrated need, machinery
3 and equipment) for industrial or commercial usage, includ-
4 ing the construction of new buildings, the rehabilitation of
5 abandoned or unoccupied buildings, and the alteration, con-
6 version, or enlargement of existing buildings; (2) to guaran-
7 tee loans for working capital made to private borrowers by
8 private lending institutions in connection with projects in
9 redevelopment areas assisted under subsection (a) (1)
10 hereof, upon application of such institution and upon such
11 terms and conditions as the Secretary may prescribe: *Pro-*
12 *vided, however,* That no such guarantee shall at any time ex-
13 ceed 90 per centum of the amount of the outstanding unpaid
14 balance of such loan; and (3) to contract to pay, and to
15 pay annually, for not more than ten years, to or on behalf
16 of private business entities amounts sufficient to reduce by 2
17 percentage points the interest paid by such entities on loans
18 which are obtained from non-Government sources, which
19 are not guaranteed by any Government agency, which pro-
20 vide for annual amortization of principal, and the proceeds
21 of which are used for purposes for which the Secretary is
22 authorized to purchase evidences of indebtedness or make
23 loans under this section: *Provided, however,* That subject
24 to limitations in annual appropriation Acts, the annual cost

1 of new contracts approved in any one year shall not exceed
2 \$5,000,000.

3 (b) Financial assistance under this section shall be on
4 such terms and conditions as the Secretary determines, sub-
5 ject, however, to the following restrictions and limitations:

6 (1) Such financial assistance shall not be extended to
7 assist establishments relocating from one area to another:
8 *Provided, however,* That such limitation shall not be con-
9 strued to prohibit assistance for the expansion of an existing
10 business entity through the establishment of a new branch,
11 affiliate, or subsidiary of such entity if the Secretary finds
12 that the establishment of such branch, affiliate, or subsidiary
13 will not result in an increase in unemployment in the area of
14 original location or in any other area where such entity con-
15 ducts business operations, unless the Secretary has reason to
16 believe that such branch, affiliate, or subsidiary is being
17 established with the intention of closing down the operations
18 of the existing business entity in the area of its original loca-
19 tion or in any other area where it conducts such operations.

20 (2) Such assistance shall be extended only to applicants,
21 both private and public (including Indian tribes), which
22 have been approved for such assistance by an agency or in-
23 strumentality of the State or political subdivision thereof in
24 which the project to be financed is located, and which agency

1 or instrumentality is directly concerned with problems of
2 economic development in such State or subdivision.

3 (3) The project for which financial assistance is sought
4 must be reasonably calculated to provide more than a
5 temporary alleviation of unemployment or underemployment
6 within the redevelopment area wherein it is or will be
7 located.

8 (4) No loan or guarantee shall be extended hereunder
9 unless the financial assistance applied for is not otherwise
10 available from private lenders on reasonable terms, or from
11 other Federal agencies on terms more favorable to the Gov-
12 ernment which would permit the accomplishment of the
13 project.

14 (5) The Secretary shall not make any loan without a
15 participation unless he determines that the loan cannot be
16 made on a participation basis.

17 (6) No evidences of indebtedness shall be purchased
18 and no loans shall be made or guaranteed unless it is deter-
19 mined that there is reasonable assurance of repayment.

20 (7) Subject to section 701 (5) of this Act, no loan,
21 including renewals or extension thereof, may be made here-
22 under for a period exceeding twenty-five years and no
23 evidences of indebtedness maturing more than twenty-five
24 years from date of purchase may be purchased hereunder:
25 *Provided*, That the foregoing restrictions on maturities shall

1 not apply to securities or obligations received by the Secre-
2 tary as a claimant in bankruptcy or equitable reorganization
3 or as a creditor in other proceedings attendant upon insol-
4 vency of the obligor.

5 (8) Loans made and evidences of indebtedness pur-
6 chased under this section shall bear interest at a rate not
7 less than (i) a rate determined by the Secretary of the
8 Treasury taking into consideration the current average
9 market yield on outstanding marketable obligations of the
10 United States with remaining periods to maturity com-
11 parable to the average maturities of such loans, adjusted
12 to the nearest one-eighth of 1 per centum, plus (ii) such
13 additional charge, if any, toward covering other costs of the
14 program as the Secretary may determine to be consistent
15 with its purpose.

16 (9) Loan assistance shall not exceed 65 per centum
17 of the aggregate cost to the applicant (excluding all other
18 Federal aid in connection with the undertaking) of acquiring
19 or developing land and facilities (including, in cases of
20 demonstrated need, machinery and equipment), and of con-
21 structing, altering, converting, rehabilitating, or enlarging
22 the building or buildings of the particular project, and shall,
23 among others, be on the condition that—

24 (A) other funds are available in an amount which,

1 together with the assistance provided hereunder, shall
2 be sufficient to pay such aggregate cost;

3 (B) not less than 15 per centum of such aggregate
4 cost be supplied as equity capital or as a loan repayable
5 in no shorter period of time and at no faster an amortiza-
6 tion rate than the Federal financial assistance extended
7 under this section is being repaid, and if such a loan is
8 secured, its security shall be subordinate and inferior to
9 the lien or liens securing such Federal financial assist-
10 ance: *Provided, however,* That, except in projects in-
11 volving financial participation by Indian tribes, not less
12 than 5 per centum of such aggregate cost shall be sup-
13 plied by the State or any agency, instrumentality, or
14 political subdivision thereof, or by a community or area
15 organization which is nongovernmental in character,
16 unless the Secretary shall determine in accordance with
17 objective standards promulgated by regulation that all
18 or part of such funds are not reasonably available to
19 the project because of the economic distress of the area
20 or for other good cause, in which case he may waive
21 the requirement of this provision to the extent of such
22 unavailability, and allow the funds required by this sub-
23 section to be supplied by the applicant or by such other

1 non-Federal source as may reasonably be available to
2 the project;

3 (C) to the extent the Secretary finds such action
4 necessary to encourage financial participation in a
5 particular project by other lenders and investors, and
6 except as otherwise provided in subparagraph (B), any
7 Federal financial assistance extended under this section
8 may be repayable only after other loans made in con-
9 nection with such project have been repaid in full, and
10 the security, if any, for such Federal financial assistance
11 may be subordinate and inferior to the lien or liens
12 securing other loans made in connection with the same
13 project.

14 (10) No such assistance shall be extended unless there
15 shall be submitted to and approved by the Secretary an
16 overall program for the economic development of the area
17 and a finding by the State, or any agency, instrumentality,
18 or local political subdivision thereof, that the project for
19 which financial assistance is sought is consistent with such
20 program: *Provided*, That nothing in this Act shall authorize
21 financial assistance for any project prohibited by laws of
22 the State or local political subdivision in which the project
23 would be located, nor prevent the Secretary from requiring

1 such periodic revisions of previously approved overall eco-
2 nomic development programs as he may deem appropriate.

3 ECONOMIC DEVELOPMENT REVOLVING FUND

4 SEC. 203. Funds obtained by the Secretary under sec-
5 tion 201, loan funds obtained under section 403, and col-
6 lections and repayments received under this Act, shall be
7 deposited in an economic development revolving fund (here-
8 inafter referred to as the "fund"), which is hereby estab-
9 lished in the Treasury of the United States, and which shall
10 be available to the Secretary for the purpose of extending
11 financial assistance under sections 201, 202, and 403, and
12 for the payment of all obligations and expenditures arising
13 in connection therewith. There shall also be credited to the
14 fund such funds as have been paid into the area redevelop-
15 ment fund or may be received from obligations outstanding
16 under the Area Redevelopment Act. The fund shall pay
17 into miscellaneous receipts of the Treasury, following the
18 close of each fiscal year, interest on the amount of loans
19 outstanding computed in such manner and at such rate as
20 may be determined by the Secretary of the Treasury taking
21 into consideration the current average market on outstanding
22 marketable obligations of the United States with remaining
23 periods to maturity comparable to the average maturities
24 of such loans, adjusted to the nearest one-eighth of one per

centum, during the month of June preceding the fiscal year in which the loans were made.

TITLE III—TECHNICAL ASSISTANCE, RESEARCH, AND INFORMATION

TECHNICAL AND ADMINISTRATIVE ASSISTANCE

SEC. 301. (a) In carrying out his duties under this Act the Secretary is authorized to provide technical assistance which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment (1) to areas which he has designated as redevelopment areas under this Act, and (2) to other areas which he finds have substantial need for such assistance. Such assistance shall include studies evaluating the needs of, and developing potentialities for, economic growth of such areas. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government, through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants-in-aid to appropriate public or private nonprofit State, area, district, or local organizations. The Secretary, in his discretion, may require the repayment of assistance provided

1 under this subsection and prescribe the terms and conditions
2 of such repayment.

3 (b) The Secretary is authorized to make grants for
4 economic planning staff and administrative expenses to or-
5 ganizations which he determines to be qualified to receive
6 grants-in-aid under subsection (a) hereof: *Provided, how-*
7 *ever,* That no such grant shall exceed 75 per centum of the
8 aggregate cost of the undertaking for which the assistance is
9 rendered, or of the administrative expenses of any qualified
10 organization in any one year. In determining the amount of
11 the non-Federal share of such costs or expenses, the Secre-
12 tary shall give due consideration to all contributions both in
13 cash and in kind, fairly evaluated, including but not limited
14 to space, equipment, and services. Where practicable,
15 grants-in-aid authorized under this subsection shall be used
16 in conjunction with other available planning grants, such as
17 urban planning grants authorized under the Housing Act of
18 1954, as amended, and highway planning and research
19 grants authorized under the Federal Aid Highway Act of
20 1962, to assure adequate and effective planning and eco-
21 nomical use of funds.

22 (c) There is hereby authorized to be appropriated
23 \$20,000,000 annually for the purposes of this section.

RESEARCH

SEC. 302. To assist in the long-range accomplishment of the purposes of this Act, the Secretary, in cooperation with other agencies having similar functions, shall establish and conduct a continuing program of study and research designed to assist in determining the causes of unemployment, underemployment, underdevelopment, and chronic depression in the various areas and regions of the Nation and in the formulation and implementation of national, State, and local programs which will raise income levels and otherwise produce solutions of the problems resulting from these conditions. The Secretary shall include in his annual report under section 706 a detailed statement concerning the study and research conducted under this section together with his findings resulting therefrom and his recommendations for legislative and other action.

INFORMATION

SEC. 303. The Secretary shall aid redevelopment areas and other areas by furnishing to interested individuals, communities, industries, and enterprises within such areas any assistance, technical information, market research, or other forms of assistance, information, or advice which would be useful in alleviating or preventing conditions of excessive

1 unemployment or underemployment within such areas. The
2 Secretary may furnish the procurement divisions of the vari-
3 ous departments, agencies, and other instrumentalities of the
4 Federal Government with a list containing the names and
5 addresses of business firms which are located in redevelop-
6 ment areas and which are desirous of obtaining Government
7 contracts for the furnishing of supplies or services, and
8 designating the supplies and services such firms are engaged
9 in providing.

10 TITLE IV—AREA AND DISTRICT ELIGIBILITY

11 PART A—REDEVELOPMENT AREAS

12 AREA ELIGIBILITY

13 SEC. 401. (a) The Secretary shall designate as “re-
14 development areas”—

15 (1) those areas in which he determines, upon the
16 basis of standards generally comparable with those set
17 forth in paragraphs (A) and (B), that there has ex-
18 isted substantial and persistent unemployment for an
19 extended period of time. There shall be included among
20 the areas so designated any area—

21 (A) where the Secretary of Labor finds that
22 the current rate of unemployment, as determined
23 by appropriate annual statistics for the most recent
24 available calendar year, is 6 per centum or more
25 and has averaged at least 6 per centum for the

1 qualifying time periods specified in paragraph (B) ;
2 and

3 (B) where the Secretary of Labor finds that
4 the annual average rate of unemployment has been
5 at least—

6 (i) 50 per centum above the national aver-
7 age for three of the preceding four calendar
8 years, or

9 (ii) 75 per centum above the national
10 average for two of the preceding three calendar
11 years, or

12 (iii) 100 per centum above the national
13 average for one of the preceding two calendar
14 years.

15 The Secretary of Labor shall find the facts and provide
16 the data to be used by the Secretary in making the de-
17 terminations required by this subsection.

18 (2) those additional areas which have a median
19 family income not in excess of 40 per centum of the
20 national median, as determined by the most recent avail-
21 able statistics for such areas;

22 (3) those additional Federal or State Indian reser-
23 vations which the Secretary, after consultation with the
24 Secretary of the Interior, determines manifest the great-
25 est degree of economic distress on the basis of unemploy-

1 ment and income statistics and other appropriate evi-
2 dence of economic underdevelopment;

3 (4) upon request of such areas, those additional
4 areas in which the Secretary determines that the loss,
5 removal, or closing of a major source of employment,
6 has caused or is about to cause an unusual and abrupt
7 rise in unemployment or underemployment of such mag-
8 nitude that the area can reasonably be expected to be-
9 come eligible for designation under the other provisions
10 of this Act within three years unless assistance is pro-
11 vided. Notwithstanding any provision of this section to
12 the contrary, an area may be designated at any time un-
13 der the authority of this subsection and may be given a
14 reasonable time after designation in which to submit the
15 overall economic development program required by sub-
16 section 202 (b) (10) of this Act;

17 (5) notwithstanding any provision of this section
18 to the contrary, those additional areas which were desig-
19 nated redevelopment areas under the Area Redevelop-
20 ment Act on the date of the enactment of this Act: *Pro-*
21 *vided, however,* That the continued eligibility of such
22 areas after the first annual review of eligibility conducted
23 in accordance with section 402 of this Act shall be de-
24 pendent on their qualification for designation under the
25 standards of economic need set forth in subsections

(a) (1) through (a) (4) of this section.

(b) The size and boundaries of redevelopment areas shall be as determined by the Secretary: *Provided, however,* That—

(1) no area shall be designated until it has an approved overall economic development program in accordance with subsection 202 (b) (10) of this Act;

(2) any area which does not submit an acceptable overall economic development program in accordance with subsection 202 (b) (10) of this Act within a reasonable time after notification of eligibility for designation, shall not thereafter be designated prior to the next annual review of eligibility in accordance with section 402 of this Act;

(3) no area shall be designated which does not have a population of at least one thousand five hundred persons; and

(4) except for areas designated under subsections (a) (3) and (a) (4) hereof, no area shall be designated which is smaller than a “labor area” (as defined by the Secretary of Labor), a county, or a municipality with a population of over two hundred and fifty thousand, whichever in the opinion of the Secretary is appropriate.

(c) Upon the request of the Secretary, the Secretary of Labor, the Secretary of Agriculture, the Secretary of the

1 Interior, and such other heads of agencies as may be appro-
2 priate are authorized to conduct such special studies, obtain
3 such information, and compile and furnish to the Secretary
4 such data as the Secretary may deem necessary or proper
5 to enable him to make the determinations provided for in
6 this section. The Secretary shall reimburse when appro-
7 priate, out of any funds appropriated to carry out the pur-
8 poses of this Act, the foregoing officers for any expenditures
9 incurred by them under this section.

10 (d) As used in this Act, the term "redevelopment
11 area" refers to any area within the United States which
12 has been designated by the Secretary as a redevelopment
13 area.

14 ANNUAL REVIEW OF AREA ELIGIBILITY

15 SEC. 402. The Secretary shall conduct an annual review
16 of the eligibility of all areas designated or under considera-
17 tion for designation in accordance with section 401 of this
18 Act, and on the basis thereof may terminate or modify the
19 designations of such areas in accordance with objective
20 standards which he shall prescribe by regulation. No area
21 previously designated shall retain its designated status unless
22 it maintains a currently approved overall economic develop-
23 ment program in accordance with subsection 202 (b) (10).
24 No termination of eligibility shall (1) be made without
25 thirty days' prior notification to the area concerned, (2)

1 affect the validity of any application filed, or contract or
 2 undertaking entered into, with respect to such area pursuant
 3 to this Act prior to such termination, or (3) prevent any
 4 such area from again being designated a redevelopment area
 5 under section 401 of this Act if the Secretary determines
 6 it to be eligible under such section. The Secretary shall
 7 keep the departments and agencies of the Federal Govern-
 8 ment, and interested State or local agencies, advised at all
 9 times of any changes made hereunder with respect to the
 10 classification of any area.

11 PART B—ECONOMIC DEVELOPMENT DISTRICTS

12 SEC. 403. (a) In order that economic development
 13 projects of broader geographical significance may be planned
 14 and carried out, the Secretary is authorized—

15 (1) to designate appropriate “economic develop-
 16 ment districts” within the United States with the concur-
 17 rence of the States in which such districts will be wholly
 18 or partially located, if—

19 (A) the proposed district is of sufficient size or
 20 population, and contains sufficient resources, to foster
 21 economic development on a scale involving more
 22 than a single redevelopment area;

23 (B) the proposed district contains two or more
 24 redevelopment areas;

1 (C) the proposed district contains one or more
2 redevelopment areas or economic development cen-
3 ters identified in an approved district overall eco-
4 nomic development program as having sufficient size
5 and potential to foster the economic growth activi-
6 ties necessary to alleviate the distress of the re-
7 development areas within the district; and

8 (D) the proposed district has a district overall
9 economic development program which includes ade-
10 quate land use and transportation planning and con-
11 tains a specific program for district cooperation, self-
12 help, and public investment and is approved by the
13 State or States affected and by the Secretary;

14 (2) to designate as "economic development cen-
15 ters," in accordance with such regulations as he shall pre-
16 scribe, such areas as he may deem appropriate, if—

17 (A) the proposed center has been identified
18 and included in an approved district overall eco-
19 nomic development program and recommended by
20 the State or States affected for such special desig-
21 nation;

22 (B) the proposed center is geographically and
23 economically so related to the district that its eco-
24 nomic growth may reasonably be expected to con-

tribute significantly to the alleviation of distress in the redevelopment areas of the district; and

(C) the proposed center does not have a population in excess of two hundred and fifty thousand according to the last preceding Federal census.

(3) to provide financial assistance in accordance with the criteria of sections 101, 201, and 202 of this Act, except as may be herein otherwise provided, for projects in economic development centers designated under subsection (a) (2) above, if—

(A) the project will further the objectives of the overall economic development program of the district in which it is to be located;

(B) the project will enhance the economic growth potential of the district or result in additional long-term employment opportunities commensurate with the amount of Federal financial assistance requested; and

(C) the amount of Federal financial assistance requested is reasonably related to the size, population, and economic needs of the district;

(4) subject to the 20 per centum non-Federal share required for any project by subsection 101 (c) of this Act, to increase the amount of grant assistance author-

1 ized by section 101 for projects within redevelopment
2 areas (designated under section 401), by an amount
3 not to exceed 10 per centum of the aggregate cost of any
4 such project, in accordance with such regulations as he
5 shall prescribe, if—

6 (A) the redevelopment area is situated within
7 a designated economic development district and is
8 actively participating in the economic development
9 activities of the district; and

10 (B) the project is consistent with an approved
11 district overall economic development program.

12 (b) In designating economic development districts and
13 approving district overall economic development programs
14 under subsection (a) of this section, the Secretary is author-
15 ized, under regulations prescribed by him—

16 (1) to invite the several States to draw up proposed
17 district boundaries and to identify potential economic
18 development centers;

19 (2) to cooperate with the several States—

20 (A) in sponsoring and assisting district eco-
21 nomic planning and development groups, and

22 (B) in assisting such district groups to formu-
23 late district overall economic development programs.

24 (c) The Secretary shall by regulation prescribe stand-

1 ards for the termination or modification of economic develop-
2 ment districts and economic development centers designated
3 under the authority of this section.

4 (d) As used in this Act, the term “economic develop-
5 ment district” refers to any area within the United States
6 composed of cooperating redevelopment areas and, where
7 appropriate, designated economic development centers and
8 neighboring counties or communities, which has been desig-
9 nated by the Secretary as an economic development district.

10 (e) As used in this Act, the term “economic develop-
11 ment center” refers to any area within the United States
12 which has been identified as an economic development center
13 in an approved district overall economic development pro-
14 gram and which has been designated by the Secretary as
15 eligible for financial assistance under sections 101, 201, and
16 202 of this Act in accordance with the provisions of this
17 section.

18 (f) There is hereby authorized to be appropriated not to
19 exceed \$50,000,000 annually for financial assistance extended
20 under the provisions of subsections (a) (3) and (a) (4)
21 hereof.

22 (g) In order to allow time for adequate and careful dis-
23 trict planning, subsections (a) and (f) of this section shall
24 not be effective until one year from the date of enactment.

1 TITLE V—REGIONAL ACTION PLANNING
2 COMMISSIONS

3 ESTABLISHMENT AND COORDINATION

4 SEC. 501. (a) The Secretary is authorized to invite
5 and encourage the several States to establish appropriate
6 multistate regional action planning commissions for the
7 purpose of—

8 (1) advising and assisting him in the identification
9 of optimum boundaries for multistate economic develop-
10 ment regions,

11 (2) initiating and coordinating the preparation of
12 long-range overall economic development programs for
13 such regions,

14 (3) fostering surveys and studies to provide data
15 required for the preparation of specific plans and pro-
16 grams for the development of such regions,

17 (4) advising and assisting him and the States
18 concerned in the initiation and coordination of economic
19 development districts, in order to promote maximum
20 benefits from the expenditure of Federal, State, and local
21 funds,

22 (5) promoting increased private investment in such
23 regions,

24 (6) preparing legislative and other recommenda-
25 tions with respect to both short-range and long-range

1 programs and projects for Federal, State, and local
2 agencies, and

3 (7) receiving, reviewing, and commenting on all
4 tentative plans or proposals concerning multistate re-
5 gional economic development, and transmitting such
6 plans and proposals with appropriate comments and
7 recommendations to the Secretary and the heads of
8 other interested Federal and State agencies.

9 (b) As used in this Act, the term "region" refers to
10 any area within the United States which includes two or
11 more designated or potential economic development districts
12 in two or more contiguous States.

13 (c) The State members of such commissions shall be as
14 determined and appointed by the Governors of the States
15 concerned. The President shall appoint the Federal member
16 or members of such commissions, if any, who shall report
17 through the Secretary and be compensated at a rate not in
18 excess of that authorized by section 701 (10) of this Act.

19 (d) The Secretary shall present such plans and pro-
20 posals of the commissions as may be transmitted and recom-
21 mended to him (but are not authorized by any other section
22 of this Act) first for review by the Federal agencies pri-
23 marily interested in such plans and proposals and then,
24 together with the recommendations of such agencies, to the
25 President for such action as he may deem desirable.

1 (e) The Secretary shall provide effective and continuing
2 liaison between the Federal Government and each regional
3 commission.

4 (f) Each Federal agency shall, consonant with law and
5 within the limits of available funds, cooperate with such
6 commissions as may be established in order to assist them
7 in carrying out their functions under this section.

8 PROGRAM DEVELOPMENT CRITERIA

9 SEC. 502. In developing recommendations for programs
10 and projects for future regional economic development, and
11 in establishing within those recommendations a priority
12 ranking for such programs and projects, the Secretary shall
13 encourage each regional commission to follow procedures
14 that will insure consideration of the following factors:

15 (1) the relationship of the project or class of proj-
16 ects to overall regional development including its loca-
17 tion in an area determined by the State to have a
18 significant potential for growth;

19 (2) the population and area to be served by the
20 project or class of projects including the relative per
21 capita income and the unemployment rates in the area;

22 (3) the relative financial resources available to the
23 State or political subdivisions or instrumentalities thereof
24 which seek to undertake the project;

25 (4) the importance of the project or class of proj-

ects in relation to other projects or classes of projects which may be in competition for the same funds:

(5) the prospects that the project, on a continuing rather than a temporary basis, will improve the opportunities for employment, the average level of income, or the economic and social development of the area served by the project.

REGIONAL TECHNICAL AND PLANNING ASSISTANCE

SEC. 503. (a) The Secretary is authorized to provide to the commissions technical assistance which would be useful in aiding the commissions to carry out their functions under this Act and to develop recommendations and programs. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government, or through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants-in-aid to the commissions. The Secretary, in his discretion, may require the repayment of assistance provided under this subsection and prescribe the terms and conditions of such repayment.

(b) For the period ending on June 30 of the second full Federal fiscal year following the date of enactment of this Act, the administrative expenses of each commission may be

1 paid by the Federal Government on such terms and condi-
2 tions as the Secretary may approve. Thereafter, not to ex-
3 ceed 50 per centum of such expenses may be paid by the
4 Federal Government. In determining the amount of the
5 non-Federal share of such costs or expenses, the Secretary
6 shall give due consideration to all contributions both in cash
7 and in kind, fairly evaluated, including but not limited to
8 space, equipment, and services.

9 (c) There is hereby authorized to be appropriated
10 \$15,000,000 annually for the purposes of this section.

11 TITLE VI—ECONOMIC DEVELOPMENT

12 ADMINISTRATOR

13 ADMINISTRATOR FOR ECONOMIC DEVELOPMENT

14 SEC. 601. There shall be appointed by the President, by
15 and with the advice and consent of the Senate, an Adminis-
16 trator for Economic Development in the Department of Com-
17 merce, who shall receive compensation at the annual rate
18 applicable to level V of the Federal Executive Salary Act
19 of 1964. The Administrator shall perform such duties in
20 the execution of this Act as the Secretary may assign.

21 ADVISORY COMMITTEE ON REGIONAL ECONOMIC

22 DEVELOPMENT

23 SEC. 602. The Secretary shall appoint a National Pub-
24 lic Advisory Committee on Regional Economic Development
25 which shall consist of twenty-five members and shall be

1 composed of representatives of labor, management, agricul-
2 ture, State and local governments, and the public in general.
3 From the members appointed to such Committee the Secre-
4 tary shall designate a Chairman. Such Committee, or any
5 duly established subcommittee thereof, shall from time to
6 time make recommendations to the Secretary relative to the
7 carrying out of his duties under this Act. Such Committee
8 shall hold not less than two meetings during each calendar
9 year.

10 CONSULTATION WITH OTHER PERSONS AND AGENCIES

11 SEC. 603. (a) The Secretary is authorized from time
12 to time to call together and confer with any persons, includ-
13 ing representatives of labor, management, agriculture, and
14 government, who can assist in meeting the problems of area
15 and regional unemployment or underemployment.

16 (b) The Secretary may make provision for such con-
17 sultation with interested departments and agencies as he may
18 deem appropriate in the performance of the functions vested
19 in him by this Act.

20 TITLE VII—MISCELLANEOUS

21 POWERS OF SECRETARY

22 SEC. 701. In performing his duties under this Act, the
23 Secretary is authorized to—

24 (1) adopt, alter, and use a seal, which shall be
25 judicially noticed;

1 (2) hold such hearings, sit and act at such times
2 and places, and take such testimony, as he may deem
3 advisable;

4 (3) request directly from any executive depart-
5 ment, bureau, agency, board, commission, office, inde-
6 pendent establishment, or instrumentality information,
7 suggestions, estimates, and statistics needed to carry out
8 the purposes of this Act; and each department, bureau,
9 agency, board, commission, office, establishment, or in-
10 strumentality is authorized to furnish such information,
11 suggestions, estimates, and statistics directly to the
12 Secretary;

13 (4) under regulations prescribed by him, assign
14 or sell at public or private sale, or otherwise dispose
15 of for cash or credit, in his discretion and upon such
16 terms and conditions and for such consideration as he
17 shall determine to be reasonable, any evidence of debt,
18 contract, claim, personal property, or security assigned
19 to or held by him in connection with loans made or
20 evidences of indebtedness purchased under this Act, and
21 collect or compromise all obligations assigned to or held
22 by him in connection with such loans or evidences of
23 indebtedness until such time as such obligations may be
24 referred to the Attorney General for suit or collection;
25 (5) further extend the maturity of or renew any

1 loan made or evidence of indebtedness purchased under
2 this Act, beyond the periods stated in such loan or evi-
3 dence of indebtedness or in this Act, for additional pe-
4 riods not to exceed ten years, if such extension or re-
5 newal will aid in the orderly liquidation of such loan or
6 evidence of indebtedness;

7 (6) deal with, complete, renovate, improve, mod-
8 ernize, insure, rent, or sell for cash or credit, upon such
9 terms and conditions and for such consideration as he
10 shall determine to be reasonable, any real or personal
11 property conveyed to, or otherwise acquired by, him in
12 connection with loans made or evidences of indebtedness
13 purchased under this Act;

14 (7) pursue to final collection, by way of compro-
15 mise or other administrative action, prior to reference
16 to the Attorney General, all claims against third parties
17 assigned to him in connection with loans made or evi-
18 dences of indebtedness purchased under this Act. This
19 shall include authority to obtain deficiency judgments or
20 otherwise in the case of mortgages assigned to the Sec-
21 retary. Section 3709 of the Revised Statutes, as
22 amended (41 U.S.C. 5), shall not apply to any contract
23 of hazard insurance or to any purchase or contract for
24 services or supplies on account of property obtained by
25 the Secretary as a result of loans made or evidences of

1 indebtedness purchased under this Act if the premium
2 therefor or the amount thereof does not exceed \$1,000.
3 The power to convey and to execute, in the name of the
4 Secretary, deeds of conveyance, deeds of release, assign-
5 ments and satisfactions of mortgages, and any other writ-
6 ten instrument relating to real or personal property or
7 any interest therein acquired by the Secretary pursuant
8 to the provisions of this Act may be exercised by the
9 Secretary or by any officer or agent appointed by him for
10 that purpose without the execution of any express dele-
11 gation of power or power of attorney;

12 (8) acquire, in any lawful manner, any property
13 (real, personal, or mixed, tangible or intangible), when-
14 ever deemed necessary or appropriate to the conduct
15 of the activities authorized in sections 201, 202, 301,
16 403, and 503 of this Act;

17 (9) in addition to any powers, functions, privileges,
18 and immunities otherwise vested in him, take any and
19 all actions, including the procurement of the services
20 of attorneys by contract, determined by him to be neces-
21 sary or desirable in making, purchasing, servicing, com-
22 promising, modifying, liquidating, or otherwise admin-
23 istratively dealing with or realizing on loans made or
24 evidences of indebtedness purchased under this Act;

25 (10) employ experts and consultants or organiza-

tions therefor as authorized by section 15 of the Administrative Expenses Act of 1946 (5 U.S.C. 55a), compensate individuals so employed at rates not in excess of \$100 per diem, including travel time, and allow them, while away from their homes or regular places of business, travel expenses (including per diem in lieu of subsistence) as authorized by section 5 of such Act (5 U.S.C. 73b-2) for persons in the Government service employed intermittently, while so employed: *Provided, however,* That contracts for such employment may be renewed annually;

(11) sue and be sued in any court of record of a State having general jurisdiction or in any United States district court, and jurisdiction is conferred upon such district court to determine such controversies without regard to the amount in controversy; but no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against the Secretary or his property. Nothing herein shall be construed to except the activities under this Act from the application of sections 507 (b) and 2679 of title 28, United States Code, and of section 367 of the Revised Statutes (5 U.S.C. 316) ; and

(12) establish such rules, regulations, and pro-

1 cedures as he may deem appropriate in carrying out
2 the provisions of this Act.

3 SAVINGS PROVISIONS

4 SEC. 702. (a) No suit, action, or other proceeding law-
5 fully commenced by or against the Administrator or any
6 other officer of the Area Redevelopment Administration in
7 his official capacity or in relation to the discharge of his
8 official duties under the Area Redevelopment Act, shall
9 abate by reason of the taking effect of the provisions of this
10 Act, but the court may, on motion or supplemental petition
11 filed at any time within twelve months after such taking
12 effect, showing a necessity for the survival of such suit,
13 action, or other proceeding to obtain a settlement of the
14 questions involved, allow the same to be maintained by or
15 against the Secretary or the Administrator or such other
16 officer of the Department of Commerce as may be appro-
17 priate.

18 (b) Except as may be otherwise expressly provided in
19 this Act, all powers and authorities conferred by this Act
20 shall be cumulative and additional to and not in derogation
21 of any powers and authorities otherwise existing. All rules,
22 regulations, orders, authorizations, delegations, or other ac-
23 tions duly issued, made, or taken by or pursuant to applicable
24 law, prior to the effective date of this Act, by any agency,
25 officer, or office pertaining to any functions, powers, and

1 duties under the Area Redevelopment Act shall continue in
2 full force and effect after the effective date of this Act until
3 modified or rescinded by the Secretary or such other officer
4 of the Department of Commerce as, in accordance with appli-
5 cable law, may be appropriate.

6 TRANSFER OF FUNCTIONS AND EFFECTIVE DATE

7 SEC. 703. (a) The functions, powers, duties, and au-
8 thorities and the assets, funds, contracts, loans, liabilities,
9 commitments, authorizations, allocations, and records which
10 are vested in or authorized to be transferred to the Secretary
11 of the Treasury under section 29 (b) of the Area Redevelop-
12 ment Act, and all functions, powers, duties, and authorities
13 under section 29 (c) of the Area Redevelopment Act are
14 hereby vested in the Secretary.

15 (b) Any appropriations available to the Secretary for
16 the purposes of the Area Redevelopment Act on or after
17 the date of enactment of this Act shall be available for the
18 purposes of this Act.

19 (c) In the event that the Administrator required by
20 this Act to be appointed by and with the advice and consent
21 of the Senate shall not have entered upon office on the
22 effective date of this Act, the President may designate a
23 person to act in such office until the office is filled as pro-
24 vided in this Act or until the expiration of the first period
25 of sixty days following said effective date, whichever shall

1 first occur. While so acting such person shall receive com-
2 pensation at the rate provided by this Act for such office.

3 (d) The provisions of this Act shall take effect upon
4 enactment unless herein explicitly otherwise provided.

5 SEPARABILITY

6 SEC. 704. Notwithstanding any other evidence of the
7 intent of Congress, it is hereby declared to be the intent of
8 Congress that if any provision of this Act or the application
9 thereof to any persons or circumstances, shall be adjudged
10 by any court of competent jurisdiction to be invalid, such
11 judgment shall not affect, impair, or invalidate the remainder
12 of this Act or its application to other persons and circum-
13 stances, but shall be confined in its operation to the provision
14 of this Act, or the application thereof to the persons and
15 circumstances, directly involved in the controversy in which
16 such judgment shall have been rendered.

17 APPLICATION OF ACT

18 SEC. 705. As used in this Act, the terms "State",
19 "States", and "United States" include the several States,
20 the District of Columbia, the Commonwealth of Puerto Rico,
21 the Virgin Islands, Guam, and American Samoa.

22 ANNUAL REPORT

23 SEC. 706. The Secretary shall make a comprehensive
24 and detailed annual report to the Congress of his operations
25 under this Act for each fiscal year beginning with the fiscal

1 year ending June 30, 1966. Such report shall be printed
2 and shall be transmitted to the Congress not later than Janu-
3 ary 3 of the year following the fiscal year with respect to
4 which such report is made.

5 USE OF OTHER FACILITIES

6 SEC. 707. (a) To the fullest extent practicable in
7 carrying out the provisions of this Act the Secretary shall
8 use the available services and facilities of other agencies
9 and instrumentalities of the Federal Government, but only
10 with their consent and on a reimbursable basis. The fore-
11 going requirement shall be implemented by the Secretary in
12 such a manner as to avoid the duplication of existing staffs
13 and facilities in any agency or instrumentality of the Federal
14 Government. The Secretary is authorized to delegate to
15 the heads of other departments and agencies of the Federal
16 Government any of the Secretary's functions, powers, and
17 duties under this Act as he may deem appropriate, and to
18 authorize the redelegation of such functions, powers, and
19 duties by the heads of such departments and agencies.

20 (b) Departments and agencies of the Federal Govern-
21 ment shall exercise their powers, duties, and functions in
22 such manner as will assist in carrying out the objectives of
23 this Act.

24 (c) Funds authorized to be appropriated under this Act
25 may be transferred, with the approval of the Director of

1 the Bureau of the Budget, between departments and agencies
2 of the Government, if such funds are used for the purposes
3 for which they are specifically authorized and appropriated.

4 APPROPRIATION

5 SEC. 708. There are hereby authorized to be appropri-
6 ated such sums as may be necessary to carry out the provi-
7 sions of this Act. Appropriations authorized under this Act
8 shall remain available until expended unless otherwise pro-
9 vided by appropriations Acts.

10 PENALTIES

11 SEC. 709. (a) Whoever makes any statement knowing
12 it to be false, or whoever willfully overvalues any security,
13 for the purpose of obtaining for himself or for any applicant
14 any financial assistance under section 101, 201, 202, or 403
15 or any extension thereof by renewal, deferment or action, or
16 otherwise, or the acceptance, release, or substitution of secu-
17 rity therefor, or for the purpose of influencing in any way
18 the action of the Secretary, or for the purpose of obtaining
19 money, property, or anything of value, under this Act, shall
20 be punished by a fine of not more than \$10,000 or by im-
21 prisonment for not more than five years, or both.

22 (b) Whoever, being connected in any capacity with the
23 Secretary, in the administration of this Act (1) embezzles,
24 abstracts, purloins, or willfully misapplies any moneys, funds,
25 securities, or other things of value, whether belonging to him

1 or pledged or otherwise entrusted to him, or (2) with intent
2 to defraud the Secretary or any other body politic or cor-
3 porate, or any individual, or to deceive any officer, auditor,
4 or examiner, makes any false entry in any book, report, or
5 statement of or to the Secretary, or without being duly
6 authorized draws any order or issues, puts forth, or assigns
7 any note, debenture, bond, or other obligation, or draft, bill
8 of exchange, mortgage, judgment, or decree thereof, or (3)
9 with intent to defraud participates or shares in or receives
10 directly or indirectly any money, profit, property, or benefit
11 through any transaction, loan, grant, commission, contract,
12 or any other act of the Secretary, or (4) gives any unau-
13 thorized information concerning any future action or plan of
14 the Secretary which might affect the value of securities, or
15 having such knowledge invests or speculates, directly or
16 indirectly, in the securities or property of any company or
17 corporation receiving loans, grants, or other assistance from
18 the Secretary, shall be punished by a fine of not more than
19 \$10,000 or by imprisonment for not more than five years,
20 or both.

21 EMPLOYMENT OF EXPEDITERS AND ADMINISTRATIVE
22 EMPLOYEES

23 SEC. 710. No financial assistance shall be extended by
24 the Secretary under section 101, 201, 202, or 403 to any
25 business enterprise unless the owners, partners, or offices

1 of such business enterprise (1) certify to the Secretary the
2 names of any attorneys, agents, and other persons engaged
3 by or on behalf of such business enterprise for the purpose
4 of expediting applications made to the Secretary for assist-
5 ance of any sort, under this Act, and the fees paid or to be
6 paid to any such person; and (2) execute an agreement
7 binding such business enterprise, for a period of two years
8 after such assistance is rendered by the Secretary to such
9 business enterprise, to refrain from employing, tendering any
10 office or employment to, or retaining for professional services,
11 any person who, on the date such assistance or any part
12 thereof was rendered, or within one year prior thereto, shall
13 have served as an officer, attorney, agent, or employee,
14 occupying a position or engaging in activities which the
15 Secretary shall have determined involve discretion with
16 respect to the granting of assistance under this Act.

17 PREVAILING RATE OF WAGE AND FORTY-HOUR WEEK

18 SEC. 711. All laborers and mechanics employed by con-
19 tractors or subcontractors on projects assisted by the Secre-
20 tary under this Act shall be paid wages at rates not less than
21 those prevailing on similar construction in the locality as de-
22 termined by the Secretary of Labor in accordance with the
23 Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5),
24 and every such employee shall receive compensation at a
25 rate not less than one and one-half times his basic rate of pay

1 for all hours worked in any workweek in excess of eight
2 hours in any workday or forty hours in the workweek, as the
3 case may be. The Secretary shall not extend any financial
4 assistance under section 101, 201, 202, or 403 for such a
5 project without first obtaining adequate assurance that these
6 labor standards will be maintained upon the construction
7 work. The Secretary of Labor shall have, with respect to
8 the labor standards specified in this provision, the authority
9 and functions set forth in Reorganization Plan Numbered 14
10 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 133z-15),
11 and section 2 of the Act of June 13, 1934, as amended
12 (40 U.S.C. 276c).

13 RECORD OF APPLICATIONS

14 SEC. 712. The Secretary shall maintain as a permanent
15 part of the records of the Department of Commerce a list of
16 applications approved for financial assistance under section
17 101, 201, 202, or 403, which shall be kept available for pub-
18 lic inspection during the regular business hours of the De-
19 partment of Commerce. The following information shall be
20 posted in such list as soon as each application is approved;
21 (1) the name of the applicant and, in the case of corporate
22 applications, the names of the officers and directors thereof,
23 (2) the amount and duration of the loan or grant for which
24 application is made, (3) the purposes for which the pro-

ceeds of the loan or grant are to be used, and (4) a general description of the security offered in the case of a loan.

RECORDS AND AUDIT

SEC. 713. (a) Each recipient of assistance under this Act shall keep such records as the Secretary shall prescribe, including records which fully disclose the amount and the disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance is given or used, and the amount and nature of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient that are pertinent to assistance received under this Act.

CONFORMING AMENDMENT

SEC. 714. All benefits heretofore specifically made available (and not subsequently revoked) under other Federal programs to persons or to public or private organizations, corporations, or entities in areas designated by the Secretary as "redevelopment areas" under section 5 of the Area Redevelopment Act, are hereby also extended, insofar as prac-

1 ticable, to such areas as may be designated as “redevelop-
2 ment areas” or “economic development centers” under the
3 authority of section 401 or 403 of this Act: *Provided, how-*
4 *ever,* That this section shall not be construed as limiting such
5 administrative discretion as may have been conferred under
6 any other law.

A BILL

To provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

By Mr. DOUGLAS, Mr. McNAMARA, Mr. BARTLETT, Mr. BAYH, Mr. BREWSTER, Mr. BURDICK, Mr. BYRD of West Virginia, Mr. CLARK, Mr. COOPER, Mr. FULBRIGHT, Mr. GORE, Mr. GRUENING, Mr. HARRIS, Mr. HART, Mr. HARTKE, Mr. INOUE, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of New York, Mr. LONG of Missouri, Mr. MAGNUSON, Mr. MCCARTHY, Mr. MCGOVERN, Mr. MCINTYRE, Mr. METCALF, Mr. MONDALE, Mr. MONTOMY, Mr. MORSE, Mr. MOSS, Mr. MUSKIE, Mr. NELSON, Mrs. NEUBERGER, Mr. PASTORE, Mr. PELL, Mr. PROXMIRE, Mr. RANDOLPH, Mr. RUBINOFF, Mr. WILLIAMS of New Jersey, Mr. YARBOROUGH, and Mr. YOUNG of Ohio

APRIL 1, 1965

Read twice and referred to the Committee on Public Works

8. On March 25, 1965, Viola Gregg Liuzzo, wife of a Detroit, Mich., teamster, was shot to death while driving her car in rural Alabama after having taken a load of civil rights marchers from Montgomery to Selma.

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

Mr. DOUGLAS. Mr. President, it is my privilege to introduce in the Senate, on behalf of Senator PAT McNAMARA and myself as joint sponsors, the administration's bill on Public Works and Economic Development. I am confident that there are many other Members of this body who will wish to cosponsor this bill with Senator McNAMARA and myself; therefore, I ask unanimous consent that the bill be held at the desk until the close of business on Monday, April 5, so other Members may join in cosponsoring it.

The PRESIDING OFFICER. The bill will be received and appropriately referred; and, without objection, will be held at the desk as requested.

The bill (S. 1648) to provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions, introduced by Mr. DOUGLAS (for himself and other Senators), was received, read twice by its title, and referred to the Committee on Public Works.

Mr. DOUGLAS. Mr. President, many Members of this body will remember vividly the long hours of hearings and debate which preceded the passage of the first major legislative proposal to assist distressed areas, the Area Redevelopment Act of 1961, which I had the honor to introduce in the Senate, and which was signed into law by President Kennedy in May of 1961 following 6 years of effort which included two vetoes by President Eisenhower, and one last minute strangle by the Republican leadership in the House. Vital as that bill was at the time, it was nevertheless, as its cosponsors stated, only a first major step or pilot program. As the President suggests in his message, it was essentially an experimental program to determine the extent to which the redevelopment concept could be made to work in this country and to determine the best methods by which the Federal Government could help areas and communities of this country in economic stress to help themselves regenerate their local economies.

We now know from the experience of the Area Redevelopment Administration that this concept has worked. Since the act was passed in 1961, 115,000 new jobs have been created, and many more indirect jobs have been created as a result. However, one should face the fact that progress has been slow and often difficult, primarily because ARA was given too big a job without adequate means to accomplish it. But we should not forget that the ARA program was the forerunner of other much-needed legislation which has come about since its passage.

For example, the Area Redevelopment Act contained a modest program provi-

sion for Federal aid for the training of unemployed workers on a very small scale. On the basis of this program, we were able to enact 1 year later the Manpower Development and Training Act of 1962, which will be augmented and improved by S. 974, passed by this body only a few weeks ago. That program involves the expenditure of over \$400 million annually to train the unemployed to assume new jobs.

Second, last year we passed the Economic Opportunity Act of 1964, which is intended to elevate the neediest persons from a condition of poverty so that they can take full advantage of the opportunities which our Great Society has to offer. This program goes further by offering help to young people from deprived backgrounds, the working poor, and those lacking in opportunity so that they can become wage earners and assume their rightful role as self-respecting human beings and productive members of society.

Third, the original Area Redevelopment Act also contained a provision to assist in the construction of needed public works, such as, water and sewer facilities to serve industrial parks, and municipal water systems. A little more than a year after its enactment, and on the basis of the Area Redevelopment Act, Congress passed the Accelerated Public Works Act, which provided nearly \$900 million to facilitate the early construction of essential public works in labor surplus areas and put men back to work. That program was highly useful, but the total number of jobs it could provide are nearly exhausted, and its funds are exhausted. What it showed, however, was the existence of a tremendous backlog of needed public-facility projects, particularly in areas of economic stress.

Fourth, we have just enacted the Appalachian program—a program to help generate economic development on a regional basis. ARA's own experience has confirmed the need for this type of regional aid, for ARA soon found that the lack of modern public facilities was a major obstacle to the orderly economic development of any area. Because the ARA program alone did not have the authority or funds to do the job adequately, the States in the Appalachian region, where the lack of public facilities and adequate transportation was most apparent, banded together to urge the formation of the President's Appalachian Regional Commission. It was the work of this Commission which ultimately led to the passage of the recent Appalachia Act as a means of providing these basic needs. Other bills to aid regions have since been proposed in anticipation of similar programs in the future for other regions with severe economic problems. This bill offers benefits on a regional basis without county-by-county restrictions.

The President's proposed bill on public works and economic development which Senator McNAMARA and I have the privilege of introducing will help solve the problem of unemployment and poverty in the midst of plenty. The present bill will not only continue and improve programs begun under the Area Rede-

velopment Act, but will also provide a greatly expanded program for the construction of waterlines, streets, sewers, and industrial parks, the social capital which is necessary if communities and regions are to flourish and grow.

As the President stated in his message to the Congress last week on area and regional economic development:

This program will be based primarily upon the experience of the accelerated public works program, the Area Redevelopment Administration, and the Appalachian Regional Development Commission.

As the chief sponsor of the existing area redevelopment program, I should like to make it clear that I am pleased that the administration has taken the ARA idea and has proposed to expand and enlarge this original concept.

In my opinion, this new program of public works and economic development assistance will work. It will bring jobs and conditions to communities and areas which need them the most.

Mr. President, I ask unanimous consent that a section-by-section analysis of the Public Works and Economic Development Act of 1965, together with the text of the bill, be printed following the statement by the Senator from Michigan [Mr. McNAMARA].

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibits 1 and 2.)

Mr. McNAMARA. Mr. President, I am happy to be able to join with the distinguished senior Senator from Illinois in introducing and sponsoring the Public Works and Economic Development Act of 1965.

I compliment the administration on its message on economic development and on forwarding this bill to the Congress for its consideration.

This measure grows out of the practical experience gained in both the Kennedy and Johnson administrations, from fighting to eliminate pockets of depression and high unemployment.

It combines in a coordinated fashion the basic approach of the highly successful accelerated public works programs, the best aspects of the Area Redevelopment Act, and the new approach of solving economic problems on a regional or multistate basis.

I am particularly pleased that this bill to revitalize areas, which are not sharing in the general level of prosperity, contains the regional development concept.

I have since 1963—at the same time the Appalachia regional development approach was started—worked to establish regional commissions for such areas as the northern Great Lakes region.

The Appalachian Regional Development Act has served as a pilot measure.

It has given good legislative experience on how to best undertake economic improvement of areas—cutting across State lines.

Many of my colleagues here recognized the value of regional approach in solving economic problems—and 33 of them joined with me in sponsoring S. 812—which would have allowed the President to set up regional development commissions.

The concepts of S. 812 are included in this bill we are introducing today, thereby keeping the commitment that the administration made at the time of passage of the Appalachia Act.

It promised then it would submit legislation extending the means of improving economic conditions in such areas.

The need to create jobs, of course, is basic, but they cannot be created in areas which lack the necessary physical structure to support new jobs.

This is why accelerated public works was so important.

It not only created temporary employment, but it created needed works, thereby creating a condition in which economic activity could be generated.

Title I of this bill makes this principle available to redevelopment areas in conjunction with long-term planning.

It also makes help available to areas which are expecting sudden upheavals in employment.

Last year the Congress adopted the Economic Opportunity Act which was designed to help wipe out poverty by developing our human resources.

This year we will pass this Public Works and Economic Development Act, which will help eliminate poverty by developing our physical resources.

The Committee on Public Works will move rapidly to consider this measure.

EXHIBIT 1

SECTION-BY-SECTION ANALYSIS OF THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

The proposed bill is entitled the "Public Works and Economic Development Act of 1965."

Statement of Purpose

Section 2 declares that it is the purpose of the act, in order to maintain the national economy at a high level and to avoid wasting invaluable human resources, to provide Federal financial assistance, including grants for public works and development facilities, to areas and regions of substantial and persistent unemployment and underemployment to enable them to take effective steps in planning and financing their economic development.

TITLE I—GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES

Section 101 replaces section 8 of the Area Redevelopment Act, which deals with grants for public facilities, with a section which would broaden the Secretary's authority to make grants for needed public works, public service, or development facilities in accordance with criteria identical with those set forth in the new development facility loan section (sec. 201). It would also authorize a new program of supplementary grants to assist with local shares of other Federal grant-in-aid programs. The 100-percent direct grant authority of the Area Redevelopment Act would be replaced by a provision authorizing 50-percent grants; however, supplementary grants, which would vary in amount according to needs of areas and types of projects, would also be authorized for development facility projects directly assisted under the new program. Maximum Federal grant assistance for any project would not exceed 80 percent of project cost, with supplementary grants also being reduced by the amount of loan assistance which could be repaid from such revenues as the project itself might produce, in excess of those which would amortize the local share and provide for the successful operation and maintenance (including depreciation) of the facility. No assistance would be extended for any facility which would

compete with an existing privately owned utility.

Section 102 contains an appropriation authorization of \$250 million annually for public works and development facility grants.

TITLE II—OTHER FINANCIAL ASSISTANCE

Public Works and Development Facility Loans

Section 201 replaces section 7 of the Area Redevelopment Act, which deals with loans for public facilities, with a section which would broaden the Secretary's authority to make loans, in order to enable him to assist needed public works, public service, or development facilities which either directly or indirectly assist in the creation of additional long-term employment opportunities or else primarily benefit the long-term unemployed and members of low-income families. Loan criteria would remain the same, except that a new interest formula would be substituted which would vary interest rates according to Federal borrowing costs, less one-half of 1 percent. Pending a change in Federal borrowing costs, the actual interest rate charged to borrowers on such projects would be 3½ percent. An annual authorization of \$170 million for both business and development facility loans replaces the limitation on loans outstanding of the Area Redevelopment Act.

Loans and Guarantees

Section 202 replaces section 6 of the Area Redevelopment Act, which deals with business loans, with a section which would authorize the Secretary (1) to make industrial and commercial loans in accordance with the purpose criteria of the present act, (2) to guarantee loans for working capital made to private borrowers by private lending institutions in connection with projects in redevelopment areas otherwise assisted under the act, and (3) to contract to pay to or on behalf of business entities locating in redevelopment areas a portion of the interest costs which they incur in financing their expansions from private sources.

The new section would retain the loan conditions of the Area Redevelopment Act (including a prohibition against aiding relocations, which would apply to all assistance under this section), except that the requirements of subsections 6(b)(9)(B) and (C), dealing with the subordination and deferment of certain non-Federal funds, would be modified (1) to reduce the community share from 10 to 5 percent, (2) to enable concurrent repayment with the Federal loan of the subordinated 15-percent funds, and (3) to allow the Secretary to waive the community participation requirement in accordance with standards prescribed by regulations where the necessary funds are not reasonably available to the project because of the economic distress of the area. A minimum 15-percent investment subordinate to the Federal loan would continue to be required in all cases. The new section authorizes the Secretary to require periodic revisions of overall economic development programs and deletes the present limitation on loans outstanding in favor of a single appropriation authorization (placed under the proposed new section 201) for both business and development facility loans. Interest rates would be determined in accordance with a new formula based on Federal borrowing costs, which would increase the rate of interest currently charged from 4 to 4½ percent.

Economic Development Revolving Fund

Section 203 establishes an economic development revolving fund in the Treasury of the United States for funds obtained by the Secretary under section 201, for loan funds under section 403, and for collections and repayments. The fund would be available to the Secretary for the purpose of extending loan assistance under sections 201, 202, and 403. Repayment of obligations outstanding

under the Area Redevelopment Act would be credited to the fund, and it would pay interest to the Treasury on the amount of the total loans outstanding, based on current average market yield on outstanding Treasury obligations of comparable maturities.

TITLE III—TECHNICAL ASSISTANCE, RESEARCH, AND INFORMATION

Technical and Administrative Assistance

Section 301 authorizes the Secretary to provide technical assistance in accordance with the criteria of the Area Redevelopment Act. In addition, it authorizes grants-in-aid both for technical assistance and for economic planning and administrative expenses to appropriate public or private nonprofit State, area, district, or local organizations. No grant for economic planning and administrative expenses would exceed 75 percent of the undertaking involved. However, non-Federal contributions in cash and in kind would be authorized. The Secretary would have discretion to require repayment of technical assistance where appropriate, and would take into consideration grants available from other sources (such as urban planning grants and highway planning grants) in determining the need for planning funds. An annual appropriation authorization of \$20 million is provided.

Research

Section 302 authorizes the Secretary to establish and conduct a continuing program of study and research. This section is identical with that contained in the Area Redevelopment Act.

Information

Section 303 directs the Secretary to aid redevelopment areas and other areas by furnishing technical and similar information to such areas.

TITLE IV—AREA AND DISTRICT ELIGIBILITY

Part A—Redevelopment areas

Area Eligibility

Section 401 establishes standards for the designation of "redevelopment areas." It replaces section 5 of the Area Redevelopment Act with a section having more precisely defined unemployment and low income criteria. The new criteria are: (1) Unemployment standards for all areas identical with those in the present act for the designation of predominantly urban areas; (2) designation on the basis of low family income for those additional areas which have a median family income not in excess of 40 percent of the national median; (3) those additional Federal and State Indian reservations which the Secretary after consultation with the Secretary of the Interior determines manifest the greatest need; and (4) those areas experiencing a sudden rise in unemployment due to an economic emergency, such as a major plant closing. However, no area would be eligible for designation if it (1) has a population less than 1,500 persons; (2) is smaller than a "labor area" (as defined by the Secretary of Labor), a county, or a municipality with a population of over 250,000 whichever in the opinion of the Secretary is appropriate; or (3) does not have an approved overall economic development program. In addition to the four types of areas listed, areas eligible under the Area Redevelopment Act would continue to be eligible for assistance until the first annual review of eligibility under section 402, at which time they would be required to qualify under the regular provisions of the act. The Secretary would be authorized to prescribe necessary rules and regulations for the designation of areas, to review such designations annually, and to obtain from the heads of other agencies on a reimbursable basis the data upon which to base area designations.

Annual Review of Area Eligibility

Section 402 replaces section 13 of the Area Redevelopment Act, which deals with the

termination of eligibility of areas, with a section which would (1) prescribe an annual review of eligibility of areas, (2) require a currently approved overall economic development program as a condition for continued eligibility, (3) provide 30 days' notice prior to termination of eligibility, and (4) explicitly allow applications filed prior to area termination to be considered by the Secretary.

Part B—Economic development districts

Section 403 authorizes the Secretary to designate new multicounty economic development districts, with the concurrence of the States affected, for the benefit of the districts as a whole and of the redevelopment areas situated in such districts. The districts must include two or more designated redevelopment areas, be of sufficient size and potential to foster economic growth on a scale involving more than a single area, and contain one or more economic development centers. Where the centers were not already designated redevelopment areas, the Secretary would be authorized to designate such centers as he deemed appropriate, as eligible for loan and grant assistance under the act on the same basis as redevelopment areas. Recommendations for such designations would be contained in approved district overall economic development programs, which would be required prior to the designation of the district. To encourage redevelopment areas to participate in multicounty economic development activities, the Secretary would also be authorized to increase development facility grants for projects in redevelopment areas within designated districts by an amount equal to 10 percent of the cost of the project assisted. To insure adequate time for effective planning, no district would be designated and no development center would be eligible for financial assistance until one year after the enactment of this section. However, the Secretary would be authorized to invite the several States to draw up proposed district boundaries and to identify potential economic development centers as soon as practicable. The total authorization for financial assistance to economic development centers and for 10-percent bonuses to redevelopment areas within designated districts is limited to \$50 million annually.

TITLE V—REGIONAL ACTION PLANNING COMMISSIONS

Establishment and Coordination

Section 501 authorizes the Secretary to invite and encourage the several States to establish appropriate multi-State regional action planning commissions for the purpose of advising and assisting him in the identification of practical boundaries for multi-State economic development regions, and for performing various other enumerated functions in preparation for the formation of successful multi-State economic development regions. A region would be composed of two or more designated or potential economic development districts in two or more contiguous States. State members of the Commissions would be appointed by the Governors of the States, and Federal members would be appointed by the President. The Secretary would present the plans and proposals of the Commissions first for review by the Federal agencies primarily concerned and then to the President with the agencies' recommendations. The Secretary would provide liaison between the Federal Government and each regional Commission, and each Federal agency is directed to cooperate with the Commissions to assist them in carrying out their functions.

Program Development Criteria

Section 502 establishes program development criteria for the guidance of the Commissions.

Regional Technical and Planning Assistance

Section 503 authorizes the Secretary to provide technical assistance to the Commissions in carrying out their functions, either directly, through other agencies or private contractors, or through grants-in-aid to the Commissions. The Secretary would have discretion to require repayment of technical assistance in appropriate cases. Administrative expenses of the Commissions for the first 2 years could be paid by the Federal Government, and in subsequent years by the Federal Government and the States in each Commission equally. Non-Federal contributions both in cash and in kind are authorized. An annual appropriation authorization of \$15 million is provided.

TITLE VI—ECONOMIC DEVELOPMENT ADMINISTRATOR

Administrator for Economic Development

Section 601 authorizes the appointment by the President, with the advice and consent of the Senate, of an Administrator for Economic Development in the Department of Commerce, who shall perform such duties in the execution of the act as the Secretary of Commerce may assign.

Advisory Committee on Regional Economic Development

Section 602 directs the Secretary to appoint a National Public Advisory Committee on Regional Economic Development consisting of 25 representatives of labor, management, agriculture, government, and the general public, to make recommendations to him with respect to the program.

Consultation With Other Persons and Agencies

Section 603 authorizes the Secretary to call together and confer with any persons who can assist in meeting the problems of area and regional unemployment and underemployment. It also provides for consultation by the Secretary with other interested departments and agencies.

TITLE VII—MISCELLANEOUS

Powers of Secretary

Section 701, dealing with the powers of the Secretary, is identical with section 12 of the Area Redevelopment Act, except that subparagraph (10) has been revised to give the Secretary the same authority to use experts and consultants which is customarily available to Federal agencies.

Savings Provisions

Section 702 is a standard savings provision, which is required to effect administrative continuity between the Area Redevelopment Act and the new Economic Development Act.

Transfer of Functions and Effective Date

Section 703 provides that the transfer of functions from the Area Redevelopment Administration to the Secretary of Commerce shall take effect upon enactment except where otherwise explicitly provided. It provides that appropriations available for the purposes of the Area Redevelopment Act shall be available for the purposes of the new act, and it authorizes the President to designate any person to act as Administrator of the new agency until the office is formally filled.

Separability

Section 704 is a standard clause providing that the invalidation of one part of the act by any court shall not invalidate any other part of the act.

Application of Act

Section 705 defines the term "State" to include both the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.

Annual Report

Section 706 requires the Secretary to make a comprehensive and detailed annual report to the Congress for each fiscal year ending after June 30, 1965.

Use of Other Facilities

Section 707 is similar to section 24 of the Area Redevelopment Act and requires the Secretary to use the available services and facilities of other Federal agencies to the fullest extent practicable in carrying out the provisions of the act.

Appropriation

Section 708 authorizes to be appropriated such sums as are necessary to carry out the provisions of the act, and provides that appropriations may remain available until expended.

Penalties

Section 709 contains a standard penalty clause for the falsification of information by any applicant for financial assistance.

Employment of Expeditors and Administrative Employees

Section 710 is the same as section 19 of the Area Redevelopment Act and requires the certification to the Secretary of the names of persons hired to expedite applications. It also requires applicants to agree to refrain from tendering employment to agency officials for a period of 2 years after assistance is rendered by the Secretary.

Prevailing Rate of Wage and 40-Hour Week

Section 711 is similar to section 21 of the Area Redevelopment Act in requiring the payment of prevailing wage rates under the Davis-Bacon Act to all laborers and mechanics employed on projects assisted by the Secretary. It applies Davis-Bacon wage rates to private as well as public applicants.

Record of Applications

Section 712 requires the Secretary to maintain the same record of applications as is required by section 20 of the Area Redevelopment Act.

Records and Audit

Section 713 requires each recipient of assistance under this act to keep such records as the Secretary shall prescribe. It also authorizes the Secretary and the Comptroller General of the United States, or their representatives, to have access to pertinent documents for the purpose of audit.

Conforming Amendment

Section 714 is intended to conform the provisions of other acts (dealing with assistance to redevelopment areas) to the changes made by this act.

EXHIBIT 2

S. 1648

A bill to provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Public Works and Economic Development Act of 1965."

STATEMENT OF PURPOSE

SEC. 2. The Congress declares that the maintenance of the national economy at a high level is vital to the best interests of the United States, but that some of our regions, counties, and communities are suffering substantial and persistent unemployment and underemployment; that such unemployment and underemployment cause hardship to many individuals and their fam-

illies, and waste invaluable human resources; that to overcome this problem the Federal Government, in cooperation with the States, should help areas and regions of substantial and persistent unemployment and underemployment to take effective steps in planning and financing their public works and economic development; that Federal financial assistance, including grants for public works and development facilities to communities, industries, enterprises, and individuals in areas needing development should enable such areas to help themselves achieve lasting improvement and enhance the domestic prosperity by the establishment of stable and diversified local economies and improved local conditions, provided such assistance is preceded by and consistent with sound, long-range economic planning; and that under the provisions of this Act new employment opportunities should be created by developing and expanding new and existing public works and other facilities and resources rather than by merely transferring jobs from one area of the United States to another.

TITLE I—GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES

SEC. 101. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary of Commerce (hereinafter referred to as the Secretary) is authorized—

(1) to make direct grants for the acquisition or development of land and improvements for public works, public service, or development facility usage, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, within a redevelopment area, if he finds that—

(A) the project for which financial assistance is sought will directly or indirectly (i) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities, (ii) otherwise assist in the creation of additional long-term employment opportunities for such area, or (iii) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964;

(B) the project for which a grant is requested will fulfill a pressing need of the area, or part thereof, in which it is, or will be, located; and

(C) the area for which a project is to be undertaken has an approved overall economic development program as provided in section 202(b)(10) and such project is consistent with such program;

(2) to make supplementary grants in order to enable the States and other entities within redevelopment areas to take maximum advantage of designated Federal grant-in-aid programs (as hereinafter defined) for which they are eligible but for which, because of their economic situation, they cannot supply the required matching share.

(b) Subject to subsection (c) hereof, the amount of any direct grant under this section for any project shall not exceed 50 per centum of the cost of such project.

(c) The amount of any supplementary grant under this section for any project shall not exceed the applicable percentage established by regulations promulgated by the Secretary, but in no event shall the non-Federal share (including assumptions of debt) of the aggregate cost of any such project be less than 20 per centum of such cost. Supplementary grants shall be made by the Secretary, in accordance with such regulations as he shall prescribe, by increasing the amounts of direct grants authorized under this section or by the payment of funds appropriated under this Act to the heads of

the departments, agencies, and instrumentalities of the Federal Government responsible for the administration of such grant-in-aid programs. Notwithstanding any limitation on the use of supplementary grants that may otherwise be applicable to the grant-in-aid program involved, funds so allocated shall be used for the sole purpose of increasing the Federal contribution to specific projects in redevelopment areas under such programs above the fixed maximum portion of the cost of such project otherwise authorized by the applicable law. The term "designated Federal grant-in-aid programs," as used in this subsection, means such existing or future Federal grant-in-aid programs assisting in the construction or equipping of facilities as the Secretary may, in furtherance of the purposes of this Act, designate as eligible for allocation of funds under this section. In determining the amount of any supplementary grant available to any project under this section, the Secretary shall take into consideration the relative needs of the area, the nature of the project to be assisted, and the amount of such fair user charges or other revenues as the project may reasonably be expected to generate in excess of those which would amortize the local share of initial costs and provide for its successful operation and maintenance (including depreciation).

(d) The Secretary shall prescribe rules, regulations, and procedures to carry out this section which will assure that adequate consideration is given to the relative needs of eligible areas. In prescribing such rules, regulations, and procedures the Secretary shall consider among other relevant factors: (1) the severity of the rates of unemployment in the eligible areas and the duration of such unemployment and (2) the income levels of families and the extent of underemployment in eligible areas.

(e) No financial assistance shall be extended under this section with respect to any public service or development facility which would compete with an existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State regulatory body, unless the State regulatory body determines that in the area to be served by the facility for which the financial assistance is to be extended there is a need for an increase in such service (taking into consideration reasonably foreseeable future needs) which the existing public utility is not able to meet through its existing facilities or through an expansion which it agrees to undertake.

SEC. 102. There is hereby authorized to be appropriated not to exceed \$250,000,000 annually for the purposes of this title.

TITLE II—OTHER FINANCIAL ASSISTANCE

Public Works and Development Facility Loans

SEC. 201. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary is authorized to purchase evidences of indebtedness and to make loans to assist in financing the purchase or development of land and improvements for public works, public service, or development facility usage, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, within a redevelopment area, if he finds that—

(1) the project for which financial assistance is sought will directly or indirectly—

(A) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities,

(B) otherwise assist in the creation of additional long-term employment opportunities for such area, or

(C) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964;

(2) the funds requested for such project are not otherwise available from private lenders on reasonable terms, or from other Federal agencies on terms more favorable to the Government which would permit the accomplishment of the project;

(3) the amount of the loan plus the amount of other available funds for such project are adequate to insure the completion thereof;

(4) there is a reasonable expectation of repayment; and

(5) such area has an approved overall economic development program as provided in section 202(b)(10) and the project for which financial assistance is sought is consistent with such program.

(b) Subject to section 701(5), the maturity date of any such loan shall be not later than forty years after the date such loan is made. Such loans shall bear interest at a rate not less than (1) a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of one per centum, less (ii) not to exceed one-half of one per centum per annum.

(c) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this section and section 202; provided, however, that annual appropriations for the purpose of making and guaranteeing loans shall not exceed \$170,000,000.

(d) No financial assistance shall be extended under this section with respect to any public service or development facility which would compete with an existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State regulatory body, unless the State regulatory body determines that in the area to be served by the facility for which the financial assistance is to be extended there is a need for an increase in such service (taking into consideration reasonably foreseeable future needs) which the existing public utility is not able to meet through its existing facilities or through an expansion which it agrees to undertake.

Loans and Guarantees

SEC. 202. (a) The Secretary is authorized (1) to purchase evidences of indebtedness and to make loans (which for purposes of this section shall include participations in loans) to aid in financing any project within a redevelopment area for the purchase or development of land and facilities (including, in cases of demonstrated need, machinery and equipment) for industrial or commercial usage, including the construction of new buildings, the rehabilitation of abandoned or unoccupied buildings, and the alteration, conversion, or enlargement of existing buildings; (2) to guarantee loans for working capital made to private borrowers by private lending institutions in connection with projects in redevelopment areas assisted under subsection (a)(1) hereof, upon application of such institution and upon such terms and conditions as the Secretary may prescribe; provided, however, that no such guarantee shall at any time exceed 90 per centum of the amount of the outstanding unpaid balance of such loan; and (3) to contract to pay, and to pay annually, for not more than ten years, to or on behalf of private business entities amounts sufficient to reduce by 2 percentage points the interest paid by such entities on loans which are obtained from non-Government sources, which are not guaranteed by any Government agency, which provide for annual amortization of

principal, and the proceeds of which are used for purposes for which the Secretary is authorized to purchase evidences of indebtedness or make loans under this section: *Provided, however*, That subject to limitations in annual appropriation acts, the annual cost of new contracts approved in any one year shall not exceed \$5,000,000.

(b) Financial assistance under this section shall be on such terms and conditions as the Secretary determines, subject, however, to the following restrictions and limitations:

(1) Such financial assistance shall not be extended to assist establishments relocating from one area to another: *Provided, however*, That such limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity if the Secretary finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where such entity conducts business operations, unless the Secretary has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

(2) Such assistance shall be extended only to applicants, both private and public (including Indian tribes), which have been approved for such assistance by an agency or instrumentality of the State or political subdivision thereof in which the project to be financed is located, and which agency or instrumentality is directly concerned with problems of economic development in such State or subdivision.

(3) The project for which financial assistance is sought must be reasonably calculated to provide more than a temporary alleviation of unemployment or underemployment within the redevelopment area wherein it is, or will be located.

(4) No loan or guarantee shall be extended hereunder unless the financial assistance applied for is not otherwise available from private lenders on reasonable terms, or from other Federal agencies on terms more favorable to the Government which would permit the accomplishment of the project.

(5) The Secretary shall not make any loan without a participation unless he determines that the loan cannot be made on a participation basis.

(6) No evidences of indebtedness shall be purchased and no loans shall be made or guaranteed unless it is determined that there is a reasonable assurance of repayment.

(7) Subject to section 701(5) of this Act, no loan, including renewals or extension thereof, may be made hereunder for a period exceeding twenty-five years and no evidences of indebtedness maturing more than twenty-five years from date of purchase may be purchased hereunder: *Provided*, That the foregoing restrictions on maturities shall not apply to securities or obligations received by the Secretary as a claimant in bankruptcy or equitable reorganization or as a creditor in other proceedings attendant upon insolvency of the obligor.

(8) Loans made and evidences of indebtedness purchased under this section shall bear interest at a rate not less than (i) a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of one per centum, plus (ii) such additional charge, if any, toward covering other costs of the program as the Secretary may determine to be consistent with its purposes.

(9) Loan assistance shall not exceed 65 per centum of the aggregate cost to the applicant (excluding all other Federal aid in connection with the undertaking) of acquiring or developing land and facilities (including, in cases of demonstrated need, machinery and equipment), and of constructing, altering, converting, rehabilitating, or enlarging the building or buildings of the particular project, and shall, among others, be on the condition that—

(A) other funds are available in an amount which, together with the assistance provided hereunder, shall be sufficient to pay such aggregate cost;

(B) not less than 15 per centum of such aggregate cost be supplied as equity capital or as a loan repayable in no shorter period of time and at no faster an amortization rate than the Federal financial assistance extended under this section is being repaid, and if such a loan is secured, its security shall be subordinate and inferior to the lien or liens securing such Federal financial assistance: *Provided, however*, That except in projects involving financial participation by Indian tribes, not less than 5 per centum of such aggregate cost shall be supplied by the State or any agency, instrumentality, or political subdivision thereof, or by a community or area organization which is non-governmental in character, unless the Secretary shall determine in accordance with objective standards promulgated by regulation that all or part of such funds are not reasonably available to the project because of the economic distress of the area or for other good cause, in which case he may waive the requirement of this provision to the extent of such unavailability, and allow the funds required by this subsection to be supplied by the applicant or by such other non-Federal source as may reasonably be available to the project;

(C) to the extent the Secretary finds such action necessary to encourage financial participation in a particular project by other lenders and investors, and except as otherwise provided in subparagraph (B), any Federal financial assistance extended under this section may be repayable only after other loans made in connection with such project have been repaid in full, and the security, if any, for such Federal financial assistance may be subordinate and inferior to the lien or liens securing other loans made in connection with the same project.

(10) No such assistance shall be extended unless there shall be submitted to and approved by the Secretary an overall program for the economic development of the area and a finding by the State, or any agency, instrumentality, or local political subdivision thereof, that the project for which financial assistance is sought is consistent with such program: *Provided*, That nothing in this Act shall authorize financial assistance for any project prohibited by laws of the State or local political subdivision in which the project would be located, nor prevent the Secretary from requiring such periodic revisions of previously approved overall economic development programs as he may deem appropriate.

Economic Development and Revolving Fund

SEC. 203. Funds obtained by the Secretary under section 201, loan funds obtained under section 403, and collections and repayments received under this Act, shall be deposited in an economic development revolving fund (hereinafter referred to as the "fund"), which is hereby established in the Treasury of the United States, and which shall be available to the Secretary for the purpose of extending financial assistance under sections 201, 202, and 403, and for the payment of all obligations and expenditures arising in connection therewith. There shall also be credited to the fund such funds as have been paid into the area redevelopment fund or may be received from obligations outstanding under

the Area Redevelopment Act. The fund shall pay into miscellaneous receipts of the Treasury, following the close of each fiscal year, interest on the amount of loans outstanding computed in such manner and at such rate as may be determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of one per centum, during the month of June preceding the fiscal year in which the loans were made.

TITLE III—TECHNICAL ASSISTANCE, RESEARCH, AND INFORMATION

Technical and Administrative Assistance

SEC. 301. (a) In carrying out his duties under this Act the Secretary is authorized to provide technical assistance which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment (1) to areas which he has designated as redevelopment areas under this Act, and (2) to other areas which he finds have substantial need for such assistance. Such assistance shall include studies evaluating the needs of, and developing potentialities for, economic growth of such areas. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government, through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants-in-aid to appropriate public or private nonprofit State, area, district, or local organizations. The Secretary, in his discretion, may require the repayment of assistance provided under this subsection and prescribe the terms and conditions of such repayment.

(b) The Secretary is authorized to make grants for economic planning staff and administrative expenses to organizations which he determines to be qualified to receive grants-in-aid under subsection (a) hereof; provided, however, that no such grant shall exceed 75 per centum of the aggregate costs of the undertaking for which the assistance is rendered, or of the administrative expenses of any qualified organization in any one year. In determining the amount of the non-Federal share of such costs or expenses, the Secretary shall give due consideration to all contributions both in cash and in kind, fairly evaluated, including but not limited to space, equipment, and services. Where practicable, grants-in-aid authorized under this subsection shall be used in conjunction with other available planning grants, such as urban planning grants authorized under the Housing Act of 1954, as amended, and highway planning and research grants authorized under the Federal Aid Highway Act of 1962, to assure adequate and effective planning and economical use of funds.

(c) There is hereby authorized to be appropriated \$20,000,000 annually for the purposes of this section.

Research

SEC. 302. To assist in the long-range accomplishment of the purposes of this Act, the Secretary, in cooperation with other agencies having similar functions, shall establish and conduct a continuing program of study and research designed to assist in determining the causes of unemployment, underemployment, underdevelopment, and chronic depression in various areas and regions of the Nation and in the formulation and implementation of National, State, and local programs which will raise income levels and otherwise produce solutions of the problems resulting from these conditions. The Secretary shall include in his annual report under section 706 a detailed statement con-

cerning the study and research conducted under this section together with his findings resulting therefrom and his recommendations for legislative and other action.

Information

SEC. 303. The Secretary shall aid redevelopment areas and other areas by furnishing to interested individuals, communities, industries, and enterprises with such areas any assistance, technical information, market research, or other forms of assistance, information, or advice which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment within such areas. The Secretary may furnish the procurement divisions of the various departments, agencies, and other instrumentalities of the Federal Government with a list containing the names and addresses of business firms which are located in redevelopment areas and which are desirous of obtaining Government contracts for the furnishing of supplies or services, and designating the supplies and services such firms are engaged in providing.

TITLE IV—AREA AND DISTRICT ELIGIBILITY

Part A—Redevelopment areas

Area Eligibility

SEC. 401. (a) The Secretary shall designate as "redevelopment areas"—

(1) those areas in which he determines, upon the basis of standards generally comparable with those set forth in paragraphs (A) and (B), that there has existed substantial and persistent unemployment for an extended period of time. There shall be included among the areas so designated any area—

(A) where the Secretary of Labor finds that the current rate of unemployment, as determined by appropriate annual statistics for the most recent available calendar year, is 6 per centum or more and has averaged at least 6 per centum for the qualifying time periods specified in paragraph (B); and

(B) where the Secretary of Labor finds that the annual average rate of unemployment has been at least—

(i) 50 per centum above the national average for three of the preceding four calendar years, or

(ii) 75 per centum above the national average for two of the preceding three calendar years, or

(iii) 100 per centum above the national average for one of the preceding two calendar years.

The Secretary of Labor shall find the facts and provide the data to be used by the Secretary in making the determinations required by this subsection.

(2) those additional areas which have a median family income not in excess of 40 per centum of the national median, as determined by the most recent available statistics for such areas;

(3) those additional Federal or State Indian reservations which the Secretary, after consultation with the Secretary of the Interior, determines manifest the greatest degree of economic distress on the basis of unemployment and income statistics and other appropriate evidence of economic underdevelopment;

(4) upon request of such areas, those additional areas in which the Secretary determines that the loss, removal, or closing of a major source of employment, has caused or is about to cause an unusual and abrupt rise in unemployment or underemployment of such magnitude that the area can reasonably be expected to become eligible for designation under the other provisions of this Act within three years unless assistance is provided. Notwithstanding any provision of this section to the contrary, an area may be designated at any time under the authority of this subsection and may be given a reasonable time after designation in which

to submit the overall economic development program required by subsection 202(b) (10) of this Act;

(5) notwithstanding any provision of this section to the contrary, those additional areas which were designated redevelopment areas under the Area Redevelopment Act on the date of the enactment of this Act; provided, however, that the continued eligibility of such areas after the first annual review of eligibility conducted in accordance with section 402 of this Act shall be dependent on their qualification for designation under the standards of economic need set forth in subsections (a) (1) through (a) (4) of this section.

(b) The size and boundaries of redevelopment areas shall be as determined by the Secretary; provided, however, that—

(1) no area shall be designated until it has an approved overall economic development program in accordance with subsection 202(b) (10) of this Act;

(2) any area which does not submit an acceptable overall economic development program in accordance with subsection 202 (b) (10) of this Act within a reasonable time after notification of eligibility for designation, shall not thereafter be designated prior to the next annual review of eligibility in accordance with section 402 of this Act;

(3) no area shall be designated which does not have a population of at least 1,500 persons; and

(4) except for areas designated under subsections (a) (3) and (a) (4) hereof, no area shall be designated which is smaller than a "labor area" (as defined by the Secretary of Labor), a county, or a municipality with a population of over 250,000, whichever in the opinion of the Secretary is appropriate.

(c) Upon the request of the Secretary, the Secretary of Labor, the Secretary of Agriculture, the Secretary of the Interior, and such other heads of agencies as may be appropriate are authorized to conduct such special studies, obtain such information, and compile and furnish to the Secretary such data as the Secretary may deem necessary or proper to enable him to make the determinations provided for in this section.

The Secretary shall reimburse when appropriate, out of any funds appropriated to carry out the purposes of this Act, the foregoing officers for any expenditures incurred by them under this section.

(d) As used in this Act, the term "redevelopment area" refers to any area within the United States which has been designated by the Secretary as a redevelopment area.

Annual Review of Area Eligibility

SEC. 402. The Secretary shall conduct an annual review of the eligibility of all areas designated or under consideration for designation in accordance with section 401 of this Act, and on the basis thereof may terminate or modify the designations of such areas in accordance with objective standards which he shall prescribe by regulation. No area previously designated shall retain its designated status unless it maintains a currently approved overall economic development program in accordance with subsection 202(b) (10). No termination of eligibility shall (1) be made without 30 days' prior notification to the area concerned, (2) affect the validity of any application filed, or contract or undertaking entered into, with respect to such area pursuant to this Act prior to such termination, or (3) prevent any such area from again being designated a redevelopment area under section 401 of this Act if the Secretary determines it to be eligible under such section. The Secretary shall keep the departments and agencies of the Federal Government, and interested State or local agencies, advised at all times of any changes made hereunder with respect to the classification of any area.

Part B—Economic development districts

SEC. 403. (a) In order that economic development projects of broader geographical significance may be planned and carried out, the Secretary is authorized—

(1) to designate appropriate "economic development districts" within the United States with the concurrence of the States in which such districts will be wholly or partially located, if—

(A) the proposed district is of sufficient size or population, and contains sufficient resources, to foster economic development on a scale involving more than a single redevelopment area;

(B) the proposed district contains two or more redevelopment areas;

(C) the proposed district contains one or more redevelopment areas or economic development centers identified in an approved district overall economic development program as having sufficient size and potential to foster the economic growth activities necessary to alleviate the distress of the redevelopment areas within the district; and

(D) the proposed district has a district overall economic development program which includes adequate land use and transportation planning and contains a specific program for district cooperation, self-help, and public investment and is approved by the State or States affected and by the Secretary;

(2) to designate as "economic development centers," in accordance with such regulations as he shall prescribe, such areas as he may deem appropriate, if—

(A) the proposed center has been identified and included in an approved district overall economic development program and recommended by the State or States affected for such special designation;

(B) the proposed center is geographically and economically so related to the district that its economic growth may reasonably be expected to contribute significantly to the alleviation of distress in the redevelopment areas of the district; and

(C) the proposed center does not have a population in excess of two hundred and fifty thousand according to the last preceding Federal census;

(3) to provide financial assistance in accordance with the criteria of sections 101, 201, and 202 of this Act, except as may be herein otherwise provided, for projects in economic development centers designated under subsection (a) (2) above, if—

(A) the project will further the objectives of the overall economic development program of the district in which it is to be located;

(B) the project will enhance the economic growth potential of the district or result in additional long-term employment opportunities commensurate with the amount of Federal financial assistance requested; and

(C) the amount of Federal financial assistance requested is reasonably related to the size, population, and economic needs of the district;

(4) subject to the 20 per centum non-Federal share required for any project by subsection 101(c) of this Act, to increase the amount of grant assistance authorized by section 101 for projects within redevelopment areas (designated under section 401), by an amount not to exceed 10 per centum of the aggregate cost of any such project, in accordance with such regulations as he shall prescribe, if—

(A) the redevelopment area is situated within a designated economic development district and is actively participating in the economic development activities of the district; and

(B) the project is consistent with an approved district overall economic development program.

(b) In designating economic development districts and approving district overall economic development programs under subsection (a) of this section, the Secretary is authorized, under regulations prescribed by him—

(1) to invite the several States to draw up proposed district boundaries and to identify potential economic development centers;

(2) to cooperate with the several States—
(A) in sponsoring and assisting district economic planning and development groups, and

(B) in assisting such district groups to formulate district overall economic development programs.

(c) The Secretary shall by regulation prescribe standards for the termination or modification of economic development districts and economic development centers designated under the authority of this section.

(d) As used in this Act, the term "economic development district" refers to any area within the United States composed of cooperating redevelopment areas and, where appropriate, designated economic development centers and neighboring counties or communities, which has been designated by the Secretary as an economic development district.

(e) As used in this Act, the term "economic development center" refers to any area within the United States which has been identified as an economic development center in an approved district overall economic development program and which has been designated by the Secretary as eligible for financial assistance under sections 101, 201, and 202 of this Act in accordance with the provisions of this section.

(f) There is hereby authorized to be appropriated not to exceed \$50,000,000 annually for financial assistance extended under the provisions of subsections (a) (3) and (a) (4) hereof.

(g) In order to allow time for adequate and careful district planning, subsections (a) and (f) of this section shall not be effective until one year from the date of enactment.

TITLE V—REGIONAL ACTION PLANNING COMMISSIONS

Establishment and Coordination

SEC. 501. (a) The Secretary is authorized to invite and encourage the several States to establish appropriate multi-State Regional Action Planning Commissions for the purpose of—

(1) advising and assisting him in the identification of optimum boundaries for multi-State economic development regions,

(2) initiating and coordinating the preparation of long-range overall economic development programs for such regions,

(3) fostering surveys and studies to provide data required for the preparation of specific plans and programs for the development of such regions,

(4) advising and assisting him and the States concerned in the initiation and coordination of economic development districts, in order to promote maximum benefits from the expenditure of Federal, State, and local funds,

(5) promoting increased private investment in such regions,

(6) preparing legislative and other recommendations with respect to both short-range and long-range programs and projects for Federal, State, and local agencies, and

(7) receiving, reviewing, and commenting on all tentative plans or proposals concerning multi-State regional economic development, and transmitting such plans and proposals with appropriate comments and recommendations to the Secretary and the heads of other interested Federal and State agencies.

(b) As used in this Act, the term "region" refers to any area within the United States which includes two or more designated or potential economic development districts in two or more contiguous States.

(c) The State members of such Commissions shall be as determined and appointed by the Governors of the States concerned. The President shall appoint the Federal member or members of such Commissions, if any, who shall report through the Secretary and be compensated at a rate not in excess of that authorized by section 701(10) of this Act.

(d) The Secretary shall present such plans and proposals of the Commissions as may be transmitted and recommended to him (but are not authorized by any other section of this Act) first for review by the Federal agencies primarily interested in such plans and proposals and then, together with the recommendations of such agencies, to the President for such action as he may deem desirable.

(e) The Secretary shall provide effective and continuing liaison between the Federal Government and each regional Commission.

(f) Each Federal agency shall, consonant with law and within the limits of available funds, cooperate with such Commissions as may be established in order to assist them in carrying out their functions under this section.

Program Development Criteria

SEC. 502. In developing recommendations for programs and projects for future regional economic development, and in establishing within those recommendations a priority ranking for such programs and projects, the Secretary shall encourage each regional Commission to follow procedures that will insure consideration of the following factors:

(1) the relationship of the project or class of projects to overall regional development including its location in an area determined by the State to have a significant potential for growth;

(2) the population and area to be served by the project or class of projects including the relative per capita income and the unemployment rates in the area;

(3) the relative financial resources available to the State or political subdivisions or instrumentalities thereof which seek to undertake the project;

(4) the importance of the project or class of projects in relation to other projects or classes of projects which may be in competition for the same funds;

(5) the prospects that the project, on a continuing rather than a temporary basis, will improve the opportunities for employment, the average level of income, or the economic and social development of the area served by the project.

Regional Technical and Planning Assistance

SEC. 503. (a) The Secretary is authorized to provide to the Commissions technical assistance which would be useful in aiding the Commissions to carry out their functions under this Act and to develop recommendations and programs. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government, or through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants-in-aid to the Commissions. The Secretary, in his discretion, may require the repayment of assistance provided under this subsection and prescribe the terms and conditions of such repayment.

(b) For the period ending on June 30 of the second full Federal fiscal year following the date of enactment of this Act, the ad-

ministrative expenses of each Commission may be paid by the Federal Government on such terms and conditions as the Secretary may approve. Thereafter, not to exceed 50 per centum of such expenses may be paid by the Federal Government. In determining the amount of the non-Federal share of such costs or expenses, the Secretary shall give due consideration to all contributions both in cash and in kind, fairly evaluated, including but not limited to space, equipment, and services.

(c) There is hereby authorized to be appropriated \$15,000,000 annually for the purposes of this section.

TITLE VI—ECONOMIC DEVELOPMENT ADMINISTRATOR

Administrator for Economic Development

SEC. 601. There shall be appointed by the President, by and with the advice and consent of the Senate, an Administrator for Economic Development in the Department of Commerce, who shall receive compensation at the annual rate applicable to level V of the Federal Executive Salary Act of 1964. The Administrator shall perform such duties in the execution of this Act as the Secretary may assign.

Advisory Committee on Regional Economic Development

SEC. 602. The Secretary shall appoint a National Public Advisory Committee on Regional Economic Development which shall consist of twenty-five members and shall be composed of representatives of labor, management, agriculture, State and local governments, and the public in general. From the members appointed to such Committee the Secretary shall designate a Chairman. Such Committee, or any duly established subcommittee thereof, shall from time to time make recommendations to the Secretary relative to the carrying out of his duties under this Act. Such Committee shall hold not less than two meetings during each calendar year.

Consultation With Other Persons and Agencies

SEC. 603. (a) The Secretary is authorized from time to time to call together and confer with any persons, including representatives of labor, management, agriculture, and government, who can assist in meeting the problems of area and regional unemployment or underemployment.

(b) The Secretary may make provision for such consultation with interested departments and agencies as he may deem appropriate in the performance of the functions vested in him by this Act.

TITLE VII—MISCELLANEOUS

Powers of Secretary

SEC. 701. In performing his duties under this Act, the Secretary is authorized to—

(1) adopt, alter, and use a seal, which shall be judicially noticed;

(2) hold such hearings, sit and act at such times and places, and take such testimony, as he may deem advisable;

(3) request directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics needed to carry out the purposes of this Act; and each department, bureau, agency, board, commission, office, establishment, or instrumentality is authorized to furnish such information, suggestions, estimates, and statistics directly to the Secretary;

(4) under regulations prescribed by him, assign or sell at public or private sale, or otherwise dispose of for cash or credit, in his discretion and upon such terms and conditions and for such consideration as he shall determine to be reasonable, any evidence of debt, contract, claim, personal property, or

security assigned to or held by him in connection with loans made or evidences of indebtedness purchased under this Act, and collect or compromise all obligations assigned to or held by him in connection with such loans or evidences of indebtedness until such time as such obligations may be referred to the Attorney General for suit or collection;

(5) further extend the maturity of or renew any loan made or evidence of indebtedness purchased under this Act, beyond the periods stated in such loan or evidence of indebtedness or in this Act, for additional periods not to exceed ten years, if such extension or renewal will aid in the orderly liquidation of such loan or evidence of indebtedness;

(6) deal with, complete, renovate, improve, modernize, insure, rent, or sell for cash or credit, upon such terms and conditions and for such consideration as he shall determine to be reasonable, any real or personal property conveyed to, or otherwise acquired by, him in connection with loans made or evidences of indebtedness purchased under this Act;

(7) pursue to final collection, by way of compromise or other administrative action, prior to reference to the Attorney General, all claims against third parties assigned to him in connection with loans made or evidences of indebtedness purchased under this Act. This shall include authority to obtain deficiency judgments or otherwise in the case of mortgages assigned to the Secretary. Section 3709 of the Revised Statutes, as amended (41 U.S.C. 5), shall not apply to any contract of hazard insurance or to any purchase or contract for services or supplies on account of property obtained by the Secretary as a result of loans made or evidences of indebtedness purchased under this Act if the premium therefor or the amount thereof does not exceed \$1,000. The power to convey and to execute, in the name of the Secretary, deeds of conveyance, deeds of release, assignments and satisfactions of mortgages, and any other written instrument relating to real or personal property or any interest therein acquired by the Secretary pursuant to the provisions of this Act may be exercised by the Secretary or by any officer or agent appointed by him for that purpose without the execution of any express delegation of power or power of attorney;

(8) acquire, in any lawful manner, any property (real, personal, or mixed, tangible or intangible), whenever deemed necessary or appropriate to the conduct of the activities authorized in sections 201, 202, 301, 403, and 503 of this Act;

(9) in addition to any powers, functions, privileges, and immunities otherwise vested in him, take any and all actions, including the procurement of the services of attorneys by contract, determined by him to be necessary or desirable in making, purchasing, servicing, compromising, modifying, liquidating, or otherwise administratively dealing with or realizing on loans made or evidences of indebtedness purchased under this Act;

(10) employ experts and consultants or organizations therefor as authorized by section 15 of the Administrative Expenses Act of 1946 (5 U.S.C. 55a), compensate individuals so employed at rates not in excess of \$100 per diem, including travel time, and allow them, while away from their homes or regular places of business, travel expenses (including per diem in lieu of subsistence) as authorized by section 5 of such Act (5 U.S.C. 73b-2) for persons in the Government service employed intermittently, while so employed; *Provided, however,* That contracts for such employment may be renewed annually;

(11) sue and be sued in any court of record of a State having general jurisdiction or in any United States district court, and jurisdiction is conferred upon such district court to determine such controversies without regard

to the amount in controversy; but no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against the Secretary or his property. Nothing herein shall be construed to except the activities under this Act from the application of sections 507(b) and 2679 of title 28, United States Code, and of section 367 of the Revised Statutes (5 U.S.C. 316); and

(12) establish such rules, regulations, and procedures as he may deem appropriate in carrying out the provisions of this Act.

Savings Provisions

SEC. 702. (a) No suit, action, or other proceeding lawfully commenced by or against the Administrator or any other officer of the Area Redevelopment Administration in his official capacity or in relation to the discharge of his official duties under the Area Redevelopment Act, shall abate by reason of the taking effect of the provisions of this Act, but the court may, on motion or supplemental petition filed at any time within twelve months after such taking effect, showing a necessity for the survival of such suit, action, or other proceeding to obtain a settlement of the questions involved, allow the same to be maintained by or against the Secretary or the Administrator or such other officer of the Department of Commerce as may be appropriate.

(b) Except as may be otherwise expressly provided in this Act, all powers and authorities conferred by this Act shall be cumulative and additional to and not in derogation of any powers and authorities otherwise existing. All rules, regulations, orders, authorizations, delegations, or other actions duly issued, made, or taken by or pursuant to applicable law, prior to the effective date of this Act, by any agency, officer, or office pertaining to any functions, powers, and duties under the Area Redevelopment Act shall continue in full force and effect after the effective date of this Act until modified or rescinded by the Secretary or such other officer of the Department of Commerce as, in accordance with applicable law, may be appropriate.

Transfer of Functions and Effective Date

SEC. 703 (a) The functions, powers, duties, and authorities and the assets, funds, contracts, loans, liabilities, commitments, authorizations, allocations, and records which are vested in or authorized to be transferred to the Secretary of the Treasury under section 29(b) of the Area Redevelopment Act, and all functions, powers, duties, and authorities under section 29(c) of the Area Redevelopment Act are hereby vested in the Secretary.

(b) Any appropriations available to the Secretary for the purposes of the Area Redevelopment Act on or after the date of enactment of this Act shall be available for the purposes of this Act.

(c) In the event that the Administrator required by this Act to be appointed by and with the advice and consent of the Senate shall not have entered upon office on the effective date of this Act, the President may designate a person to act in such office until the office is filled as provided in this Act or until the expiration of the first period of sixty days following said effective date, whichever shall first occur. While so acting such person shall receive compensation at the rate provided by this Act for such office.

(d) The provisions of this Act shall take effect upon enactment unless herein explicitly otherwise provided.

Separability

SEC. 704. Notwithstanding any other evidence of the intent of Congress, it is hereby declared to be the intent of Congress that if any provision of this Act, or the application thereof to any persons or circumstances, shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not

affect, impair, or invalidate the remainder of this Act or its application to other persons and circumstances, but shall be confined in its operation to the provision of this Act, or the application thereof to the persons and circumstances, directly involved in the controversy in which such judgment shall have been rendered.

Application of Act

SEC. 705. As used in this Act, the terms "State", "States", and "United States" include the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.

Annual Report

SEC. 706. The Secretary shall make a comprehensive and detailed annual report to the Congress of his operations under this Act for each fiscal year beginning with the fiscal year ending June 30, 1966. Such report shall be printed and shall be transmitted to the Congress not later than January 3 of the year following the fiscal year with respect to which such report is made.

Use of Other Facilities

SEC. 707. (a) To the fullest extent practicable in carrying out the provisions of this Act the Secretary shall use the available services and facilities of other agencies and instrumentalities of the Federal Government, but only with their consent and on a reimbursable basis. The foregoing requirement shall be implemented by the Secretary in such a manner as to avoid the duplication of existing staffs and facilities in any agency or instrumentality of the Federal Government. The Secretary is authorized to delegate to the heads of other departments and agencies of the Federal Government any of the Secretary's functions, powers and duties under this Act as he may deem appropriate, and to authorize the redelegation of such functions, powers and duties by the heads of such departments and agencies.

(b) Departments and agencies of the Federal Government shall exercise their powers, duties, and functions in such manner as will assist in carrying out the objectives of this Act.

(c) Funds authorized to be appropriated under this Act may be transferred, with the approval of the Director of the Bureau of the Budget, between departments and agencies of the Government, if such funds are used for the purposes for which they are specifically authorized and appropriated.

Appropriation

SEC. 708. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act. Appropriations authorized under this Act shall remain available until expended unless otherwise provided by appropriations acts.

Penalties

SEC. 709. (a) Whoever makes any statement knowing it to be false, or who willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any financial assistance under section 101, 201, 202, or 403 or any extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the Secretary, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

(b) Whoever, being connected in any capacity with the Secretary, in the administration of this Act (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to him or pledged or otherwise entrusted to him, or (2) with intent to defraud the Secretary or any other

body politic or corporate, or any individual, or to deceive any officer, auditor, or examiner, makes any false entry in any book, report, or statement of or to the Secretary, or without being duly authorized to refrain from employing, tendering any office or employment to, or retaining for professional services, any person who, on the date such assistance or any part thereof was rendered, or within one year prior thereto, shall have served as an officer, attorney, agent, or employee, occupying a position or engaging in activities which the Secretary shall have determined involve discretion with respect to the granting of assistance under this Act.

Prevailing Rate of Wage and Forty-Hour Week

SEC. 711. All laborers and mechanics employed by contractors or subcontractors on projects assisted by the Secretary under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a—5), and every such employee shall receive compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be. The Secretary shall not extend any financial assistance under section 101, 201, 202, or 403 for such a project without first obtaining adequate assurance that these labor standards will be maintained upon the construction work. The Secretary of Labor shall have, with respect to the labor standards specified in this provision, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 1332—15), and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c).

Record of Applications

SEC. 712. The Secretary shall maintain as a permanent part of the records of the Department of Commerce a list of applications approved for financial assistance under section 101, 201, 202, or 403, which shall be kept available for public inspection during the regular business hours of the Department of Commerce. The following information shall be posted in such list as soon as each application is approved; (1) the name of the applicant and, in the case of corporate applications, the names of the officers and directors thereof, (2) the amount and duration of the loan or grant for which application is made, (3) the purposes for which the proceeds of the loan or grant are to be used, and (4) a general description of the security offered in the case of a loan.

Records and Audit

SEC. 713. (a) Each recipient of assistance under this Act shall keep such records as the Secretary shall prescribe, including records which fully disclose the amount and the disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance is given or used, and the amount and nature of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient that are pertinent to assistance received under this Act.

Conforming Amendment

SEC. 714. All benefits heretofore specifically made available (and not subsequently revoked) under other Federal programs to persons or to public or private organizations, corporations, or entities in areas designated

by the Secretary as "redevelopment areas" under section 5 of the Area Redevelopment Act, are hereby also extended, insofar as practicable, to such areas as may be designated as "redevelopment areas" or "economic development centers" under the authority of sections 401 or 403 of this Act; provided, however, that this section shall not be construed as limiting such administrative discretion as may have been conferred under any other law.

Mr. MORSE. Mr. President, I ask unanimous consent that my name be added as a cosponsor of the bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOUGLAS. Mr. President, the Senator from Alaska [Mr. GRUENING], has also asked that his name be added as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GRUENING. Mr. President, I heartily join in the bill sponsored by the Senator from Illinois and the Senator from Michigan. I think it is essential, if the war on poverty is to succeed, if our economy is to be developed, that there be jobs. This proposed legislation, which I am glad to cosponsor, is necessary and long overdue.

The Great Society so earnestly sought by President Johnson lies in the future. To achieve it, we must rally behind the leadership of the President and aid him in every possible way to achieve for the people of the United States of America not only his dream but what has become, in addition, our dream. In this work, the President will find me at his side.

But just as the Great Society lies in the future there are tasks which must be performed in the present. And the greatest of all these tasks is that of providing jobs for our unemployed men and women. That cannot wait. A man must earn money to support his wife and children today. That cannot wait.

It is for this reason that I am glad to see that the President's proposed program includes an accelerated public works program. I applaud him for that recommendation. It is what I have been recommending for many years now—in this Congress and in the 88th Congress.

Early in this session I introduced S. 110 to increase the amount authorized to be appropriated for the accelerated public works program by \$1.5 billion. That bill has also been referred to the Senate Public Works Committee and was cosponsored by the able and distinguished senior Senator from West Virginia [Mr. RANDOLPH] and the distinguished senior Senator from Texas [Mr. YARBOROUGH]. I hope that when the measure which has just been introduced by the Senator from Illinois [Mr. DOUGLAS], and the Senator from Michigan [Mr. McNAMARA], is called up for hearings; my bill, S. 110, will be called up for hearings at the same time.

I ask unanimous consent that there be printed at the conclusion of my remarks; the statement and insertions I made on January 7, 1965, when I introduced my bill, S. 110, to increase the amount authorized for the accelerated public works program.

There being no objection, the matters were ordered to be printed in the RECORD, as follows:

AN IMMEDIATE ACCELERATED PUBLIC WORKS PROGRAM WOULD ACHIEVE MANY OBJECTIVES OF THE PRESIDENT'S PROGRAM

Mr. GRUENING. Mr. President, one of the basic goals enunciated by the President in his admirable and forceful state of the Union message Monday night was stated by him as follows: "We seek full employment opportunity for every American."

I commend the President for the establishment of full employment as the No. 1 goal of the Nation. That is as it should be. Nothing can be more distressing than the plight of a breadwinner seeking employment and being unable to find it. Such an individual is not interested in high levels of gross national product or in total numbers of employed. He is interested in securing employment so that he can provide for his family adequately and decently.

In the past I have spoken out repeatedly of the need for immediate action to relieve the distress in the many—far too many—pockets of serious and chronic unemployment in the United States. I know whereof I speak, for my own State of Alaska has for years now suffered in this manner. And suffered sorely. It still suffers, and ways must be found to alleviate the immediate need while fighting the war against poverty on a more permanent and lasting scale.

I was pleased to note the President's words that "special funds for job-creating public programs should be made available for immediate use if recession threatens." But here I hope that the word "recession" will not be given too narrow a construction. The chronically idle, in a pocket of severe unemployment in an otherwise prosperous State, are not threatened by a recession. The recession is already upon them. They are not concerned with statewide or nationwide averages or in industrywide statistics. All they know is that they are unemployed and cannot find—and have for some time been unable to find—employment, however diligently they may seek it.

A persistent unemployment rate of over 5 percent is not a healthy sign, however glowing the other economic statistics may be. Those other statistics are scant comfort to those comprising the more than 5 percent unemployed.

What is needed is an immediate revival of the accelerated public works program which has exhausted all its funds, even though there are at least \$700 million worth of sound public works projects ready to go.

Testifying before the Senate Committee on Public Works last March, Mr. Andrew J. Bie-miller, on behalf of the AFL-CIO stated:

"The overriding economic challenge to the United States today is jobs—jobs for the unemployed, jobs for those who are displaced daily by the advance of automation, jobs for the flood of newcomers entering the labor force. This is beyond dispute.

"Equally beyond dispute is that fact that public works programs have proved to be a most effective weapon for creating jobs—good jobs on needed public facilities of permanent worth.

"Therefore it would be a tragedy to allow the accelerated public works program to die. It is the conviction of the AFL-CIO that this job-creating program—which also provides vitally needed public facilities of lasting worth—should be both extended and strengthened.

"We are advised that there are on file already, here in Washington, some \$800 million in such projects which were submitted after all the authorized Federal funds, under the 1962 act, had been committed. This is despite the fact that, as early as January 1963, Federal officials discouraged the submission of further requests because it was apparent that the number on hand exceeded the funds available.

"It is unquestionable, then, that a vast number of equally worthy and equally needed projects remain which have never been submitted. There is no doubt that there is work to be done; all that is lacking is the wherewithal to do it.

"We know that this committee, which worked so hard on behalf of the original public works acceleration program 2 years ago, is fully aware of the need. We urge your prompt approval of an extension of the existing program, backed by a Federal appropriation of \$2 billion."

With these remarks, I agree.

During the 88th Congress, I introduced an amendment to the Accelerated Public Works Act to increase the amount authorized to be appropriated. A bill (S. 1856) to authorize an additional appropriation of \$1.5 billion—slightly smaller than the one I proposed—was reported favorably by the Senate Committee on Public Works, but was not acted on by the Senate as a whole.

To meet a serious, immediate need, I am introducing on behalf of myself and the able senior Senator from West Virginia [Mr. RANDOLPH] who has labored so diligently to combat unemployment, a bill to increase the amount authorized under the accelerated public works program by \$1.5 billion. I ask unanimous consent that this bill lie at the table for 10 days and that its text, as well as the full testimony of Mr. Biemiller and the committee report on S. 1856, be printed in full at the conclusion of my remarks.

The PRESIDENT pro tempore. Without objection, the bill will be received and appropriately referred; and, without objection, the bill will lie on the table as requested by the Senator from Alaska, and will be printed in the RECORD.

The bill (S. 110) to increase the amount authorized to be appropriated to carry out the provisions of the Public Works Acceleration Act, introduced by Mr. GRUENING (for himself and Mr. RANDOLPH), was received, read twice by its title, referred to the Committee on Public Works, and ordered to be printed in the RECORD, as follows:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3(d) of the Public Works Acceleration Act (Public Law 87-658; 76 Stat. 542) is hereby amended to read as follows:

"(d) There is hereby authorized to be appropriated not to exceed \$2,400,000,000 to be allocated by the President in accordance with subsection (b) of this section, except that not less than \$800,000,000 shall be allocated for public works projects in areas designated by the Secretary of Commerce as redevelopment areas under subsection (b) of section 5 of the Area Redevelopment Act." Appropriations made pursuant to this authorization after the date of enactment of this sentence shall remain available until expended."

The testimony of Mr. Biemiller and the committee report on S. 1856 are as follows:

"STATEMENT OF ANDREW J. BIEMILLER, DIRECTOR, DEPARTMENT OF LEGISLATION, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS, BEFORE THE COMMITTEE ON PUBLIC WORKS OF THE SENATE OF THE UNITED STATES, MARCH 11, 1964

"Mr. Chairman, my name is Andrew J. Biemiller. I am director of the department of legislation of the AFL-CIO and I am appearing here today on behalf of that organization.

"We are here to support the continuation of the Public Works Acceleration Act, and to endorse the purposes of S. 1856, introduced by Senator McNAMARA.

"But our appearance is not only merely a pro forma expression of approbation for a generally desirable piece of legislation. We are here because in our view this program is an essential element in the broad and varied campaign that must be undertaken to insure

the security of the Nation, at home and abroad.

"The overriding economic challenge to the United States today is jobs—jobs for the unemployed, jobs for those who are displaced daily by the advance of automation, jobs for the flood of newcomers entering the labor force. This is beyond dispute.

"Equally beyond dispute is that fact that public works programs have proved to be a most effective weapon for creating jobs—good jobs on needed public facilities of permanent worth.

"Yet the accelerated public works program is now expiring. Unless the Congress moves quickly, the 200,000 jobs it is currently providing will vanish. This must not happen.

"When this committee conducted hearings on the Public Works Acceleration Act almost 2 years ago, the AFL-CIO testified to its great importance as a means of providing jobs and creating public improvement of long-term worth. Experience has verified that testimony. The benefits of the program are unquestionable. But the need is as great today as when the program was initially proposed.

"The tax cut hopefully will prevent, this year, an economic downturn and the sharp rise in unemployment it would bring. However, as the AFL-CIO executive council recently pointed out, 'There is no sound basis for anticipating anything more than a small reduction of joblessness in 1964. By next year, the economic stimulus of the tax cut will be wearing out—with the possibility of a renewed upward movement of unemployment.'

"Let us frankly face the facts about unemployment in the United States.

"1. Unemployment has been in a rising trend for 10 years—up from 1.9 million, or 2.9 percent of the labor force, in 1953 to 4.3 million, or 5.7 percent of the labor force, in 1963.

"2. There were fewer full-time jobs in private, profitmaking business last year than there were 10 years ago.

"3. Unemployment actually increased more than 150,000 in 1963—a year of general prosperity for most Americans—despite a \$30 billion rise in total national production.

"4. America's job needs are accelerating. While productivity continues to increase at a rapid pace, with the spread of automation, the growth of the labor force is also speeding up—from an average of 900,000 a year in the last decade to an expected 1.4 million a year during the remainder of the 1960's.

"The growth of unemployment over the last 10 years, and its persistence even during years of so-called boom, is statistically demonstrated by the table attached to this testimony. This problem is far more serious than most Americans realize. The waste of manpower, the loss of personal income and dignity, the sharpening of labor-management and race relations conflicts, the tremendous social costs are greater than the Nation can safely endure for long. And without decisive action on many fronts, these costs will mount.

"In 1963, a record production year, an average of 4.2 million Americans were unemployed and 2.3 million additional workers were compelled to work part-time because full-time jobs were not available. Moreover, an estimated 1.5 to 2 million people had given up seeking work; people who want to work, people who would return to the labor force if jobs became available again.

"In order to achieve and sustain reasonably full employment in the United States more than 4 million new job opportunities must be created each year through the remainder of the 1960's, or more than 80,000 jobs every week.

"It would be a dangerous illusion to believe that the tax cut, or any other single measure,

could alone achieve this goal. Nor will any amount of wishful thinking achieve it. What the Nation needs is action, not just one action but many.

"Therefore it would be a tragedy to allow the accelerated public works program to die. It is the conviction of the AFL-CIO that this job-creating program—which also provides vitally needed public facilities of lasting worth—should be both extended and strengthened.

"Since President Kennedy signed the Public Works Acceleration Act in September 1962, thousands of workers in areas of substantial unemployment have gone back to work building public facilities of long-term value. Additional thousands have been at work providing material and equipment for those construction projects. At a time like the present, when the private sector of the economy is failing to utilize the Nation's full manpower and production resources, this is an unsurpassed way to put people to work and, at the same time, permanently enrich the Nation.

"Let me summarize the record:

"All of the \$880 million in Federal funds made available by the Congress under this act have now been committed. As a matter of fact, by January 1963—more than a year ago and after the program had been in effect for less than 4 months—the backlog of project requests already exceeded the \$900 million originally authorized for this program by the Congress.

"The \$280 million ultimately appropriated is helping to finance about half of the cost of nearly 8,000 projects in more than 3,000 communities where unemployment is most severe. These projects are not only putting people to work; they are also helping to create the basis for future economic growth and well-being.

"These 8,000 job-creating projects are public investments of enduring value. They include about 1,200 badly needed water supply improvement and expansion projects, about 650 waste treatment works, about 600 sewer projects, and over 300 new public buildings such as fire and police stations, courthouses, and libraries. In addition, they include over 500 long-needed health and recreation projects, 1,150 street and road improvements, and 1,650 conservation and natural resource undertakings.

"These projects, on completion, will not only have generated 220,000 more years of work in onsite employment and in the production of materials and supplies. In addition, many of the facilities made possible by the program—like airports, libraries, water purification plants, and hospitals—will establish permanent jobs.

"When State and local matching funds are added to the \$880 million Federal outlay, the total adds up to almost \$1¼ billion in important public improvements. Had it not been for the Public Works Acceleration Act, these improvements would not be under construction; the manpower and industrial resources they are using would otherwise have remained idle.

"Within the next month or two the peak job impact of these projects will be reached. Thereafter, the number of jobs will quickly dwindle as the projects are completed. This I repeat, would be a tragedy.

"A tremendous backlog of essential public works still exists in areas of substantial unemployment. If the act is extended, these job-creating projects will move forward, providing employment for thousands of workers. If the act is not extended, most of this backlog of projects will remain on the shelf.

"We are advised that there are on the file already, here in Washington, some \$300 million in such projects which were submitted after all the authorized Federal funds, under the 1962 act, had been committed. This

is despite the fact that as early as January 1963, Federal officials discourage the submission of further requests because it was apparent that the number on hand exceeded the funds available.

"It is unquestionable, then, that a vast number of equally worthy and equally needed projects remain which have never been submitted. There is no doubt that there is work to be done; all that is lacking is the wherewithal to do it.

"As the recent report of the Committee on Public Works of the House of Representatives pointed out in urging continuation of the accelerated public works program:

"It would be unrealistic to expect these huge backlogs to be eliminated in the immediate future, but it would be even more unrealistic to ignore the urgency of accelerating our efforts to meet these needs. The accelerated public works program is directing the economic potential of our idle resources toward that goal."

"The value of the Public Works Acceleration Act to the jobless, to the communities that are obtaining lasting improvements, and to the Nation as a whole has been clearly demonstrated. At its recent constitutional convention, the AFL-CIO unanimously voiced its support for the extension of that act and for an additional authorization of \$2 billion in order to increase its job-creating impact. Our proposed authorization is \$500 million higher than the amount proposed by S. 1858.

"A Federal effort of this magnitude, plus the supplemental State and local matching funds, would stimulate almost \$4 billion in construction projects, at the right time and in the right places. Moreover, according to U.S. Department of Labor studies, this \$4 billion outlay would directly create about 400,000 badly needed jobs in onsite construction and in the production and distribution of building materials and equipment. What is more, as these funds are spent by working people and businesses, another 200,000 to 400,000 jobs would be created indirectly. These jobs that America badly needs.

"In a sense, Mr. Chairman, what we are talking about is one avenue toward the implementation, at long last, of the Employment Act of 1946.

"The tax cut, just signed into law, is one such avenue. But it is only one of the many that are required. The Public Works Acceleration Act of 1962 was another; it must not now be closed.

"We in the AFL-CIO are deeply convinced that the principles of the Employment Act of 1946—committing the Federal Government to use its resources to reach and sustain maximum production, employment, and purchasing power in the United States—are more important today than they were when the law was passed.

"They can no longer be honored more in the breach than in the observance. The unprecedented growth in the American work force, the mounting impact of automation, confront us with an employment problem which few envisioned a decade and a half ago.

"We must solve these problems, for even more compelling reasons than could then be seen. The economic strength of this country is no longer a matter of concern to Americans alone; it will determine the future of freedom on earth.

"We know that this committee, which worked so hard on behalf of the original public works acceleration program 2 years ago, is fully aware of the need. We urge your prompt approval of an extension of the existing program, backed by a Federal appropriation of \$2 billion.

"This is not a time for half measures, or even three-quarter measures; the need is immediate and growing, and it can be met only by imaginative, decisive action."

Years	The unemployed		Long-term unemployed			
	Number of jobless	Percent of labor force	Jobless 15 weeks or more		Jobless 27 weeks or more	
			Number	Percent of total unemployment	Number	Percent of total unemployment
1953	1.9	2.9	211,000	11.3	72,000	4.2
1954	3.6	5.6	812,000	22.7	317,000	8.9
1955	2.9	4.4	703,000	24.2	336,000	11.6
1956	2.8	4.2	533,000	18.9	232,000	8.2
1957	2.0	4.3	580,000	19.1	239,000	8.1
1958	4.7	6.8	1,482,000	31.0	667,000	14.2
1959	3.8	3.5	1,040,000	27.3	571,000	15.0
1960	3.9	5.6	956,000	24.3	454,000	11.5
1961	4.8	6.7	1,532,000	31.9	504,000	16.7
1962	4.0	5.0	1,119,000	27.9	585,000	14.6
1963	4.2	5.7	1,068,000	26.1	553,000	13.3

Source: U.S. Department of Labor.

ACCELERATED PUBLIC WORKS PROGRAM

(Report together with individual views)

The Committee on Public Works, to whom was referred the bill (S. 1856), to increase the amount authorized to be appropriated to carry out the provisions of the Public Works Acceleration Act, having considered the same, report favorably thereon with amendment and recommend that the bill as amended to pass.

The amendment is indicated in the bill as reported and is shown by italic.

Summary of the bill and amendment

S. 1856 would amend section 3(d) of the Public Works Acceleration Act to provide authorization of \$3,400 million inclusive of the original authorization of \$900 million, the increase of \$1,500 million to be available until expended. The new authorization contains the same formula of distribution as the original, providing one-third of the funds for areas designated under subsection 5(b) of Public Law 87-658.

LEGISLATIVE HISTORY OF PUBLIC LAW 87-658

The present accelerated public works program was generated from President Kennedy's desire to have standby authority to combat a recession before it might become fully developed. Among the arsenal of economic weapons devised for such a purpose, he requested authority from the Congress to commit \$2 billion in Federal funds for public works projects whenever unemployment reached a critical level as defined in the draft bill the President submitted to the Congress.

On February 19, 1962, President Kennedy in a letter to the Congress requested standby authority to commit \$2 billion in Federal funds to stimulate the economy whenever seasonally adjusted unemployment rates had risen 3 out of 4 or 4 out of 6 consecutive months by a total of at least 1 percentage point during that period, and whenever the President determined that use of the standby authority was necessary to realize the goals of the Full Employment Act of 1946.

Under the proposal, the President could, after determining that the requisite conditions existed, declare a 12-month "capital improvement acceleration period" during which he could commit, without further congressional approval, \$750 million in direct Federal expenditures previously authorized, \$750 million for grants-in-aid to State and local governments, \$250 million in loans to the States and localities, and \$250 million additional among the three categories.

The proposal called for automatic termination of the President's authority at the end of 12 months unless extended by Congress or previously terminated by the President. After a waiting period of months, he could declare another 12-month capital improvement acceleration period, commit another \$2 billion, and repeat the cycle without further limitation.

The \$750 million for grants-in-aid was to be used either to accelerate work on existing Federal-State grant projects, or initiate Federal grants for projects not otherwise eligible under existing statute.

Transmitted with the President's message was a draft bill—the Standby Capital Improvements Act of 1962—which was introduced in the House (H.R. 10318) on February 21, 1962, and in the Senate (S. 2965) on March 8, 1962.

On March 26, in letters to the House and Senate Public Works Committees, the President stated that the economy had not recovered as well as had been expected during the first months of 1962, and requested the Congress to amend H.R. 10318 to permit immediate commitment of \$600 million for capital improvement programs in areas designated for redevelopment under the Area Redevelopment Act of 1961, and areas which had an unemployment rate of over 6 percent for a year or longer.

The Senate Public Works Committee conducted hearings on April 12-13, 1962, and on April 25, 1962, reported, with amendments the administration bill (S. 2965, S. Rept. 1358) containing a \$2 billion standby authority and a \$600 million immediate acceleration program.

On May 28, 1962, the Senate passed an amended version of S. 2965, authorizing the President to spend \$750 million for immediate acceleration of public works projects in areas of heavy unemployment, and also authorizing appropriation after June 30, 1963, of \$750 million for a standby public works program.

The Senate measure provided that the standby authority could be triggered only when the adjusted unemployment rate had risen 1 percentage point over a 3- to 9-month period.

The House Public Works Committee conducted hearings from March 26 to April 6, 1962, on the administration bill (H.R. 10318) to authorize a \$2 billion standby program and a \$600 million immediate acceleration program, and a bill (H.R. 10113) to authorize a \$2 billion standby program and an Office of Public Works Coordination and Acceleration. On June 2, 1962, the House Public Works Committee reported, with amendments, H.R. 10113, authorizing appropriations of \$900 million for immediate acceleration of public works through both direct Federal projects and grants-in-aid to State and local governments. It also provided for an Office of Public Works Coordination and Acceleration, but no authority for a standby program.

The House passed H.R. 10113 on August 29, 1962, by a voice vote, authorizing appropriation of \$900 million for immediate acceleration of public works and deleting the provision for a special Office of Coordination and Acceleration. The House then vacated passage of H.R. 10113, amended S. 2965

to conform to the House-passed version, and substituted S. 2965 for H.R. 10113.

On September 10, 1962, the Senate agreed to the House amendments by a 45 to 22 roll-call vote and the bill was signed into law by President Kennedy on September 14, 1962. *Summary of Public Law 87-658 and implementing regulations*

The Public Works Acceleration Act includes specific provisions for designation of the areas eligible for accelerated public works projects, the requirements for State and local governments to participate, and the rules of equity to be followed by the Federal Government in approving the projects. Eligible areas, as defined in the statute, exist in each of the 50 States, in Puerto Rico, the Virgin Islands, Guam, and American Samoa.

The principal features of Public Law 87-658 are:

First, all designated redevelopment areas under sections 5(a) and 5(b) of the Area Redevelopment Act are eligible for accelerated public works assistance. (Sec. 5(a) areas are urban areas of high unemployment; sec. 5(b) areas are rural and semirural areas of high unemployment, underemployment and low income designated by the Secretary of Commerce, and all Indian reservations.) Also eligible are those areas designated by the Secretary of Labor as having had substantial unemployment for at least 9 of the preceding 12 months, substantial unemployment being defined as above 6 percent.

Second, Federal public works projects in eligible areas which have been authorized by the Congress can be initiated or accelerated.

Third, public works projects of State and local governments for which Federal financial assistance is authorized in other legislation can be initiated and accelerated. For such projects, grants up to 50 percent of the total cost are authorized, and up to 75 percent if the State or local government lacks the financial capacity to assume the full additional financial obligation.

Department of Commerce regulations have established firm and objective criteria for relating grants of above 50 percent to local financial capacity. Areas eligible for 58-percent grants are those with median family incomes between \$1,700 and \$1,800 per year or twice the national unemployment rate for 3 of the last 4 years.

Areas with median family annual incomes of \$1,600 to \$1,700 or twice the national unemployment rate for all of the last 4 years qualify for 66-percent grants.

Areas with median family incomes under \$1,600 per year or three times the national unemployment rate for all of the last 4 years are eligible for 75-percent grants. All of the 54 Indian reservations fall within this category.

The fourth main provision of the act declares that no State may receive more than 10 percent of the funds allocated, and no less than \$300 million of the \$900 million originally authorized must be allocated for the nonurban small labor market areas, low-income areas, and Indian reservations designated under section 5(b) of the Area Redevelopment Act. The new authorization of \$1,500 million recommended by the committee retains this formula of distribution, allocating an additional \$500 million to areas designated under section 5(b).

Fifth, adequate consideration must be given to relative needs of eligible areas, and criteria are established which the selected projects must meet. These criteria assure that projects—

(a) Can be initiated or accelerated within a reasonably short period of time, this period having been interpreted as within 120 days after the obligation of funds;

(b) Will meet an essential public need;

(c) Will have a substantial portion (51 percent) completed within 12 months after initiation;

(d) Will contribute significantly to the reduction of local unemployment;

(e) Are not inconsistent with locally approved comprehensive plans for the areas affected, where such plans exist.

It may be noted at this point that during the committee hearings testimony was submitted in criticism of the presumed failure of Federal administrative officials to fulfill two of the above five conditions. Evidence was received which would indicate that in certain instances, despite Department of Commerce requirements designed to assure the maximum employment of local labor, contractors have imported labor from outside the local labor market. Indications are that this may be due to the lack of requisite skills within the local labor market. However, the committee would urge administering officials to exert every effort to assure the employment of local labor, and to give particular priority to those qualified persons who have undergone the longest periods of unemployment.

The second criticism of administering of accelerated public works which was brought to the attention of the committee during its hearings was raised by the U.S. Chamber of Commerce in its attack upon recreation projects on the presumption that such projects fail to satisfy the condition of "essential public need." Representatives of the chamber declined to offer a systematic evaluation on any specific project on this ground, and their testimony was not supported by any of the local chambers of commerce or Government officials queried by the committee.

Hearings

The Special Subcommittee for Accelerated Public Works conducted hearings on S. 1121 and S. 1856 on December 10, 11, 12, and 13, 1963, and March 11, 12, and 13, 1964. During the 7 days of hearings the special subcommittee received testimony from more than 60 witnesses, including Members of the Senate and House of Representatives, elected officials from the great metropolitan areas, as well as from smaller cities and rural and semirural communities throughout the Nation, from labor, farm, and management organizations, and from scholars and economists.

The evidence adduced was overwhelmingly in support of the accelerated public works program as it has been administered and was in favor of an extension of the program under a new authorization.

The following tables and charts set forth the distribution of the \$880 million thus far appropriated and demonstrate the categories of projects for which the funds have been obligated.

Table I presents the allocation of funds among the departments and agencies, which material is also presented on a percentage basis (as of December 1, 1963) in chart I.

Chart II presents the distribution of funds among categories of projects (as of December 1, 1963); and table II presents the allocation of funds to the individual States (as of April 1, 1964).

Chart III offers a comparative representation of total allocations, the value of projects approved, and the value of funds put in place.

It should be noted with reference to the following charts that an amount in excess of \$12,800,000 has been allocated but will not be used on specific projects. Due to the appropriation period deadline and the failure of certain communities to fulfill their commitments, some funds were allocated which were not used and which were "returned" too late to be reallocated. These funds amounted to a lapse of \$8,900,000 from the

first appropriation of \$450 million and as of March 31, 1964, \$3,900,000 from the second appropriation. And it is expected that there will be additional funds lapsing from the second appropriation. It is for this reason that the committee has recommended amending the bill to provide that the funds be available until expended.

TABLES AND CHARTS

TABLE I.—Accelerated public works program—Allocation of funds

Agency	Amount (thousands)
A. Direct Federal projects:	
Agriculture	\$59,690
Interior	50,979
Commerce	15,570
Defense (Engineers)	10,450
General Services Administration	3,000
Post Office	2,950
Justice	1,800
Tennessee Valley Authority	800
Treasury (Coast Guard)	800
Veterans' Administration	350
Total, direct Federal projects	146,389
B. Grants-in-aid projects:	
Housing and Home Finance Agency	475,635
Health, Education, and Welfare	229,845
Interior	13,021
Agriculture	3,110
Commerce	2,845
Total, grant-in-aid projects	724,456
C. Administrative costs:	
Housing and Home Finance Agency	5,600
Commerce	1,325
Health, Education, and Welfare	1,195
Interior	485
Agriculture	400
Labor	150
Total, administrative costs	9,155
D. Grand total:	
Direct Federal projects (16.6 percent)	146,389
Grant-in-aid projects (82.4 percent)	724,456
Administrative costs (1.0 percent)	9,155
Total (100 percent)	880,000

(Chart I and II omitted from printing.)

TABLE II.—Number, estimated accelerated public works cost, and man-months of on-site employment, by States, accelerated public works projects approved through Apr. 1, 1964

State	Number of projects	Estimated cost (thousands)		Estimated on-site man-months ¹
		Accelerated public works	Total	
Alabama	193	\$27,135	\$59,910	33,556
Alaska	66	7,684	12,691	7,191
Arizona	83	9,417	10,569	12,295
Arkansas	291	17,491	35,286	22,820
California	264	31,939	59,066	32,820
Colorado	57	3,575	5,242	3,413
Connecticut	55	7,392	16,229	7,978
Delaware	18	1,131	3,083	2,047
Florida	108	15,313	31,848	17,088
Georgia	203	17,005	34,665	19,849
Hawaii	9	2,733	6,097	3,366
Idaho	106	6,404	8,293	6,466
Illinois	226	21,675	40,339	23,515
Indiana	121	12,499	26,576	14,605

Footnotes at end of table.

TABLE II.—Number, estimated accelerated public works cost, and man-months of on-site employment, by State accelerated public works projects approved through Apr. 1, 1964—Continued

State	Number of projects	Estimated cost (thousands)		Estimated on-site man-months ¹
		Accelerated public works	Total	
Iowa.....	3	\$551	\$855	628
Kansas.....	12	953	1,928	835
Kentucky.....	339	45,060	102,720	60,169
Louisiana.....	177	32,096	73,739	39,297
Maine.....	55	4,614	12,719	7,582
Maryland.....	39	3,531	8,355	4,834
Massachusetts.....	103	21,240	49,403	23,746
Michigan.....	714	67,538	140,254	85,613
Minnesota.....	290	14,998	25,306	22,949
Mississippi.....	168	13,873	29,317	18,760
Missouri.....	214	11,881	23,907	16,447
Montana.....	101	7,369	9,023	9,097
Nebraska.....	28	1,729	2,739	1,817
Nevada.....	13	1,020	1,140	1,070
New Hampshire.....	23	2,116	5,668	2,794
New Jersey.....	121	42,410	102,579	46,320
New Mexico.....	229	14,363	19,516	17,306
New York.....	209	36,295	77,763	40,316
North Carolina.....	228	20,749	43,098	27,155
North Dakota.....	22	1,335	1,608	1,868
Ohio.....	173	27,510	66,718	35,389
Oklahoma.....	222	18,515	33,597	21,720
Oregon.....	114	12,917	19,744	12,372
Pennsylvania.....	512	81,759	169,563	87,409
Rhode Island.....	43	12,438	38,222	18,525
South Carolina.....	162	11,108	28,125	18,678
South Dakota.....	25	2,111	2,432	2,691
Tennessee.....	161	21,451	48,080	28,730
Texas.....	184	24,437	49,958	28,774
Utah.....	108	7,218	10,847	8,598
Vermont.....	13	1,399	3,578	1,765
Virginia.....	61	5,491	10,258	7,181
Washington.....	190	15,425	26,067	16,130
West Virginia.....	307	43,020	78,053	43,051
Wisconsin.....	202	9,171	20,779	14,543
Wyoming.....	43	2,415	3,553	3,121
American Samoa.....				
Guam.....	2	134	160	166
Puerto Rico.....	345	29,525	43,335	25,793
Virgin Islands.....	■	724	1,008	875
Total.....	7,762	851,882	1,741,598	1,011,123

¹ Estimated months of employment for the HHFA-CFA projects were computed by ARA on the basis of the latest data available from BLS studies of construction costs for various types of public works projects.

(Chart III omitted from printing.)

GENERAL STATEMENT

The committee has addressed the two main arguments advanced against the authorization of new funds for accelerated public works, the first of these being predicated on the assumption that the stimulus of the income tax reduction will reduce unemployment sufficiently, without an additional investment in public works projects. A corollary to this argument is the presumption that the Congress—by voting for the tax

reduction—pledged itself against enacting other legislation to stimulate the economy. In this regard, the committee would draw attention to President Kennedy's plea when recommending the original program as a further Federal effort " * * * to provide useful work for the unemployed and underemployed, and to help these and other hard-pressed communities, through improvement of their public facilities, to become better places to live and work."

Thus, it is evident to the committee that neither in its conception nor in its design has the accelerated public works program been justified solely as a countercyclical economic measure. It has been designed and administered to provide additional employment and improved community facilities in those areas of greatest economic and social need. Despite the progress achieved to date, the conditions of excessive unemployment and community need still prevail in some 1,300 areas comprising one-third of the Nation.

Acknowledged the full economic stimulus of the tax reduction that its proponents claim, this will be a necessary though not a sufficient condition for fulfillment of the needs of the 1,300 designated areas of greatest distress.

Speaking with reference to the multiplicative effect of the tax cut, Senator PAUL H. DOUGLAS, chairman of the Joint Economic Committee, informed the Special Subcommittee on Accelerated Public Works that the \$10 billion tax cut could create an additional stimulus of \$35 billion and employ "something over 2 million people." However, stated Senator DOUGLAS, " * * * this is a general demand and the accelerated public works is a rifeshot increase in demand in the areas where it is most needed."

Referring to production and employment trends during the past 15 years, Dr. Leon Keyserling, former Chairman of the President's Council of Economic Advisers under President Truman, pointed out to the special subcommittee that: "The true level of unemployment or the full-time unemployment as officially recorded, has increased about 50 percent over 5 years, or 100 percent over 10 years. [and] we face the alarming prospect of another 50-percent increase over 5 years, or doubling over 10 years, under the impact of policies now in being, and under active consideration."

Other witnesses, taking an even more pessimistic view of the employment effect of the tax cut, referred to the prospect of additional technological unemployment growing from the plant modernization which will be stimulated by the tax cut.

In summary, it is the view of the committee that neither the tax cut nor other domestic programs now in being or submitted

to the Congress are a substitute for filling the precise needs toward which the accelerated public works program is oriented.

The second major criticism against the accelerated public works program has been leveled against the inaccuracy of the early estimates of on-site employment. Overestimates of on-site employment were acknowledged by administrative officials as a result of their failure to anticipate the degree of prefabricated work involved in some construction projects. However, the committee was also informed of a corresponding increase of off-site employment over the early estimates, and in summation, Dr. Johannes U. Hoeber, Acting Deputy Administrator for Public Works Acceleration, declared that: "As far as we know at this time, our estimate that the entire \$880 million program, when completed, will generate 220,000 man-years of on-site and off-site employment should come very close to what the program will actually produce."

The committee has also taken note of the fact that these estimates do not include the permanent employment created directly by the new facilities and the indirect employment created in industries which are dependent upon some of the facilities constructed.

In the former category, for example, are the thousands of permanent hospital jobs created by the construction of new hospital and clinical facilities. As of March 1964, 256 hospital and nursing home projects had been assisted under the accelerated public works program with a total Federal expenditure of \$102 million and a total expenditure from all sources of \$253 million. According to the American Hospital Association, it requires approximately \$25,000 investment for each new hospital bed, and hospitals require an average of 2.8 employees for each bed served. Thus, the \$253 million in hospital and nursing home projects represents approximately 10,000 new hospital beds and 28,000 new permanent jobs, many of which are of a highly skilled and technical nature. At approximately \$9,000 capital investment for each new job, this compares favorably with the general increase of \$15,000 to \$20,000 in the gross national product which is required for each new job.

For many of the individual communities, however, the most significant achievement of the accelerated public works program is in the construction of vital water and sewage facilities on which local industries depend. These facilities may mean the difference between whether a local industry leaves the community or remains and expands; thus, in many instances noted before the committee, specific accelerated public works projects have been the critical factors in providing for a viable local economy. Table III below presents several such examples.

TABLE III

Project No.	Location	Type	Grant	Employment effect
APW-Ga-17G.....	Sandersville, Ga.....	Water.....	\$61,000	} 2 new industries employing 74 persons result from these 2 projects.
APW-Ga-22G.....	do.....	Sewer.....	84,000	
APW-Ga-34G.....	Blairsville, Ga.....	Water and sewer.....	61,200	} 400 new jobs result from new shoe plant and pepper plant.
APW-Ga-38G.....	Sylvania, Ga.....	Water.....	30,000	
APW-Miss-5G.....	De Kalb, Miss.....	do.....	375,500	} 230 new jobs in new industrial area.
APW-SC-1G.....	Blaney, S.C.....	Water and sewer.....	175,000	
APW-Tenn-10GL.....	Camden, Tenn.....	Water.....	248,700	} 75 jobs in lumber industry saved.
APW-Tenn-19G.....	Big Creek Utility District, Tenn.....	do.....	640,000	
APW-Tenn-28G.....	Springfield, Tenn.....	do.....	173,500	} 250 new jobs.
APW-Ky-70GL.....	Quicksand Water District, Jackson, Ky.....	do.....	117,000	
APW-Wash-6G.....	Skagit County.....	Dam.....	418,000	} Water to industrial park made possible 200 new jobs with Genessee Shoe Co.
				} 400 new jobs.
				} 400 new jobs in 3 industries result from water to industrial park.
				} Water needed for University of Kentucky Wood Utilization Center to develop new uses for wood and long-term employment and for eastern Kentucky resource development project.
				} Made possible retention of 3 canneries otherwise forced to leave by poor water quality.

With reference to both categories of permanent employment mentioned above, it is evident that considerable benefits accrue from the accelerated public works program which are not revealed in the statistics of on-site employment created. Due to rather

stringent limitations established by the Congress for administrative costs of the program, the Area Redevelopment Administration has not been able to conduct impact studies to measure the extent of such benefits on a nationwide basis. Such studies would, how-

ever, be essential for an accurate assessment of the effect of the accelerated public works program on the national economy.

Backlog of unfilled needs

As noted earlier in this report, the Public Works Acceleration Act was signed by Presi-

dent Kennedy on September 14, 1962. Yet, within less than 4 months the applications for assistance to State and local projects surpassed the \$900 million authorization. In January 1963, it was announced that applications received after January 24, 1963, would not be processed except for those from high distress areas which qualified for grants in excess of 50 percent, applications from areas which had received nothing under the first appropriation or were newly designated, applications which had been filed earlier but with insufficient data, and applications for projects that balanced the program better than applications filed earlier.

Despite this official discouragement, as well as unofficial discouragement from many congressional offices, communities have continued to apply for accelerated public works assistance, with a present backlog, after obligation of all appropriated funds, in excess of \$700 million. Table IV presents a State-by-State summary of pending projects which would be eligible for assistance under a new authorization.

TABLE IV.—Estimated accelerated public works cost of pending projects as of May 20, 1964

State	Accelerated public works cost (thousands)
Alabama.....	\$12,620
Alaska.....	5,417
Arizona.....	4,011
Arkansas.....	9,117
California.....	22,987
Colorado.....	3,484
Connecticut.....	3,223
Delaware.....	1,138
Florida.....	17,758
Georgia.....	7,654
Hawaii.....	49
Idaho.....	246
Illinois.....	19,819
Indiana.....	4,954
Iowa.....	469
Kansas.....	3,775
Kentucky.....	29,884
Louisiana.....	22,023
Maine.....	960
Maryland.....	2,457
Massachusetts.....	27,748
Michigan.....	19,401
Mississippi.....	4,625
Missouri.....	7,386
Montana.....	6,429
Nebraska.....	2,517
Nevada.....	0
New Hampshire.....	2,315
New Jersey.....	36,903
New Mexico.....	7,024
New York.....	40,770
North Carolina.....	7,212
North Dakota.....	666
Ohio.....	20,884
Oklahoma.....	9,556
Oregon.....	5,342
Pennsylvania.....	96,561
Rhode Island.....	4,380
South Carolina.....	3,140
South Dakota.....	3,193
Tennessee.....	19,888
Texas.....	22,270
Utah.....	6,007
Vermont.....	1,450
Virginia.....	2,787
Washington.....	5,044
West Virginia.....	18,775
Wisconsin.....	6,764
Wyoming.....	1,053
American Samoa.....	
Guam.....	
Puerto Rico.....	27,975
Virgin Islands.....	100
Total.....	624,090
Pending projects for which specific data are not available.....	93,193
Total.....	717,283

It should be emphasized, however, that the preceding table does not accurately reflect the effective demand for Federal assistance on State and local projects. In view of the fact that applications were received prior to the announcement of January 1963, at an average volume of \$200 million per month, dropped to \$35 million a month and then

rose to \$113 million when the second appropriation of \$400 million was made, it is safe to infer that the present level of demand would increase markedly with the authorization of new funds.

Committee recommendations

The committee noted one particular problem in the administration of the accelerated public works program which is more appropriately the subject of administrative action than legislature. The practice of importing labor from outside the local labor market has occurred, to the committee's knowledge, in the States of Kentucky, Pennsylvania, and West Virginia, and there have doubtless been other instances not brought to the committee's attention. The committee acknowledges the high quality of administrative effort and the dedication of officials in charge of the accelerated public works program; yet we urge administration officials to exert every effort, by administrative procedure and by promulgation of new regulations, if necessary, to assure the maximum employment of local labor, with particular priority being given to the long-term unemployed and those who have exhausted their unemployment compensation benefits.

Committee views

It is the opinion of the committee that extension of the accelerated public works program by authorizing an additional \$1.5 billion will benefit the national economy and provide more adequate public facilities in hundreds of communities. In order to achieve full utilization of the funds appropriated the committee also recommends that the funds be available until expended. It therefore recommends enactment of the bill as amended.

Changes in existing law

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill as reported are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

"PUBLIC WORKS ACCELERATION ACT (76 STAT. 542)"

"SEC. 3. * * *

"(d) There is hereby authorized to be appropriated not to exceed [\$900,000,000] \$2,400,000,000 to be allocated by the President in accordance with subsection (b) of this section, except that not less than [\$300,000,000] \$800,000,000 shall be allocated for public works projects in areas designated by the Secretary of Commerce as redevelopment areas under subsection (b) of section 5 of the Area Redevelopment Act. *Appropriations made pursuant to this authorization after the date of enactment of this sentence shall remain available until expended.*"

INDIVIDUAL VIEWS OF SENATOR COOPER

The Public Works Acceleration Act established a good and helpful program, which has provided employment and assisted many worthwhile local development projects in the last 2 years. It has helped depressed communities, many of them rural, build the water and sewer systems which are necessary for the health of their people, and a condition for the establishment of almost any type of industry.

Following enactment of the tax cut, however, and at a time when additional expenditures will increase the deficit, we have the responsibility to limit spending authorizations to what is essential. For this reason, and because I want to see the accelerated public works program continued as long as it is needed to provide employment, I offered an amendment in the Special Senate Subcommittee for Accelerated Public Works, and also in the full Committee on Public Works,

to reduce from \$1.5 billion to \$900 million the additional authorization proposed by S. 1856. I will again offer my amendment when S. 1856 comes before the Senate.

The amount I propose—\$900 million—is the same as the amount originally authorized by the Public Works Acceleration Act, which proved acceptable to the Appropriations Committee and the Congress which must provide funds for this program. I do not wish to see the program lost because of requests for \$600 million more than the original authorization, or for more than can efficiently be used. I believe extension of the accelerated public works program we have had for the last 2 years is the reasonable course for the Congress to adopt at this time.

I hope the expansion of private industry will soon be able to take up the slack in unemployment—which is one of the chief purposes of the tax cut. But until it does, we must continue measures to help those who are out of work through no fault of their own.

I approve the recommendation of the committee, which I urged, that in administering the program strong efforts be made to provide maximum employment in the communities and areas for which projects are approved, and that priorities be established for those who have been longest out of work and have exhausted their unemployment compensation benefits.

With the adoption of my amendment, I can strongly support S. 1856 an extension of the accelerated public works program which is now providing jobs and useful public works in Appalachia, throughout Kentucky, and in hundreds of other areas throughout the country where unemployment is high and development projects can help build a better future.

JOHN SHERMAN COOPER.

MR. GRUENING. Mr. President, at this point, I wish to stress two points.

In his state of the Union message on Monday, President Johnson stressed the need for:

"New programs of help for basic community facilities and neighborhood centers of health and recreation;

"A new and substantial effort must be made to landscape highways and provide places of relaxation and recreation wherever our roads run.

"Within our cities imaginative programs are needed to landscape streets and transform open areas into places of beauty and recreation."

These are only a few of the many public needs stressed by the President in the satisfying of which an accelerated public works program can play an important part.

But, the question will be asked, where will the money come from? The President himself has reported that in the past year alone \$3½ billion in wasted Government expenditures have been eliminated. And, he went on, "I intend to do better this year."

I am asking, Mr. President, that less than one-half of this savings be expended on needed public works which may give needed, immediate employment to at least some of our unemployed.

Is this too much to ask?

IMPROVEMENTS TO THE GREAT LAKES-HUDSON RIVER WATERWAY

MR. JAVITS. Mr. President, I send to the desk a bill, on behalf of myself and my colleague from New York [Mr. KENNEDY] to authorize an additional appropriation of \$5 million for the completion of the improvements to the Great Lakes-Hudson River Waterway in the State of New York.

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HIGHLIGHTS: House Rules Committee cleared International Coffee Agreement bill.
House committee voted to report foreign aid bill. House passed Labor-HEW appropri-
ation bill. Reps. Findley and Dent inserted items critical of farm program.
Sen. Hartke introduced and discussed bill to broaden FHA emergency loans.

HOUSE

1. COFFEE. The Rules Committee reported a resolution for consideration of S. 701, to implement the International Coffee Agreement. pp. 9067, 9112
2. DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE, AND RELATED AGENCIES APPROPRIATION BILL, 1966. Passed as reported this bill, H. R. 7765 (pp. 9042-67). The bill includes funds for air and water pollution control activities by HEW.

3. FOREIGN AID. The Foreign Affairs Committee voted to report (but did not actually report) H. R. 7750, the foreign aid authorization bill. p. D352
Rep. Erlenborn criticized the foreign aid program and urged an investigation "into all activities of AID and AID reports to the Congress." pp. 9085
4. RECLAMATION. The Interior and Insular Affairs Committee reported with amendments H. R. 237, to make certain provisions in connection with the construction of the Garrison diversion unit, Missouri River Basin project (H. Rept. 282). p. 9112
5. FARM PROGRAM. Reps. Findley and Dent inserted items critical of the farm program. pp. 9098-9100, 9106-7
Rep. Andrews, N. Dak., urged additional efforts "to build a stronger agricultural economy for North Dakota." p. 9097
6. FARM LABOR. Rep. Cederberg stated there was a farm labor "crisis" in Mich. and urged the Department of Labor to take steps to assure additional workers for the harvesting of crops in the State. p. 9100
7. SMALL BUSINESS. Rep. Evins commended the observance of Small Business Week and the work of the Small Business Administration. pp. 9086-90
8. FOREIGN TRADE. Rep. Saylor inserted "the fifth of a series of documents demonstrating how foreign governments give preference to their own industry and labor in negotiating contracts for public works projects." pp. 9090-7
9. PERSONNEL; MANPOWER. Rep. Henderson commended Federal agencies for recent improvements in manpower management. p. 9111
10. AREA REDEVELOPMENT. Received from GAO reports on "overstatement of job opportunities estimated to be created in economically depressed area, Area Redevelopment Administration," and "possible need for clarification of statutory provision limiting the amount of Federal financial assistance to industrial or commercial projects, Area Redevelopment Administration." p. 9112

SENATE

11. COTTON. Sen. Russell, S.C., inserted a S. C. Legislature resolution urging Congress to "extend the one-price cotton program for the seasons of 1966 and 1967." p. 8966-7
12. ECONOMIC DEVELOPMENT. Sen. Randolph submitted an amendment to S. 1648, the proposed Public Works and Economic Development Act of 1965 which would "increase the authorization for public works matching funds from \$250 million annually to \$500 million." p. 8983
13. UNDER SECRETARY. Sen. Ervin commended Under Secretary Murphy "for his fine record and for his dedication as a public servant." pp. 8986-87
14. RESOURCE DEVELOPMENT. Sen. Bible inserted and commended an address by the president of the National Reclamation Association in which he discussed the participation of States and counties in utilization of natural resources and commended the Water Resources Research Act of 1964 and the Land and Water Conservation Fund Act of 1964. pp. 8998-9000

S. 1648

IN THE SENATE OF THE UNITED STATES

MAY 4, 1965

Referred to the Committee on Public Works and ordered to be printed

AMENDMENT

Intended to be proposed by Mr. RANDOLPH (for himself and Mr. BARTLETT, Mr. BASS, Mr. BAYH, Mr. BREWSTER, Mr. BYRD of West Virginia, Mr. CLARK, Mr. GORE, Mr. GRUENING, Mr. HARTKE, Mr. INOUE, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of New York, Mr. MCCARTHY, Mr. MCGOVERN, Mr. MONTOKA, Mr. MOSS, Mr. NELSON, Mrs. NEUBERGER, Mr. PASTORE, Mr. PELL, Mr. RIBICOFF, Mr. WILLIAMS of New Jersey, Mr. YARBOROUGH, and Mr. YOUNG of Ohio) to S. 1648, a bill to provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions, viz:

- 1 On page 7, line 1, delete "\$250,000,000" and insert
- 2 in lieu thereof "\$500,000,000".

AMENDMENT

Intended to be proposed by Mr. RANDOLPH (for himself, Mr. BARTLETT, Mr. BASS, Mr. BAYH, Mr. BREWSTER, Mr. BYRD of West Virginia, Mr. CLARK, Mr. GORE, Mr. GRUTENING, Mr. HARKE, Mr. INOUE, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of New York, Mr. MCCARTHY, Mr. MCGOVERN, Mr. MONTOMY, Mr. MOSS, Mr. NELSON, Mrs. NEUBERGER, Mr. PASTORE, Mr. PELL, Mr. RUBIOFF, Mr. WILLIAMS of New Jersey, Mr. YARBOROUGH, and Mr. YOUNG of Ohio) to S. 1648, a bill to provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

MAY 4, 1965

Referred to the Committee on Public Works and
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May 11, 1965

13. FOREIGN TRADE. Rep. Saylor inserted a study of the public purchasing policies of Australia, New Zealand, and South Africa. pp. 9843-55

SENATE

14. WOOL. Passed as reported S. 836, to amend the Wool Products Labeling Act of 1939 so as to authorize the Federal Trade Commission to exclude from the provisions of that act wool products with respect to which the disclosure of wool fiber content is not necessary for the protection of the consumer. p. 9770
15. ECONOMIC DEVELOPMENT. The "Daily Digest" states that subcommittee of the Banking and Currency Committee voted to report to the full committee "its views, together with supplemental views, on titles II and IV of S. 1648, proposed Public Works and Economic Development Act of 1965." p. D380
16. ELECTRIFICATION. Both Houses received from the Federal Power Commission a copy of a publication, "Hydroelectric Power Resources of the U. S. Developed and Undeveloped, 1964." pp. 9734, 9880
Senators Holland, Monroney and Young, N. Dak., paid tribute to the Rural Electrification Administration on its 30th anniversary. pp. 9743-4, 9746-51, 9772-5
17. WATER RESOURCES. Sen. McGovern inserted ten resolutions adopted by the Missouri River States Committee dealing with "resources matters before the Congress," including SCS and ACP funds. pp. 9792-3
18. AGRICULTURAL RESEARCH. Sen. Mundt commended agricultural research accomplishments in "finding new and expanded uses for agricultural products--thus providing the farmer new outlets for his crops--and the consumer new and improved products from farm crops," and inserted tables showing the "rapid increase in utilization research funds, and the relationship to gross farm income." pp. 9793-7

ITEMS IN APPENDIX

19. WATER RESOURCES. Rep. Brooks inserted the President's remarks at the dedication of the Sam Rayburn Dam in which he states that "No single resource is more important to us than water." p. A2287
20. FARM PROGRAM. Rep. Harvey inserted an article, "The Farm Program", which states that "of the big farm organizations the National Grange has given most support" to the President's omnibus farm bill. p. A2295
21. ELECTRIFICATION. Extension of remarks of Reps. Olson and Callan commending REA programs. pp. A2302-3, A2311-2
22. FARM LABOR. Extension of remarks of Rep. Talcott stating that "millions of dollars of crops are rotting in the fields" due to the shortage of farm labor and that "Small family farmers and large corporate farms are only one step away from bankruptcy." p. A2308

23. EXTENSION SERVICE. Extension of remarks of Rep. Stratton praising the agricultural extension service which has been built up in the past 10 years by the Cortland County (N. Y.) Extension Service and inserting an article summarizing the accomplishment of this Service. p. A2312

BILLS INTRODUCED

24. DISASTER RELIEF. H. R. 8060 by Rep. Patman, to amend the Small Business Act to provide additional assistance for disaster victims; to Banking and Currency Committee.
H. R. 8069 by Rep. Brademas, to provide additional assistance for areas suffering a major disaster; to Public Works Committee. Remarks of author pp. 9862-4
25. PUBLIC WORKS. H. R. 8063 by Rep. Saylor, to establish a new program of grants for public works projects undertaken by local governments in the United States; to Public Works Committee.
26. ANIMAL DISEASE. H. R. 8068 by Rep. Betts, to prevent for 5 years, the destruction of sheep exposed to the disease of scrapie; to Agriculture Committee.
27. EGGS. H. R. 8070 by Rep. Dow, to amend the Packers and Stockyards Act, 1921, as amended, to make the act applicable to egg dealers; to Agriculture Committee.
28. DAIRY PRODUCTS. H. R. 8072 by Rep. Olson, Minnesota, to make dairy products available for domestic and foreign programs; to Agriculture Committee.
29. POVERTY. H. Res. 378, by Rep. Celler, creating a select committee to conduct a study of the Office of Economic Opportunity; to Rules Committee.
30. RESEARCH. H. R. 8049 by Rep. Brown, California, to promote economic growth by supporting State and regional centers to place the findings of science usefully in the hands of American enterprise; to Interstate and Foreign Commerce Committee.
31. PERSONNEL. S. 1940 by Sen. Magnuson, to amend the act of July 8, 1940, relating to the transportation of the remains, families, and effects of Federal employees dying abroad, so as to restore the benefits of such act to employees dying in Alaska and Hawaii; to Commerce Committee. Remarks of author pp. 9736-7
32. BUILDINGS. S. 1941 by Sen. Magnuson, to provide for the alteration, maintenance, and repair of Government buildings and property under lease or concession contracts entered into pursuant to the operation and maintenance of Government-owned airports under the jurisdiction of the Administrator of the Federal Aviation Agency; to Commerce Committee. Remarks of author p. 9737
33. HOUSING. S. 1942 by Sen. Douglas, to assist in the provision of housing for low- and moderate-income families, to promote orderly urban development, to improve living environment in urban areas, and to extend and amend laws relating to housing, urban renewal, and community facilities; to Banking and Currency Committee. Remarks of author pp. 9737-42

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HIGHLIGHTS: Senate concurred in House amendments to International Coffee Agreement
11. House committee voted to report bill to expand poverty program. Sen.
Neuberger inserted Esther Peterson's letter opposing bill to curtail FPC authority
to regulate wholesale electric rates. Sen. Harris introduced and discussed bill to
revise fees and charges under Land and Water Conservation Act. Rep. Cooley
introduced cotton bill.

SENATE

1. COFFEE. By a vote of 61 to 19, concurred in the House amendments to S. 701,
to grant the President authority to carry out U. S. obligations under the
International Coffee Agreement and provide a limit of \$150,000 per fiscal
year on the U. S. contribution toward the cost of administration of the
agreement. The bill also provides that it shall not become effective until
the President makes a determination and reports to the Congress that, in his
judgment, it will not result in an unwarranted increase in coffee prices to
U. S. Consumers. This bill will now be sent to the President. pp. 10083-84

2. ELECTRIFICATION. Sen. Neuberger inserted the letter of Esther Peterson, Special Assistant to the President for Consumer Affairs, to the President for Consumer Affairs, to the Chairman of the Senate Commerce Committee opposing enactment of "S. 218, which would sharply curtail the Federal Power Commission authority to regulate wholesale electric rates and police the utility industry pp. 10067-8
 3. TOBACCO. Sen. Neuberger inserted an article on the danger of cigarette smoking, "Bronchial Ill Laid to Cigarette Tars." p. 10068
 4. UNDER SECRETARY. Sen. Bayh commended the public service of Under Secretary Murphy and his nomination to be chairman of the Civil Aeronautics Board. pp. 10059-60
 5. REORGANIZATION. Both Houses received the President's reorganization plan to consolidate the Weather Bureau and the Coast and Geodetic Survey to form a new agency in the Department of Commerce to be known as the Environmental Science Services Administration. pp. 10039-41, 10100-01
 6. BALANCE OF PAYMENTS. Sen. Muskie inserted a speech by Treasury Secretary Fowler reviewing the balance of payments situation. pp. 10069-73
 7. FORESTRY. Sen. Hruska commended efforts to reforest the Halsey National Forest Nebr., recently damaged by a forest fire. pp. 10057-8
 8. GOVERNMENT COMPETITION. Sen. Bennett urged enactment of legislation "to get the Government out of many business activities and to keep it out," and inserted an article in support of his position. pp. 10061-2
 9. VIRGIN ISLANDS. Received from GAO an audit report on the Virgin Islands Corporation for fiscal year 1964. p. 10041
 10. ECONOMIC DEVELOPMENT. The "Daily Digest" states that the Banking and Currency Committee "agreed to submit its views, to the Committee on Public Works on titles II and IV of S. 1648, proposed Public Works and Economic Development Act of 1965, which bill is presently pending before the Committee on Public Works. The views submitted by the committee will include certain suggested amendments to these titles of the bill." p. D393
 11. POSTAL COSTS. Received from the Post Office Department a cost ascertainment report for fiscal year 1964. p. 10041
- HOUSE
12. POVERTY. The "Daily Digest" states that the Education and Labor Committee "adopted H. R. 7861, to expand the war on poverty and enhance the effectiveness of programs under the Economic Opportunity Act of 1964 (a clean bill to be introduced in lieu thereof)." p. D395
 13. FOREIGN TRADE. Rep. Derwinski urged "a thorough review of all the implications of trading with Communist governments" and inserted an article, "The Campaign for United States-Soviet Trade." pp. 10101-5

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HIGHLIGHTS: Senate committee reported (on May 14) proposed Public Works and Economic Development Act. Both Houses received President's excise tax message. Rep. Rogers criticized proposed rule change affecting cotton planted in skip-row pattern. Rep. Callan commended Great Plains conservation program. Rep. Quie urged revision of resale formula for CCC wheat and feed grain stocks. Rep. Langen criticized allotment of sugar quota to Dominican Republic. Rep. Cleveland criticized proposed reduction in SCS appropriations.

SENATE

1. ECONOMIC DEVELOPMENT. The Public Works Committee reported with amendments (on May 14, during adjournment) S. 1648, the proposed Public Works and Economic Development Act of 1965 (S. Rept. 193). p. 10299

2. TAXES. Both Houses received the President's message on excise tax reduction (H. Doc. 173). pp. 10215-8, 10296-9

3. MEAT IMPORTS. Received a Minn. Legislature resolution urging enactment of legislation "which would cause all meat and meat products imported into the United States to be identified as such to the ultimate consumer of those products so that they may be compared to domestic products by the consumer on a fair and equitable basis." p. 10310
4. SOIL AND WATER CONSERVATION. Received a Fla. Legislature resolution urging Congress "to continue the long-established policy of providing technical assistance to soil and water conservation districts and their cooperating land owners and operators without requiring them to pay the Federal Government any portion of cost of such technical assistance." p. 10302
5. PLOWING CONTEST. Received a Minn. Legislature resolution urging the President to accept an invitation to attend the National Plow Matches at Waseca, Minn., on Sept. 17 and 18, 1965. p. 10204
6. PATENTS. Sen. McClellan announced that the Subcommittee on Patents, Trademark and Copyrights of the S. Judiciary Committee will hold hearings June 1 and 2 on S. 1809, S. 1899, and S. 1047, regarding the Government's patent policy. pp. 10305-6
Sen. Long, La., criticized the granting of private patent "monopolies to the results of research paid for by the public." pp. 10243-7
7. FORESTRY. Sen. Byrd, W. Va., commended, and inserted a speech commending, the development of the forestry resources of W. Va. pp. 10323-4
8. NOMINATIONS; EMPLOYMENT. Received the nominations of persons to be members of the Equal Employment Opportunity Commission. p. 10397
9. LOANS; WATER SUPPLY. Cosponsors were added to S. 1766, to authorize Farmers Home Administration loans for rural water supply and water systems. p. 10300
10. PERSONNEL; PAY. Both Houses received from the President a report prepared by Budget Bureau and the Civil Service Commission comparing Federal statutory salary rates with the salary rates paid in private enterprise for the same work levels. pp. 10293, 10300

HOUSE

11. TEXTILES. Passed as reported H.R. 806, to amend the Textile Fiber Products Identification Act to permit the listing on labels of certain fibers constituting less than 5 percent of a textile fiber product. pp. 10222-3
12. RECLAMATION. Passed as reported H. R. 6032, to authorize increased appropriations for the Mann Creek reclamation project, Idaho. p. 10224
13. TARIFFS. Passed under suspension of the rules H. R. 7969, to correct certain errors in the Tariff Schedules of the U. S. pp. 10225-35
14. TRADE FAIRS. Passed under suspension of the rules H. R. 4525, to continue authority to develop American-flag carriers and promote the foreign commerce of the U. S. through the use of mobile trade fairs. pp. 10247-8

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

MAY 14, 1965.—Ordered to be printed

Filed under authority of the order of the Senate of May 14, 1965

Mr. McNAMARA, from the Committee on Public Works, submitted the following

REPORT

[To accompany S. 1648]

The Committee on Public Works to whom was referred the bill (S. 1648) to provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions, and for other purposes, having considered the same report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are indicated in the bill as reported and are shown by linetype and italic.

PURPOSE

The purpose of S. 1648 as amended is to—

(1) Provide a means by which certain areas of the Nation which are lagging behind the general economic growth of the Nation can be helped to improve their physical and social structure and thereby stimulate economic growth.

(2) Make available both direct and supplementary grants to Government and non-Government nonprofit agencies in order to improve the physical resources of these lagging areas so as to increase opportunities to stimulate economic growth.

(3) Provide loans to Government and non-Government nonprofit agencies in order to make available funds needed as the required local share for public works grant-in-aid programs and the local share of funds necessary for grants for facilities related to area economic development needs.

(4) Provide loans to profit organizations for facilities, including equipment and machinery, and the guarantee of loans for working

capital purposes, in order to make it possible to expand economic development in areas qualifying under the act.

(5) Authorize the payment of 2 percent of the interest paid by private business organizations for loans obtained for the purpose of developing new economic activity, in qualifying areas, where such loans are neither Government nor Government guaranteed.

(6) Provide technical assistance to any area determined by the Secretary of Commerce to be in need of such assistance in planning or in working at preventing or alleviating conditions of excessive unemployment or underemployment.

(7) Provide grants to qualified economic development organizations for up to 75 percent of the cost of staff and administrative expenses for the purposes of economic development activities.

(8) Undertake research to determine the causes and means of solving chronic depression in various areas of the Nation.

(9) Provide technical information, market research, and other information and advice useful in preventing or alleviating unemployment or underemployment.

(10) Provide grants and loans and other forms of assistance to areas facing economic disaster as the result of the closing or curtailment of employment at a major source of employment in an area in advance of such closing or curtailment.

(11) Encourage the establishment of multicounty development districts so that grants and loans can be utilized for broader geographic application and thus help depressed areas by linking them with more healthy areas.

(12) Encourage the establishment of multistate economic development regions where applicable criteria are met, and provide such regions with funds to establish development commissions including up to 100 percent of administrative and staff costs.

(13) Create an Assistant Secretary of Commerce and an Administrator for Economic Development to assist the Secretary to direct and supervise the Federal cochairmanships to be established for the regional commissions and implement this act.

(14) Provide technical assistance to economic development regions in order to develop programs to be approved by Congress for area improvement on a multistate basis.

THE NEED FOR A PUBLIC WORKS AND ECONOMIC DEVELOPMENT PROGRAM

The President in his economic report to the Congress said:

that the state of our economy is excellent; that the rising tide of our prosperity, drawing new strength from the 1964 tax cut, is about to enter its fifth consecutive year; that with sound policy measures, we can look forward to uninterrupted and vigorous expansion in the year ahead.

The economy is responding vigorously to the policies of this administration. Unemployment has, on an overall national basis, steadily declined. The gross national product has risen to new heights. Personal and corporate income records have been broken. Business activity is in a general state of expansion.

But as the Joint Economic Committee said in its 1965 report:

* * * new records in our economic statistics are not enough. The economy's performance must be measured against its potentials—that is against what it is capable of doing now, not what it actually did some time in the past.

Thus we are faced with unfinished tasks. There is unemployment and poverty in this Nation. There are regions and areas which have not shared in the general level of prosperity. In addition, more than 1 million potential workers are joining the work force each year in the face of technological advances which depress the demand for workers in many fields. Our citizens are concentrating more and more in urban centers, seeking to live in those places where opportunity appears to be the greatest, leaving behind the places of their birth.

There have been a number of legislative acts designed to provide the means to bring the total economy's performance up to its potential, to eliminate poverty, to provide full employment. But these acts are incomplete without provision for economic assistance to those areas not sharing in the general level of prosperity.

As the 1965 Joint Economic Report stated:

Although economic expansion benefits most of the Nation by providing more incomes and jobs, it passes by some regions of the country. Moreover, the technological changes accompanying growth have overtaken cities, communities, and even whole regions.

The full potential of the Nation's economy cannot be realized as long as there exist numerous areas where the economic growth rate is substantially behind the national average. Thousands of unemployed or underemployed persons congregated in limited geographic areas do not fully utilize the social capital investment made in these areas, and require a public expenditure for maintenance of individuals. As a result, instead of contributing to the total public good, these areas detract from National welfare and prosperity.

The matter is further complicated, as many witnesses appearing before the committee noted, by the fact that once an area is bypassed, its chances of recovery diminish as the tax base diminishes, its people begin to move out, investment evaporates, commercial activity dies out, community services and facilities become inadequate, and inertia sets in.

And there can be no stigma attached to an area falling into a depressed situation. As Prof. William H. Miernyk, director of the Bureau of Economic Research at the University of Colorado's Institute of Behavioral Science told the committee:

The case for a strong regional development program has been made by President Johnson in his "Message on Area and Regional Economic Development." Such a program is essential if the attack on pockets of unemployment and localized poverty is to be successful. There would be a need for such a program even if the national rate of unemployment were much lower than it has been for the past decade * * * even in economies which have been able to maintain adequate levels of overall demand regional employment problems continue to crop up due to shifts in population, technological change, shifts in demand, changing trade patterns, and other

economic changes which in general benefit the national economy but at times create new problems for specific localities or regions.

Areas whose prosperity depends upon a particular natural resource or a specific industry will decline as the resource is depleted or technology adversely affects the industry.

Other areas that were self-sufficient in previous decades even though at low standards of living no longer can remain isolated and are dependent upon their relationship with the entire community whether that community be a level area, a State, or even a multi-State region. These areas cannot hope to share in general economic growth because they generally are without the community facilities, education, and health services needed to make the area economically viable.

President stated in his "Message on Area and Regional Economic Development":

A growing nation cannot afford to waste those resources, human and natural, which are now too often neglected and unused in distressed areas. We cannot afford the loss of buying power and of national growth which flow from widespread poverty.

More than 35 million persons live in the areas and regions which initially meet the criteria for a redevelopment area or a region suffering substantial unemployment or underemployment.

As of April 1, 1965, population in redevelopment areas was:

Basis for designation	Number	Population (in millions)
5(a) areas (unemployment)	138	20.6
5(b) areas (except Indian reservations)	833	14.8
5(b) Indian reservation areas (under employment and low incomes)	54	.2

One of the most significant handicaps that these bypassed areas must cope with is the loss of population. The latest available statistics shows the 1950-60 population trend in ARA areas as designated in late 1962.

Redevelopment areas	Number of areas	Total population (in millions)	Percent of change
5(a) counties	240	21.0	+8.4
5(b) counties	657	11.4	-3.0
Balance of United States	2,235	146.5	+22.1
U.S. total	3,132	179.3	+18.5

Thus the areas of persistent unemployment lagged seriously behind the national population growth rate. The underemployed areas suffered a net loss. But even these figures fail to tell the whole story. During the decade of 1950-60, some 74 percent of the 5(b) counties showed population declines, and over 60 percent of these had declines of more than 10 percent. In the same period, some 50 percent of the 5(a) (urbanized) counties showed population declines and, of these, 50 percent had declines over 10 percent.

And who moves out? Generally it is the young people seeking better opportunity and those who can afford to move. What happens? The tax base is reduced below the critical level at which the existing scale of community institutions can be sustained. The result? Tax investments in the form of public facilities deteriorate or fail to be available for supporting new economic growth, and tax money from other areas must be provided in the form of welfare and unemployment assistance.

The testimony and data accumulated by the committee demonstrates that economically disadvantaged areas must improve the physical resources which a free enterprise society depends upon for economic growth. Without these facilities, commercial and industrial activity cannot flourish. It also has been demonstrated that economic stimulation by loans to private industrial and commercial enterprises is needed to reverse the existing trends.

PRESENT U.S. EFFORTS IN ECONOMIC DEVELOPMENT

The Congress recognized in the mid-1950's that steps would have to be taken to help localities which were suffering from economic dislocation. Modern technology, particularly since the end of World War II, and changing patterns of living were pointing up trouble spots in the U.S. economy.

The effects of these changes were manifest in long-term decline and underdevelopment of particular areas and general cyclical unemployment throughout the national economy. The first step taken was the adoption of the Area Redevelopment Act in 1961 which was designed to provide technical assistance, facilities grants and loans, and industrial and commercial loans to areas afflicted with persistent underemployment or unemployment problems.

A little more than a year later, the Congress adopted the Public Works Acceleration Act which as designed to create immediate employment through the construction of useful and needed public works.

Still another year later, the Administration, concerned over the slow response of the areas in the Appalachian region to the stimulus of ARA and APW, initiated a new approach. Rather than county-by-county planning and development, it decided to approach the problem of economic dislocation in the Appalachian area on a multistate regional basis and, this year, Congress adopted the first economic recovery program aimed at providing a lift to physical resources on a multistate regional basis.

Initially, some 1,100 areas were declared eligible for Area Redevelopment Act assistance.

In the first 2 years, unemployment in the designated areas fell from 10.4 to 8.7 percent while some areas improved to the point of being removed from the designated list. Last year the improvement accelerated, leading to the removal of a larger number of areas from the list.

But the value of the Area Redevelopment Act cannot be measured only in its aid to designated areas. As Secretary of Commerce John Connor testified:

We have also learned that there are substantial benefits for other areas when economic development begins in a depressed area. For example, a recent survey of the sources of nearly

\$52 million worth of machinery and equipment purchased for certain major Area Redevelopment Administration projects showed the significant portions of that total expenditure went to each of 45 different States.

In its 4 years, the Area Redevelopment Administration has made more than \$170 million in low-interest business loans and provided nearly \$100 million in loans and grants for public facilities and some \$45 million for technical assistance and training.

The Area Redevelopment Act program as of January 31, 1965, had approved a total of 548 industrial and commercial and public facility projects, which will result in the creation of more than 115,000 direct and directly related jobs. A total of 1,883 projects of all types—public facility, industrial and commercial, technical assistance, and training—had been approved involving a Federal expenditure of \$302,740,000.

From all the data and testimony presented to the committee, the Area Redevelopment Act, despite its experimental nature, has provided a positive benefit to the Nation and must be considered a successful innovation.

Even more successful was the APW program which provided a total of 7,711 projects with \$842,629,000 in 2 years. Of these, 6,050, or more than 78 percent, have been completed.

The committee does not consider the charge that APW benefits were overstated a valid basis for criticism. The program was designed to create immediate short-term employment and to accelerate the construction of needed public works under existing programs. It did just that, with a distinct net gain for the total U.S. economy.

The Appalachian approach is the least tried. The act is only now beginning to implement the program planned over the last year. But the experience gained from the organization and planning of the Appalachian program has provided guidelines which should prove valuable in attempting to aid other such regions.

GENERAL STATEMENT

S. 1648, the Public Works and Economic Development Act of 1965, was transmitted to the Congress by the President on March 31 and introduced in the Senate April 1. It was referred to the Committee on Public Works which previously has considered accelerated public works legislation, the Appalachian regional development legislation, and general public works programs.

Since the proposed measure included, as well as public works matters, a commercial and industrial loan program similar to that in the Area Redevelopment Act program, the committee decided it would be beneficial to obtain guidance in these matters from the Committee on Banking and Currency.

Accordingly, in an exchange of correspondence between the chairmen of the two committees, it was decided that the Committee on Banking and Currency would review titles II and IV of the proposed measure, holding such hearings as it deemed appropriate in order to advise the Committee on Public Works on the language in the bill.

Subsequently, the Committee on Public Works held 6 days of public hearings on the bill, taking testimony from 58 witnesses and receiving 210 documents and communications.

It produced a compilation of documents on public works and economic development.

The Committee on Public Works did not limit its testimony to the public works portions of the bill even though it looked for advice from the Committee on Banking and Currency which has previously considered legislation on industrial and commercial loans.

The Committee on Banking and Currency referred to its Subcommittee on Production and Stabilization titles II and IV which held 4 days of public hearings taking testimony from 16 witnesses.

The subcommittee met May 11 in executive session to consider the two titles and the full committee met May 13 and forwarded to the Public Works Committee the communication attached.

While the Committee on Public Works reserved to itself the right to make such changes in the bill as it deemed beneficial to the legislation, it found itself in general accord with the majority position of the Committee on Banking and Currency and accepted the advice proffered.

COMMITTEE VIEWS

The experiment in economic development policy since 1961 has shown that redevelopment can be facilitated by public programs. Analysis of the experience also points the way for the next step to improve the effectiveness of Federal efforts.

First, the scale of assistance must be sufficient to make a significant impact on the economic structure of an area. Designation of too many areas reduces the possibility of providing aid sufficient for any area to break out of the circle of poverty. Aid must be concentrated where it is most needed and where it gives the greatest promise of producing self-sustaining recovery.

Second, regions to be aided, whether multistate or multicounty, should be large enough to provide a resource base for self-sustained growth and to support the full range of community services and public utilities. Yet they should not be so large that a considerable share of the aid fails to reach the communities in distress.

The present Area Redevelopment Act program is based upon a county or a labor market basis. In some cases these areas were too small while in others they were of appropriate size. Since the multicounty district approach is experimental, it should be aggressively tried but not to the detriment of appropriate small units.

The major lesson of the Federal activity in economic development in the past 4 years is an awareness of the interrelation of the basic weapons available to stimulate recovery. These are technical assistance, public works loans and grants, and industrial and commercial loans. These are to be applied in the traditional county or labor market area where appropriate, and to multicounty areas and multistate regions where beneficial results to the area and the Nation can be obtained.

Single-county aid should be provided where such aid is particularly advantageous to the area even if such county is in a multistate region. Regional works should be those which no county or group of counties can undertake without interstate cooperation.

The committee deems it most important that it be recognized that public works grants, both those directly related to a specific industry and those which only generally or indirectly serve industrial development, are basic to area recovery.

Unless the physical structure of an area is competent to provide the necessary public services to a community, it will be difficult for the area to take advantage of any unused resources which it has.

Technical assistance is vital to the proper identification of the needed physical development and resource utilization. But technical assistance should not be rigidly interpreted.

While most of the provisions in this measure are concerned with the recovery of stricken areas, the committee is equally desirous of providing means to prevent areas from becoming depressed.

The committee wishes to note that special monetary authorization for economic disaster was not provided. But the Secretary would be wise always to retain a sufficient reserve of unobligated funds in title I to meet the needs of a community facing a plant shutdown or other curtailment of unemployment. Further, technical assistance money should be available to provide the necessary staff and administrative expenses to move rapidly when a potential economic disaster is noted. The committee wishes to call attention to its specific comments on this matter under title IV.

The committee cannot emphasize strongly enough that this is an act to create new economic activity, new jobs. Little is served if it merely shifts jobs from one area to another.

The Secretary should exercise particular caution that the program is not misused by merely providing a means to transfer work.

The Secretary is expected to provide positive leadership in obtaining interagency cooperation in the development of plans for designated areas and to make use of other Federal agencies where it is appropriate and in the best interest of the program to do so. But the committee does not believe the program should be hamstrung by a requirement to delegate portions of the program which can be better coordinated within the Department of Commerce. The committee calls attention to its comments on this matter under title VII.

The committee notes the excellent suggestions developed by the Committee on Banking and Currency on the matter of cost benefit information. In line with those suggestions, the Committee on Public Works requests that the Department of Commerce investigate and report on the following matters.

1. Investigate and make an independent determination of what the appropriate indirect employment multiplier, or multipliers, ought to be to measure the number of indirect jobs created by projects financed under this program and the ARA program.

2. Make a study of the potential benefits of the ARA and new economic development program as compared to the costs to the national economy without such programs and further make estimates of—

- (a) Federal, State, and local tax revenues generated by projects assisted by ARA in the past and the proposed EDA program in the future and report regularly to the Congress on both these matters.

- (b) The savings in Federal, State, and local payments for welfare, unemployment compensation, relief and similar costs which have resulted from, and will result from projects assisted under the ARA in the past, and the EDA program in the future.

The Public Works Committee endorses the view of the Committee on Banking and Currency that the General Accounting Office has overlooked several important questions and issues in its concern over how ARA and APW funds were expended.

There is concern that GAO is according to itself too great a determination of what congressional intent is without asking for guidance from the appropriate committees. To apply rigid private banking policy standards to this program would be to defeat its purpose. The GAO should provide constructive criticism which would enable administering agencies to obtain the objectives of acts as stated by Congress.

The committee believes that this bill provides an improved program very much needed which will have substantial benefit to the entire Nation as it helps depressed areas help themselves. It urges adoption of the bill as amended.

MAJOR PROVISIONS OF THE BILL

TITLE I—PUBLIC WORKS AND DEVELOPMENT FACILITIES

The purpose of this title is to increase the amount of Federal funds being expended both for general improvement of the physical structure of an area and for specific improvements related to projected economic development. The committee believes that one of the greatest handicaps a community, area, or region can suffer when economically disadvantaged is the inability of its physical plant and public services to support existing industry, let alone new development.

"Indirect" as used in the language of this title in section 101, as well as in section 201 of title II, is meant to include those facilities which commercial and industrial development depend upon, but which are not necessarily related to a specific business enterprise.

For example, if a community has an inadequate sewage treatment plant it can hardly hope to induce industrial development which would further overload its disposal plant, thus creating a health and welfare problem.

This type of investment cannot adequately be measured in terms of jobs created. The purpose in this case is not the immediate employment gain, although that will be an additional benefit. The purpose is first to create public facilities that make a community attractive for economic growth, capable of supporting additional population and of making the most of its natural and human resources.

The grants are not limited to traditional public works but are meant to include physical properties which will have a bearing on industrial and commercial development.

Examples of projects

Examples of projects which should be eligible for grants under section 101 (as well as loans under sec. 201) on the basis of being directly related to economic development are waterworks and waterlines, sanitary and storm sewers, industrial parks, police and fire stations, research centers, tourism facilities, industrial streets and roads, waste treatment facilities, area vocational schools, airports, and watershed protection and flood prevention. This list is not meant to be exhaustive nor to imply that grants applied for under these examples need be related to a specific industrial or commercial project. They are not limited to serving one new customer although that could be a possibility. Prospects for industrial and commercial development will more likely follow after these projects are undertaken.

Examples of facilities which if indirectly related to economic development could be eligible for grants under section 101 (and loans under sec. 201) are streets primarily related to residential development, water and sewage facilities related to residential development, hospitals, vocational education facilities, community centers, and in some circumstances libraries and similar buildings.

Use of funds

The committee wishes to emphasize that the funds provided under this title for grants-in-aid are not to be merely substituted for funds available under existing programs. It would be contrary to the intent of this act if other Federal agencies cut back the amount of funds which would have gone to designated areas if these additional funds were not available. The General Accounting Office ought to be concerned that the intent of Congress in this respect is carefully followed. The funds here are to be considered additional to those which a designated area might obtain under other programs.

This is a major reason for providing supplementary grants in this bill in addition to the direct grants available. It is an important feature in this program over and above previous programs, that supplementary grants may be made for projects receiving basic grants under this bill, as well as under other programs. Thus the Secretary can make grants up to 80 percent of the cost of a direct grant project in areas of greatest need. These supplementary grants are expected to be used for projects in designated areas without regard to any limitation of other laws, except that in no case will the Federal share be greater than 80 percent. Where supplementary grants are made to direct Federal projects, such projects must have been previously authorized. Direct Federal projects which can be useful include, but are not limited to, watershed and flood prevention, water storage, and land improvement.

The committee particularly notes the grants can cover the cost of related equipment and machinery in development facility projects as well as in industrial and commercial projects.

The funds authorized under this title should be used for projects in eligible areas even if those areas are in established development regions, but they should not be used only for projects with regionwide impact. The same is true for development districts within regions. Projects of value to one county, community, or a group of counties should not be denied because of regional assistance being given under another program.

TITLE II—OTHER FINANCIAL ASSISTANCE

The Committee on Public Works has been guided by the advice of the Committee on Banking and Currency as to the matters in this title since that committee has had previous experience in drafting loan assistance legislation. However, the Committee on Public Works did hear testimony on and made its own evaluation of the content of the title in order to properly exercise its judgement. It finds that it is in strong accord with the position of the Banking and Currency Committee.

The Committee on Public Works strongly endorses the Banking and Currency Committee view that programs under title II are indispensable and inseparable from the other programs to be established

under the proposed legislation. There is no question that the construction of development facilities and public works contemplated under the grant program of title I will not have the intended effect unless we can also provide the necessary assistance to encourage the establishment or expansion of business enterprises.

The Committee on Public Works feels it is unwise to write into statutory language a limitation on the projects which could be undertaken under section 201, which would have the net effect of requiring the Secretary to demonstrate a definite relationship between the project and new permanent employment opportunities. The language of this report should be sufficient, and the expression of the views set out under "Major provisions, title I," applies equally to title II.

Though the pending measure does not address itself to the tax status of nonprofit business and industrial development corporations chartered for the purposes of enhancing the economic and social development of their respective areas, the committee considers it appropriate at this point to comment on the subject. Many such corporations have been organized to implement the goals of the Area Redevelopment Act of 1961, and it may be assumed that such organizations will continue to be established to further the purposes of the pending measure.

Such corporations, if appropriately organized, have been granted tax-exempt status under section 501(c) of the Internal Revenue Code, and it is the view of the committee that the aims of economic and social development of distressed areas would be advanced by making deductible for tax purposes the contributions of individuals and business organizations to such tax-exempt, nonprofit development corporations.

Direct loan program

The Committee on Public Works strongly endorses the statement of the Banking and Currency Committee on the direct loan program. The testimony before the Public Works Committee on the merit of this program was virtually unanimous.

Guarantees for working capital loans

This new feature of authority for the guarantee of 90 percent of the outstanding balance of working capital loans made to borrowers under section 202 is badly needed and clearly warranted. As the Committee on Banking and Currency notes:

Insufficient working capital is a major stumbling block in the establishment or expansion of private enterprises in the depressed areas, and by making it possible for private loans for this purpose to be guaranteed under the provisions of S. 1648, another major useful tool will be added to local economic development efforts.

However, the committee supports the recommendation of the Banking and Currency Committee that the Secretary of Commerce should issue regulations specifying maximums on interest rates to be charged to borrowers on any working capital loan to be guaranteed, and that these maximums should take into consideration the going market rates for similar loans in various sections of the United States. But this does not necessarily mean that a different rate need be charged in different sections of the country.

Section 202 also contains a method for promoting economic development in depressed areas, hitherto unused in this country. According to the Committee on Banking and Currency, this technique has been used effectively in similar programs in Europe. In effect, it is an interest rate reduction payment of 2 percent on the total borrowed cost of new plant, buildings, machinery, and equipment, for those borrowers who are able to secure the necessary funds from non-Government sources, on condition that they agree to establish or expand their operations within an eligible area.

We are advised by the Committee on Banking and Currency that considerable support was expressed for this proposal and that the Committee on Banking and Currency strongly endorses this proposal.

The Committee on Public Works accepts this view but asks that the program be considered experimental and therefore not a precedent. It also asks that the Secretary maintain a constant vigilance to insure that the program is accomplishing its intended purpose and does not become a means of subsidy to private lenders without public benefit.

The intended purpose, as presented by the Committee on Banking and Currency, is to permit more private capital to participate in the program to aid distressed areas, and it would attract stronger firms to consider the advantages of expanding into places which might otherwise be overlooked.

Machinery and equipment loan assistance

The committee agrees that the maturity of the machinery and equipment loans should normally be related to the estimated useful life of the machinery or equipment. We note that the Area Redevelopment Administration, in its Policy Guideline No. 19, sets forth criteria governing the maturity of machinery and equipment assistance. The committee concurs with that policy and expects that it will be continued under the new program.

Local share of project cost

The Committee on Public Works notes that S. 1648 reduces the community share of the project cost from 10 to 5 percent with provision for a waiver of the 5-percent requirement where all or part of the necessary funds are not reasonably available to the project. The Committee on Banking and Currency endorses this and the Committee on Public Works supports this endorsement.

This committee also supports the conclusion of the Committee on Banking and Currency relative to the sources of these funds. The Area Redevelopment Administration placed no limitation on the extent to which a borrower could provide funds to the local development corporation, as long as the local corporation was broadly controlled and had made a bona fide community fundraising effort. The Comptroller General has taken exception to this interpretation of the act, and he also recommended that the committee clarify the conditions under which the proposed 5-percent requirement may be waived.

We support the belief expressed by the Committee on Banking and Currency that the ARA interpretation was reasonable.

We believe that applicants should be permitted to participate along with the rest of the community to whatever extent is necessary in assisting the local economic development effort.

We further believe that in addition to allowing applicants to participate in community fundraising efforts generally, it is wise to permit the Secretary to enable them or other available sources to supply the entire community share directly to the project where it cannot otherwise be obtained. To do otherwise, as the Secretary of Commerce pointed out, would be to risk denying the assistance available under this program to the very communities which need it the most.

Previously acquired assets

The committee joins the Committee on Banking and Currency in its concern with the Comptroller General's suggestion that the 65-percent limitation on direct Federal loans should specifically apply to new capital expenditures required for a project, rather than to the total cost of the project to the applicant, which might occasionally include previously acquired assets. It has been the policy of ARA not to prohibit the inclusion of previously acquired land and facilities as part of aggregate project cost where it can be shown that the overall project will have a substantial economic impact on the area and the project cannot otherwise be completed. We are advised that in the past ARA further limited the inclusion of such assets as a noncash contribution to the project cost, to facilities which were so physically related to the prospective acquisition or construction as to create, in connection therewith, an interdependent or integrated economic function.

In view of the fact that a major purpose of the act is to encourage expansions of existing industries, in which a local entrepreneur may have already invested all of his available capital, and in which he has a proportionate net worth, we believe that the existing policy of ARA in this matter is reasonable, and that previously acquired assets should be allowed to be included as a part of aggregate project cost. However, the value of the facilities which would be included ought to be limited to a conservatively appraised net value determined on the basis of an appraisal by a disinterested party.

Uniform interest charges

A question arose in the hearings as to whether or not the Secretary ought to have the discretion to charge different rates of interest to different borrowers. The difficulties of exercising discretion on this matter in the face of the extensive pressures which would be involved are enormous. We believe that a uniform rate of interest ought to be charged to all borrowers under section 201 and under section 202, although that rate of interest may be adjusted periodically.

Prohibition against relocation

The committee in discussing the general purpose of the act expressed its strong belief that no value is gained by shifting existing work from one area to another under this program. The grants and loans provided for in S. 1648 should be used to expand our job market. Thus the Secretary should make every effort to determine that assistance is not extended under this act so as to result in a transfer of work or a relocation of facilities. It has long been a recognized policy of the Government to preclude the use of Federal funds in any form for assisting the relocation of industries, or plants, or work from one locality to another, or for financing subcontractors who relocate for the purpose of transferring jobs previously performed in another area by other subcontractors or contractors.

The Secretary's task in administering this portion of the act will be difficult at best. The intention here is that economic development should not be used as a guise to obtain Federal assistance in order to obtain a competitive advantage that provides no general benefit to the Nation.

The Public Works and Economic Development Act of 1965 is not intended to authorize the use of Federal funds for grants, loans, guarantees, subsidies, purchases of indebtedness, or assistance of any kind for programs, projects, facilities, or purchases to be used by or for highly mobile, intensely competitive industries, such as the apparel or garment trades within the textile industry, in which substantial unemployment and abnormal unused plant capacity exists, and in which labor turnover is high and the prior possession of a specific skill or training is not typically a prerequisite for obtaining employment. The act is not intended to give a competitive advantage to one area over another where it would lead to industrial dislocation.

TITLE III—TECHNICAL ASSISTANCE, RESEARCH, AND INFORMATION

The committee believes that technical assistance is a major tool in aiding areas to develop self-help toward economic growth, and it endorses the variety of studies undertaken under the area redevelopment program. But technical assistance should not be limited to studies on the use of resources or to the identification of the types of economic development which a community should undertake.

The committee has amended the proposed bill so that technical assistance may include the undertaking of training programs as well as studies. Further, it believes that some communities will be handicapped by the lack of project design and advanced planning funds. Therefore funds provided under this title should be used for such purposes when they are not normally or immediately available from other agencies which make such grants, such as the Community Facilities Administration.

The committee also has added the language "management and operational assistance" which would include, in addition to industrial and commercial management assistance, programs to train personnel for the staffs of local and district development planning organizations. It is expected also that the staff of the Department of Commerce engaged in administering this program will continually endeavor to advance its own knowledge, for example, by joining in international meetings for evaluation of economic development and observing first-hand successful programs in other nations.

In addition, the Secretary in providing technical and administrative assistance, particularly to businessmen, should draw wherever possible and practical upon retired executives, managers, and technicians whose skills and experience equip them to assist local businessmen. The Secretary should not exclude the possibility of the local development agencies providing assistance to businessmen when it would further the objectives of this program.

TITLE IV—AREA AND DISTRICT ELIGIBILITY

The proposed new legislation would put consideration of the termination of areas on an annual basis in contrast to the Area Redevelopment Act, where eligibility was subject to monthly changes.

Constant changing of terminations and designations caused considerable confusion and was inconsistent with the long-range purposes of the program.

The committee supports the finding of the Banking and Currency Committee that annual review of area eligibility is a sensible improvement.

The Comptroller General expressed concern, however, that no date has been set in the bill for the first annual review. Annual unemployment statistics for 1965 would not be available until the spring of 1966. Accordingly, we join with the Banking and Currency Committee in advising the Secretary of Commerce that it is our intent that the first annual review should be completed prior to June 30, 1966.

Temporary employment and termination of area eligibility

We strongly support the Banking and Currency Committee findings that in certain localities of the Nation, the increase of construction or other temporary jobs could reduce the unemployment rates below the levels of eligibility specified in title IV. The statistical effect of temporary employment could lead to termination of such areas under section 402, even though the area's long-term unemployment problem has not been solved. After the levels of unemployment revert to the long-term trend, these areas would again become eligible for assistance only after a substantial waiting period (as specified in sec. 401(a)(1)).

In order to avoid the possibility of disruption caused by termination and a subsequent delay before redesignation, and also to avoid a gap in planning and economic development in areas which have a long-term problem, despite a superficial improvement in unemployment data due to temporary jobs, the Secretary should be able to continue designation.

Validity of applications after termination of eligibility

The Banking and Currency Committee advises that the Comptroller General has observed that in section 402, the language of the proposed bill provides that termination of eligibility would not affect the validity of any application filed prior to termination. He suggested that the Secretary of Commerce might consider placing a time limit on the validity of such applications.

We agree with the Banking and Currency Committee that communities invest a considerable amount of time and effort in these applications, and we do not believe that we should discourage local initiative by the prospect that otherwise viable projects, entered into in good faith, might be upset because a snag in the processing made it difficult to approve them within a specified period of time. Setting too short a period of time might result in inadequate investigations of projects. However, the committee joins the Banking and Currency Committee in suggesting it would be desirable for the Secretary to establish standards which would result in rejection of the pending applications where the applicant fails to pursue his application diligently.

Economic disaster provision

The Committee on Public Works feels the Committee on Banking and Currency has made a significant improvement in section 401(a)(4), dealing with a present or prospective, unusual and abrupt rise in unemployment.

Such areas could not be designated under existing law until it became clear that it would suffer or had suffered an employment loss of such magnitude that its unemployment rate exceeded the national average by 100 percent for a full year. However, it is as important to prevent areas from becoming depressed as it is to help those depressed to improve.

The amendment improves the speed with which assistance can be provided, but the Committee on Public Works is not satisfied that its intent is fully understood. The way to prevent an area experiencing a shutdown from becoming chronically depressed is to provide it, immediately, with those programs that can rally a community into action for recovery, and we should not have to rely entirely on temporary ad hoc arrangements.

Regular staff and travel funds should be available for an immediate response to a community that requests help in the face of impending economic disaster. A mechanism for coordinated Federal help should be in existence and workable as soon as it can be established that the requisite unemployment level would probably be reached within 3 years without such assistance.

Adequate designation regulations

Under the Area Redevelopment Act, regulations were issued providing that in any State which did not otherwise have a qualified area, the Administrator could designate the most needy area in that State. Four areas, one each in Vermont, New Hampshire, Delaware, and Hawaii were designated under these regulations. The Comptroller General has maintained that the designation of these areas was not authorized by the cited language of section 5(b).

This is a matter of clarifying the intent of Congress. We join with the Banking and Currency Committee in the view that the actions taken by the Area Redevelopment Administration were not an unreasonable interpretation of section 5(b) of the Area Redevelopment Act and that the Administrator acted within his discretionary powers. Therefore, the areas designated should remain eligible for assistance at least until the first annual review of eligibility under the new act.

Local approval of development districts

Before the Secretary approves the establishment of any economic development district as provided under section 403, which in most cases will consist of several counties, municipalities, or other political jurisdictions, steps should be taken to obtain concurrence of the appropriate local governmental authorities in the counties, municipalities, or other political jurisdictions when such jurisdictions are wholly within the proposed economic development district.

Indian areas

Areas of less than 1,500 population shall not be eligible for designation under this program except in the case of Indian areas, which may be considered for designation if they have a population of 1,000 or more persons.

It is expected, however, that the Secretary would not consider for designation several separated or widely scattered very small Indian areas that in total would meet the 1,000 persons population requirement.

Designation criteria

The committee recognizes that the unemployment and underemployment criteria used for the designation of redevelopment areas are not always adequate to determine the exact degree of economic need of areas. It has been pointed out, for example, that in the State of Hawaii, incomes and employment are currently at a relatively high level, but the cost-of-living factor may serve to reduce the purchasing power of residents of the State. The committee recommends, therefore, that the Secretary continue to seek improved procedures for the measurement of area economic distress.

TITLE V—REGIONAL ACTION PLANNING COMMISSIONS

The provisions of this title constitute recognition that the Appalachian regional experiment, even though still in its beginning phase, offers a means to resolve chronic depression problems extending beyond State lines.

While the Appalachian region is only beginning to implement a program, the great value of the 2 years which went into developing that program is that it identified a new basis of approach to problems in multistate areas suffering from chronic unemployment or underemployment.

The peculiarities of American government and political development have resulted in political boundaries which ignore a common economy and an interdependency in developing regional resources.

As technology has advanced and the world has become smaller by virtue of fast transport and communication, regions long bypassed by economic development have fallen deeper into distress.

These areas have a substantial need for projects and programs which must be planned across sizable geographic areas and which no local unit or group of units within one State can do alone or without regard to the effect of their efforts on similar areas in adjoining States.

This problem is further complicated by the fact that the initiative for many of these programs comes from Federal policy and Federal funds. Thus not only is it necessary for the States to work together, but for the States together to work in partnership with the Federal Government.

The committee believes that the Appalachia experience has produced a workable mechanism for a Federal-State partnership which can develop a program and implement it. Therefore it has adopted the Regional Commission created in the Appalachian Regional Development Act as the instrument to be used by other regions.

The committee believes that uniformity in administering regional programs is a benefit and will provide for much better supervision by the Department and the Congress.

The growing need for regional assistance became apparent after the introduction of the Appalachia legislation in the Congress. It was quickly recognized that this technique was universally applicable even though tailored to the problems of a specific region.

As a result other legislation was introduced for similar approaches in the upper Great Plains, the Ozarks, the Southwest, and the upper Great Lakes. The New England region also was identified as in potential need of the Appalachian type assistance.

Even though a strong case has been made for regional planning and assistance, the committee does not believe that the Nation should be entirely divided into regions. The committee believes that specific criteria and needs should determine a region.

Regions should be limited to those areas which have in a notable manner fallen behind the national growth pattern and are so situated geographically as to be outside the mainstream of development. The regional programs should be those which improve the accessibility and the interchange of goods and workers, provide a means to develop the natural resources of the area, and develop the economic infrastructure of the area.

The committee believes that data and studies exist for some regions which will be sufficient for the Secretary to make a determination that he should designate a "development region." In other cases the Secretary may find that potential regions lack sufficient information on which to base such a designation. In the latter instance it would be expected that the Secretary could establish study committees composed of representatives of Federal agencies and the States which would gather the necessary information and make recommendations to the Secretary so that he could make a determination.

Once the Secretary has made his determination, obtained concurrence of the States, and designated a "development region," he will invite the States to form a regional commission.

The technical assistance provided to the region should take into consideration that some regions may have progressed over years of study and planning to the point where it is advantageous and practical to begin feasibility studies and design planning.

However, before an actual program is launched the regional commissions are expected to submit specific legislative recommendations to the Congress for authorization.

TITLE VI—ADMINISTRATION

The committee did not feel that the creation of an administrator at level V as recommended in the original bill was sufficient for the size of the program. It appeared from this recommendation and testimony that the Administrator would be expected to report to the Secretary through another individual. It also left unanswered the question of the Administrator's role as it relates to the Secretary and to the Federal Cochairman.

As a result, the committee felt that the best of the alternatives available to it was to create a new Assistant Secretary who would assist the Secretary in the administration of the act. It is expected that the Secretary shall direct the Administrator in his duties under this act and shall coordinate the Federal Cochairmen, including the Appalachia Cochairman. The Secretary, the committee is sure, will best determine how to best utilize the services of the new Assistant Secretary.

Using existing Assistant Secretaries for this role would further dilute the program and its importance. The Assistant Secretary, it is felt, while he may have other duties, ought to be used primarily on those matters which generally relate to the area and regional economic development problems of the Nation.

The committee further is concerned that sufficient supergrades be allotted for the conduct of this program. The committee did not

specifically designate the number in the bill but it would be considered inadequate if less than 20 supergrades were assigned to the administration of this program.

TITLE VII—MISCELLANEOUS

The committee believes that projects now pending before the Area Redevelopment Administration for grants or loans should continue to be valid applications for a period of 1 year. The fact that the Area Redevelopment Act is expiring should not impose a penalty on those applicants who have spent money and effort to apply for assistance. The areas eligible under the Area Redevelopment Act continue their eligibility under provisions of S. 1648 for 1 year. Applications now pending from those and previously designated areas should be honored for the same period.

The committee notes the concern of the Committee on Banking and Currency with the administrative relationships which were established under the Area Redevelopment Act under section 24.

The Committee on Public Works appreciates the view of the Committee on Banking and Currency and joins in that view. Accordingly, an amendment has been made to give clear discretion to the Secretary on whether or not to use a delegate agency to perform the many functions which have in the past often been delegated to other agencies.

AUTHORIZATIONS

The proposed legislation contains spending authorizations in specific amounts for the various elements of the program and no specific amount for administrative activities.

The appropriations authorized under this bill, all on annual basis to remain available until expended, are:

	<i>Million</i>
Title I—Public works and facilities grants.....	¹ \$400
Title II—Loans for public Works and facilities, loans for industrial and commercial guarantees for working capital loans.....	170
2 percent interest subsidies.....	² 5
Title III—Technical assistance, research, planning grants, training and study programs.....	25
Title IV—Loans and grants to development centers, grant increase of 10 percent for designated areas in districts.....	50
Title V—Technical assistance to regions, administrative expenses to regions.....	15
Total.....	665

¹ Annual authorization was limited to 5 years.

² To be funded out of the general appropriation authority contained in subsection 201(c).

SECTION-BY-SECTION SUMMARY OF S. 1648

The first section of the bill provides a short title.

The second section sets forth certain findings of Congress together with a statement of congressional purpose and intent to assist certain areas of the Nation in their efforts to promote economic development.

TITLE I—GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES

Section 101 authorizes the Secretary of Commerce to make direct grants up to 50 percent of total project cost for needed public works,

public service, or development facilities, including related machinery and equipment, in redevelopment areas, which will (1) tend to improve opportunities for the successful establishment or expansion of industrial or commercial facilities; (2) otherwise assist in the creation of additional long-term employment opportunities in the area; or (3) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act.

These grants would be available to States or their political subdivisions, Indian tribes, or private or public nonprofit organizations representing any redevelopment area or part thereof, and would be for the purpose of acquiring and developing land and improvements for public service or development facility usage within redevelopment areas.

The section also authorizes supplementary grants to enable the States and other entities within redevelopment areas to take advantage of other Federal grant-in-aid programs, direct grants-in-aid authorized under this section, and authorized Federal public works projects for which they are eligible but for which, because of their economic situation, they cannot supply the required matching share. The amount of the supplementary grant would be determined on the basis of the relative needs of the area and the nature of the project, but in no case would the combined direct and supplementary grant under any program exceed 80 percent of the project cost. Supplementary grant assistance would also be reduced by the amount of fair user charges or other revenues of the project which could be used to repay a loan. No financial assistance would be extended under this section for a project that would compete with an existing privately owned utility, except for projects specifically authorized by Congress.

Section 102 provides that not more than 15 percent of the appropriations made pursuant to title I may be expended in any one State.

Section 103 contains an appropriation authorization of \$400 million annually for public works and development facility grants.

TITLE II—OTHER FINANCIAL ASSISTANCE

Section 201 authorizes the Secretary to make loans for the same purposes as those for which he is authorized to make grants under section 101. Loans would be made only where funds are not otherwise available and where there is reasonable expectation of repayment. Interest rates would vary according to Federal borrowing costs, less one-half of 1 percent. Pending a change in Federal borrowing cost, the actual interest rate charged to borrowers on such projects would be 3½ percent. A total annual authorization of \$170 million is provided for both development facility loans under this section and for business loans and loan guarantees under section 202.

Section 202 authorizes the Secretary (1) to make loans for the purchase or development of land and facilities (including machinery and equipment) for industrial or commercial usage within redevelopment areas; (2) to guarantee loans for working capital made to private borrowers by private lending institutions in connection with direct loan projects; and (3) to contract to pay to, or on behalf of, business entities locating in redevelopment areas a portion of the interest costs which they incur in financing their expansions from private sources. The new section would contain standard loan conditions

(including an express prohibition against aiding relocations) and would limit Federal loan assistance to 65 percent of project cost. A subordinated local share of 15 percent of project costs would be required in all cases, of which 5 percent would have to be supplied by the State or a public or quasi-public organization, unless the Secretary waived the latter requirement because the 5-percent funds were otherwise not reasonably available. To be eligible for assistance, projects must be consistent with overall economic development programs, which the Secretary may require to be revised periodically. Interest rates for direct loans would be determined in accordance with a formula based on Federal borrowing costs, which would result in a current rate of $4\frac{1}{8}$ percent. Interest rate reduction payment contracts would be limited to purposes for which direct loans could be made and could not exceed a total of \$5 million in new contracts annually.

Section 203 establishes an economic development revolving fund in the Treasury of the United States for funds obtained by the Secretary under section 201, for loan funds under section 403, and for collections and repayments. The fund would be available to the Secretary for the purpose of extending loan assistance under sections 201, 202, and 403. Repayment of obligations outstanding under the Area Redevelopment Act would be credited to the fund, and it would pay interest to the Treasury on the amount of the total loans outstanding under the act, based on the current average market yield on outstanding Treasury obligations of comparable maturities.

TITLE III—TECHNICAL ASSISTANCE, RESEARCH, AND INFORMATION

Section 301 authorizes the Secretary to provide to any area having substantial need technical assistance which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment, including project planning and feasibility studies, management, and operational assistance, and studies evaluating the needs of, and developing potentialities for, economic growth of such areas. Grants-in-aid both for technical assistance and for economic planning staff and administrative expenses are authorized for appropriate public or private nonprofit State, area, district, or local organizations. Grants for administrative expenses could not exceed 75 percent of the cost of the undertaking involved, although non-Federal contributions in each and in kind would be authorized. The Secretary would be authorized to require repayment of technical assistance in appropriate cases, and in making grants for administrative expenses he would take into consideration grants available from other sources (such as urban planning grants and highway planning grants). The Secretary shall establish and conduct a continuing program of study and research to assist in determining the causes of unemployment, underemployment, underdevelopment, and chronic depression in the various areas and regions of the Nation; shall assist in providing personnel to conduct such programs; and shall aid redevelopment areas and other areas by furnishing them with technical and similar information useful in alleviating or preventing excessive unemployment. The Secretary shall also establish an independent study board consisting governmental and nongovernmental experts to investigate the effects of Government procurement—scientific, technical, and other related policies—upon regional economical development.

Section 302 authorizes an annual appropriation of \$25 million for the purposes of this title.

TITLE IV—AREA AND DISTRICT ELIGIBILITY

Section 401 establishes standards for the designation of "redevelopment areas" in terms of unemployment and family income criteria. The criteria to be used in establishing area eligibility include: (1) unemployment in excess of the national average for specified periods of time; (2) designation on the basis of low family income for those areas which have a median family income not in excess of 40 percent of the national median; (3) those Federal and State Indian reservations which the Secretary after consultation with the Secretary of the Interior or appropriate State agency, determines manifest the greatest need; and (4) those areas threatened with or experiencing a sudden rise in unemployment due to an economic emergency, such as a major plant closing, if unemployment can be expected to exceed the national average within 3 years of the date of the request. However, except for Indian reservations with a population of at least 1,000, no area would be eligible for designation if it (1) has a population less than 1,500 persons; (2) is smaller than a "labor area" (as defined by the Secretary of Labor), a county, or a municipality with a population of over 250,000, whichever in the opinion of the Secretary is appropriate; or (3) does not have an approved overall economic development program. In addition to the four types of areas listed, areas eligible under the Area Redevelopment Act would continue to be eligible for assistance until the first annual review of eligibility under section 402, at which time they would be required to qualify under the regular provisions of the act. The Secretary would be authorized to prescribe necessary rules and regulations for the designation of areas, to review such designations annually, and to obtain from the heads of other agencies on a reimbursable basis the data upon which to base area designations.

Section 402, which deals with the termination of eligibility of areas, would (1) prescribe an annual review of eligibility of areas, (2) require a currently approved overall economic development program as a condition for continued eligibility, (3) provide 30 days' notice prior to termination of eligibility, (4) explicitly allow applications filed prior to area termination to be considered by the Secretary, and (5) prevent termination of an area if the Secretary determines that an improvement in the unemployment rate of a designated area is primarily the result of increased employment in occupations not likely to be permanent.

Section 403 authorizes the Secretary to designate multicounty economic development districts, with the concurrence of the States affected, for the benefit of the districts as a whole and of the redevelopment areas situated in such districts. The districts must include two or more designated redevelopment areas, be of sufficient size and potential to foster economic growth on a scale involving more than a single area, and contain one or more economic development centers. Where the centers were not already designated redevelopment areas, the Secretary would be authorized to designate such centers as he deemed appropriate, as eligible for loan and grant assistance under the act on the same basis as redevelopment areas. Recommendations for such designations would be contained in ap-

proved district overall economic development programs, which would be required prior to the designation of the district. To encourage redevelopment areas to participate in multicounty economic development activities, the Secretary would also be authorized to increase development facility grants for projects in redevelopment areas within designated districts by an amount equal to 10 percent of the cost of the project assisted. To insure adequate time for effective planning, no financial assistance would be provided to districts (as such) until 1 year after the enactment of this section. However, the Secretary would be authorized to invite the several States to draw up proposed district boundaries and to identify potential economic development centers for designation as soon as practicable. The total authorization for financial assistance to economic development centers and for 10-percent bonuses to redevelopment area projects within designated districts is limited to \$50 million annually.

TITLE V—REGIONAL ACTION PLANNING COMMISSIONS

Section 501 authorizes the Secretary, with the concurrence of the States concerned, to designate appropriate "economic development regions" within the United States if he finds a geographical, cultural, historical and economical relationship among the areas; if the region is within contiguous States, with the exception of Alaska and Hawaii; and if, upon consideration of certain enumerated and specific matters, he finds that the region has lagged behind the Nation as a whole in economic development.

Section 502 authorizes the Secretary to invite and encourage the States wholly or partially within such designated regions to establish appropriate multistate regional commissions, which shall be composed of one Federal cochairman and one member from each participating State in the region.

Section 503 enumerates the functions of the regional commissions in studying, programing, initiating, and coordinating plans for the economic development of their regions.

Section 504 authorizes the Secretary to encourage each regional commission to follow procedures that will insure consideration of certain enumerated factors in recommending programs and projects for future regional economic development, and in establishing within those recommendations a priority ranking for such programs and projects.

Section 505 authorizes the Secretary to provide to the commissions technical assistance which would be useful in aiding the commissions to carry out their functions under this act and to develop recommendations and programs. In addition, for the period ending on June 30 of the second full Federal fiscal year following the date of establishment of a commission, the administrative expenses of each commission, as approved by the Secretary, shall be paid by the Federal Government, and thereafter up to 50 percent of such expenses may be paid by the Federal Government. An annual appropriation of \$15 million is authorized for the purposes of this section.

Section 506 authorizes the commissions to establish their own rules of procedure, establish certain salaries, request the temporary use of Federal, State, or local government personnel, enter into contracts, accept gifts, donations, services, and take whatever other actions are deemed necessary for the execution of their duties under this act.

Section 507 authorizes the regional commissions to collect information necessary for the performance of their functions, and to make such information available for public inspection.

Section 508 prohibits commission members and employees from taking part in any decision or action in connection with the functions of the commission in which they might have a personal financial interest.

Section 509 requires that each regional commission make a detailed annual report of its activities to the Congress.

TITLE VI—ECONOMIC DEVELOPMENT ADMINISTRATOR

Section 601 authorizes the appointment by the President, with the advice and consent of the Senate, of an Assistant Secretary of Commerce to coordinate the Federal cochairmen (and to perform such additional functions as the Secretary may prescribe) and of an Administrator for Economic Development, who shall perform such duties as are assigned by the Secretary.

Section 602 directs the Secretary to appoint a National Public Advisory Committee on Regional Economic Development consisting of 25 representatives of labor, management, agriculture, government, and the general public, to make recommendations to him with respect to the program.

Section 603 authorizes the Secretary to call together and confer with any persons who can assist in meeting the problems of area and regional unemployment and underemployment. It also provides for consultation by the Secretary with other interested departments and agencies.

TITLE VII—MISCELLANEOUS

Section 701, dealing with the powers of the Secretary, contains the provisions usual and necessary for the administration of a grant and loan program.

Section 702 is a standard savings provision, which is required to effect administrative continuity between the Area Redevelopment Act and the new Economic Development Act.

Section 703 provides that the transfer of functions from the Area Redevelopment Administration to the Secretary of Commerce shall take effect upon enactment except where otherwise explicitly provided. It authorizes the President to designate any person to act as administrator of the new agency until the office is formally filled, and it provides that projects for which applications are pending before the Area Redevelopment Administration on the effective date of this act shall for a period of 1 year thereafter be eligible for consideration by the Secretary for such assistance under the provisions of this act as he may determine to be appropriate.

Section 704 is a standard clause providing that the invalidation of one part of the act by any court shall not invalidate any other part of the act.

Section 705 defines the term "State" to include both the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.

Section 706 requires the Secretary to make a comprehensive and detailed annual report to the Congress for each fiscal year ending after June 30, 1965.

Section 707 is similar to section 24 of the Area Redevelopment Act and permits the Secretary to use the available services and facilities of other Federal agencies where practicable in carrying out the provisions of the act.

Section 708 authorizes to be appropriated such sums as are necessary to carry out the provisions of the act, and provides that appropriations may remain available until expended.

Section 709 contains a standard penalty clause for the falsification of information by any applicant for financial assistance.

Section 710 requires the certification to the Secretary of the names of persons hired to expedite applications. It also requires applicants to agree to refrain from tendering employment to agency officials for a period of 2 years after assistance is rendered by the Secretary.

Section 711 is similar to section 21 of the Area Redevelopment Act in requiring the payment of prevailing wage rates under the Davis-Bacon Act to all laborers and mechanics employed on projects assisted by the Secretary. It applies Davis-Bacon wage rates to private as well as public applicants.

Section 712 requires the Secretary to maintain the same record of applications as was required by section 20 of the Area Redevelopment Act.

Section 713 requires each recipient of assistance under this act to keep such records as the Secretary shall prescribe. It also authorizes the Secretary and the Comptroller General of the United States, or their representatives, to have access to pertinent documents for the purpose of audit.

Section 714 is intended to bring the provisions of other acts (dealing with assistance to redevelopment areas) into conformity with the changes made by this act.

Section 715 provides that any Federal assistance authorized by this act shall be in addition to Federal assistance previously authorized, and shall not be construed as reducing the proportional amount of Federal assistance which any State or other entity eligible under this act would otherwise be entitled to under the provisions of any other act.

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
May 13, 1965.

HON. PAT McNAMARA,
Chairman, Committee on Public Works,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: As requested by the Senate Committee on Public Works, the Senate Committee on Banking and Currency has reviewed titles II and IV of S. 1648, the Public Works and Economic Development Act.

Attached hereto are the recommendations of the Senate Committee on Banking and Currency on S. 1648, together with the supplementary views of several members of the committee. It should be pointed out that those who have signed the supplementary views have requested that the prepared statement of the Comptroller General accompany their statement. The majority of the committee agreed

to their request, and therefore the statement of the Comptroller General before our committee on May 7, 1965, is attached hereto as a part of the supplementary views.

The views of the committee were adopted by a 9-to-5 rollcall vote this morning. I hope that our recommendations will be helpful to you in your committee in your forthcoming consideration of S. 1648.

Faithfully,

PAUL H. DOUGLAS.

HON. PAT MCNAMARA,
Chairman, Senate Public Works Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In accordance with your request, the Committee on Banking and Currency has informally reviewed titles II and IV of S. 1684, the proposed Public Works and Economic Development Act of 1965, and we are pleased to submit our comments herewith.

The Subcommittee on Production and Stabilization held public hearings on these two titles on May 4, 5, 6, and 7, 1965, and took into account the views of both proponents and opponents of the legislation in question. In addition, the subcommittee heard testimony from the Secretary of Commerce, who will have the principal responsibility of carrying out the new legislation, if it is enacted, and from the Comptroller General, who was able to provide us with his views largely as a result of his audits on the operation of the Area Redevelopment Act, to which the new program is similar in some respects.

The committee is favorably impressed with the content of titles II and IV. The proposals have been developed on the basis of considerable experience under the Area Redevelopment Act. They have retained what has proved successful under that act and added what appears to be needed to make a program of aid to distressed areas even more effective and efficient.

Title II provides both for loans for public works and development facilities and for loans, guarantees and other financial assistance to encourage the establishment or expansion of new permanent, job-creating industrial and commercial enterprises in the eligible areas.

The programs under title II are indispensable and inseparable from the other programs to be established under the proposed legislation. The construction of development facilities and public works contemplated under the grant program of title I will not have the intended effect unless we can also provide the necessary assistance to encourage the establishment or expansion of business enterprises.

Title IV prescribes the method by which areas become eligible under the program, and the method by which their eligibility is terminated; and in addition, it establishes a new program for the encouragement of multicounty economic development districts which offers great promise for better organization of local economic efforts with an eventual increase in effectiveness.

In view of the excellent testimony we received from bankers and local development leaders from every section of the country and in view of the favorable expert testimony given before the Public Works Committee on titles II and IV as well as on the other titles, we are not going to attempt a detailed justification of these titles in this informal letter report. The record speaks for itself.

However, there are a number of specific matters which merit further comment:

Eligible projects under section 201

The Comptroller General has raised a question concerning what types of projects would qualify for loans under section 201 and has suggested the language might be modified to require the Secretary to demonstrate a definite relationship between the project and new permanent employment opportunities.

The committee feels that the eligibility requirements for loans under section 201 should be consistent with the requirements for grants under section 101. As presently drafted, the eligibility language under section 201 is identical to section 101. Therefore, should the Public Works Committee determine a change in section 101 to be necessary, it should consider a corresponding change in section 202.

The Secretary of Commerce has testified as to the kinds of projects which could become eligible under the language of sections 101 and 201 before both the Public Works and Banking and Currency Committee. We believe these projects to be a reasonable interpretation of the proposed eligibility language.

Direct loan program

We believe that the direct loan program for the establishment of new job-creating commercial or industrial enterprises, which was established under ARA and which would be continued under section 202 of S. 1648, merits continuation. The bankers and local businessmen who testified on this point were virtually unanimous in their endorsement of this feature. The loss ratio experience under the Area Redevelopment Act, while it would not be appropriate for a private bank, is certainly consistent with the purposes of a permanent job-creating program.

As Secretary Connor stated in his testimony, "For the kind of risks that are encompassed here and for this kind of operation, I say it is a good record." Moreover, whatever losses have been experienced under the loan program have been far exceeded by the benefits from the resulting new employment generated by the many successful projects.

Guarantees for working capital loans

A new feature has been added to the direct loan program by including authority for the guarantee of 90 percent of the outstanding balance of working capital loans made to borrowers under section 202. The committee was impressed with the support expressed by witnesses for this addition to the program. Insufficient working capital is a major stumbling block in the establishment or expansion of private enterprises in the depressed areas, and by making it possible for private loans for this purpose to be guaranteed under the provisions of S. 1648, another major useful tool will be added to local economic development efforts.

However, the committee recommends that the Secretary of Commerce should issue regulations specifying maximums on interest rates to be charged to borrowers on any working capital loan to be guaranteed and these maximums should take into consideration the going market rates for similar loans in various sections of the United States.

Two percent interest rate reduction payments

Section 202 also contains a method for promoting economic development in depressed areas, hitherto unused in this country, but used effectively in similar programs in Europe. In effect, it is an interest rate reduction payment of 2 percent on the total cost of new plant, buildings, machinery, and equipment, for those borrowers who are able to secure the necessary funds from non-Government sources.

The Secretary would be given the authority to contract to pay, and to pay annually, a sum sufficient to reduce by 2 percentage points the interest rate paid by private business entities on loans which are obtained from non-Government sources, which are amortized annually, and which are used for the same purposes for which the Secretary is authorized to make loans under section 202.

Considerable support was expressed for this proposal. The bill provides authority to undertake new contracts not to exceed \$5 million annually in interest rate reduction payments. The total private investment which could be encouraged by this feature would increase by \$250 million annually. The ultimate Federal cost in any one year would never go over \$30 million because of the amortization effect.

The committee strongly endorses this proposal. It has the merit of a low cost, a relatively small outlay of Federal funds, and great potential effectiveness. It would permit more private capital to participate in the program to aid distressed areas, and it would attract stronger firms to consider the advantages of expanding into places which might otherwise be overlooked.

The local share of project cost

As the Secretary of Commerce testified, a significant improvement in the present bill is the reduction of the community share of project cost from 10 percent to 5 percent, with provisions for a waiver even of the 5-percent requirement where all or part of the necessary funds are not reasonably available to the project.

The Area Development Administration placed no limitation on the extent to which a borrower could provide funds to the local development corporation, as long as the local corporation was broadly controlled and had made a bona fide community fundraising effort. The Comptroller General has taken exception to this interpretation of the act and he recommended that the committee clarify the conditions under which the proposed 5-percent requirement may be waived.

We believe that the ARA interpretation was reasonable, and that under the proposed 5-percent requirement, applicants should be permitted to participate along with the rest of the community in assisting the local economic development effort. If we require small depressed communities to raise large sums of money in excess of their means it will be impossible for large plants to expand into these communities. Even large communities have problems raising development money for these projects. Their funds have frequently been exhausted by previous fundraising drives or by the effects of chronic economic deterioration, and even 5 percent of the cost of a relatively large industrial or commercial project may not be available. Therefore, we believe that in addition to allowing applicants to participate in community fundraising efforts generally, it is also desirable to permit the Secretary to enable them or other available sources to supply the entire community share where it cannot otherwise be obtained.

S. 1648 now provides this authority. To do otherwise, as the Secretary of Commerce pointed out, would be to risk denying the assistance available under this program to the very communities which need it the most.

Need for machinery and equipment

The Comptroller General has suggested a clarification of the intent of the language in subsection 202(a) which authorizes loans to be made for machinery and equipment "in cases of demonstrated need." We are advised that this question of congressional intent has not been a problem in the 3½ years in which ARA has operated, and that the agency has found it desirable and useful to make a great many loans for machinery and equipment separately and in connection with loans for land and buildings. Since loans can be made only when they are needed and when financing is not otherwise available as provided in subsection 202(b)(4), it seems to us that the language "in cases of demonstrated need" is redundant and may lead to confusion in interpretation. It should be eliminated. Draft language to accomplish this purpose is attached.

The meaning of reasonable terms

Section 201 and section 202 provide that loan assistance shall not be extended unless the funds requested are not available from private lenders on reasonable terms. The Comptroller General pointed out with considerable merit that this language does not give the Secretary of Commerce adequate criteria for determining when or whether funds are available from private sources on "reasonable terms." A dilemma results when the funds may be available from private lenders on restricted terms or high interest rates, and the Secretary must then decide whether such terms and rates are "reasonable."

We do not believe that it is possible in a general economic development program of this nature to impose rigid rules which would frequently hinder the objectives of the program. We therefore think that this language should be further clarified so that the Secretary clearly has discretion to determine when and under what circumstances other private or nonprivate financing is reasonably obtainable for a given project. Draft language to accomplish this purpose is attached.

Previously acquired assets

The committee is concerned by the Comptroller General's suggestion that the 65-percent limitation on direct Federal loans should specifically apply to new capital expenditures required for a project, rather than to the total cost of the project to the applicant, which might occasionally include previously acquired assets. It has been the policy of ARA not to prohibit the inclusion of previously acquired land and facilities as part of aggregate project cost where it can be shown that the overall project will have a substantial economic impact on the area and the project cannot otherwise be completed. We are advised that in the past ARA further limited the inclusion of such assets to facilities which were so physically related to the prospective acquisition or construction as to create, in connection therewith, an interdependent or integrated economic function as a noncash contribution to the project cost.

In view of the fact that a major purpose of the act is to encourage expansions of existing industries, in which a local entrepreneur may have already invested all of his available capital, and in which he has

a proportionate net worth, we believe that the existing policy of ARA in this matter is reasonable. However, the value of the facilities which would be included ought to be limited to a conservatively appraised net value determined on the basis of an appraisal by a disinterested party.

Uniform interest charges

A question arose in the hearings as to whether or not the Secretary ought to have the discretion to charge different rates of interest to different borrowers. The difficulties of exercising discretion on this matter in the face of the extensive pressures which would be involved are enormous. We believe that a uniform rate of interest ought to be charged to all borrowers under sections 201 and 202.

Annual review of area eligibility

The proposed new legislation would put consideration of the termination of areas on an annual basis in contrast to the Area Redevelopment Act, where eligibility was subject to monthly changes. Constantly changing terminations and designations caused considerable confusion and was inconsistent with the long-range purposes of the program.

The committee believes that annual review of area eligibility is a sensible improvement. However, we believe that section 401(a)(5), which provides that all areas eligible on the date of enactment would continue their eligibility until the first annual review, would better serve the purposes of placing the new system on an annual basis if some predetermined date, such as April 1, 1965, were established for this purpose, so that all areas eligible on that date or subsequent thereto would continue their eligibility until the first annual reviewing.

Language which could accomplish this purpose is attached.

In addition, the Comptroller General expressed concern that no date has been set in the bill for the first annual review. Annual unemployment statistics for 1965 would not be available until the spring of 1966. Accordingly, we think that the Secretary of Commerce should be made aware that it is our intent that the first annual review should be completed prior to June 30, 1966, and the end of the fiscal year.

Temporary employment and termination of area eligibility

In certain localities of the Nation, the increase of temporary construction jobs could reduce the unemployment rates below the levels of eligibility specified in title IV. The statistical effect of temporary employment could lead to termination of such areas under section 402, even though the area's long-term unemployment problem has not been solved. After the levels of unemployment revert to the long-term trend, these areas would again become eligible for assistance only after a substantial waiting period (as specified in sec. 401(a)(1).)

In order to avoid the possibility of disruption caused by termination and a subsequent delayed redesignation, and also to avoid a gap in planning and economic development in areas which have a long-term problem despite a superficial improvement in unemployment data due to temporary jobs, we recommend that the bill be amended. Language which could accomplish this purpose is attached.

Sudden rise of unemployment

Concern has also been expressed that the present working of section 401(a)(4) dealing with a present or prospective unusual and abrupt rise in unemployment would not permit the designation of areas where it has been established that unemployment would rise to 50 percent above the national average within 3 years, unless and until the unemployment had already reached the figure of 50 percent above the national average. The present language would defeat the preventive purposes of this section and requires clarification.

Language which could accomplish this purpose is attached.

Validity of applications after termination of eligibility

The Comptroller General has observed that in section 402, the language of the proposed bill provides that termination of eligibility would not affect the validity of any application filed prior to termination. He suggested that the Secretary of Commerce might consider placing a time limit on the validity of such applications.

Communities invest a considerable amount of time and effort in these applications, and we do not believe that we should discourage local initiative by the prospect that otherwise viable projects, entered into in good faith, might be upset because a snag in the processing made it difficult to approve them within a specified period of time. Setting too short a period of time might result in inadequate investigations of projects. However, the committee believes that it would be desirable for the Secretary to establish standards which would result in rejection of the pending applications where the applicant fails to pursue his application diligently.

Criteria for designation of certain areas

The Comptroller General has brought to our attention in his report of August 24, 1964, titled, "Unauthorized Assistance to Seemingly Nondepressed Areas Under the Public Works Acceleration Act and the Area Redevelopment Act" a conflict in the interpretation of section 5(b) of the Area Redevelopment Act between the Comptroller General and the Area Redevelopment Administrator. Section 5(b) of the Area Redevelopment Act states, in part:

In making the designations under this subsection, the Secretary shall endeavor to distribute the projects widely among the several States, so far as is feasible and proper, in order that actual experience with this program may be had in as many States and under as many different circumstances as possible.

In interpreting this language, the Area Redevelopment Administrator issued regulations providing that in any State which did not otherwise have a qualified area, the Administrator could designate the most needy area in that State. Four areas, one each in Vermont, New Hampshire, Delaware, and Hawaii, were designated under these regulations. The Comptroller General has maintained that the designation of these areas was not authorized by the cited language of section 5(b).

This is a matter of clarifying the intent of Congress. It is our view that the actions taken by the Area Redevelopment Administrator are not an unreasonable interpretation of section 5(b) of the Area Redevelopment Act and was within his discretionary powers. However,

it should be pointed out that no similar language is contained in the proposed bill.

Local approval of development districts

Before the Secretary approves the establishment of any economic development district as provided under section 403 which in most cases will consist of several counties, municipalities, or other political jurisdictions, steps should be taken to insure that no county, municipality, or other political jurisdiction is designated as part of a development district without the concurrence of the appropriate local governmental authorities involved.

Technical and managerial assistance

Although this committee has not been charged with the responsibility for reviewing the provisions of title III, a number of witnesses offered testimony on the need for assistance provided under this title.

One of the purposes of title III is to provide technical and administrative assistance to redevelopment areas, economic development districts, and economic development centers for the initial stages of planning, evaluation, and study in those areas, as well as continuing help in making and processing applications, in developing local and private participation, in coordinating Federal, State, local, and private resources, and in offering staff administrative, and technical advice and assistance, and management assistance to approved borrowers.

In view of the importance of these functions, we suggest that it might be advisable to consider an increase in the authorization proposed in section 301(c) of the bill.

In addition, it might be advisable to make clear that the Secretary, in providing such technical and administrative assistance, may draw wherever possible and practical, upon retired executives, managers, and technicians whose skill and experience will equip them for assisting in local economic development efforts.

Use of delegate agencies

The committee is concerned with the administrative relationships which were established under the Area Redevelopment Act under section 24. This language has been carried over without change in section 707 of S. 1648. While this is a matter to be considered under title VII of S. 1648, and therefore not primarily within our purview, a number of complaints have been made that the use of other agencies to help carry out the provisions of the Area Redevelopment Act did not always work well.

The legislative history and language of the original ARA act reflects the intent of Congress to administer the grant and loan programs through existing agencies to "the maximum extent practicable." To some extent, this was done in response to charges that the new program would call forth a vast new bureaucracy. The assumption was that existing agencies were so well staffed that the program could, in effect, be administered for little if any additional cost.

Unfortunately, these expectations have not materialized. The delegate agencies, through which much of the program has been administered, have not generally absorbed this additional workload, but have hired additional people. The Comptroller General, in his testimony before the Banking and Currency Committee, did not verify any savings through this present administrative device.

There is also evidence that the present delegate agency approach not only fails to save funds, but it contributes to administrative red tape. The Administrator of SBA frankly admitted that the delegate agency system, with paperwork shuffled back and forth, had contributed to confusion and delay.

The committee is hopeful that a recent change in SBA/ARA loan procedures may provide more effective administration. However, in view of past experience, we believe that the Public Works Committee should carefully consider the question of whether it would not be more efficient to administer the new program in a single agency rather than to perpetuate the present system of "farming out" substantial portions of the proposed program to other agencies.

Cost-benefit information

On the basis of reports submitted to the Congress and the testimony presented to the committee it is clear that the GAO, as an arm of the Congress, has been diligently overseeing the ARA programs, and has recommended a number of changes in practice, procedure, and policy of the Area Redevelopment Administration.

Although the GAO is concerned with whether or not Federal funds are being expended efficiently and prudently, it is the opinion of this committee that the GAO has overlooked several important questions and issues. It would be helpful to the Congress in attempting to evaluate not only the present but the proposed programs for economic development if adequate cost-benefit data were available to the Congress.

Specifically, we suggest to the Public Works Committee that the Department of Commerce be instructed to investigate and to report on the following matters:

1. To determine the total employment effect of projects assisted under the ARA program, the ARA uses an indirect employment multiplier of 0.65. The committee understands that the ARA considers this to be a most conservative multiplier and that it was developed by the U.S. Chamber of Commerce. Witnesses have testified that this multiplier is far too low and seriously understates the total employment effects of ARA projects. Therefore, it would be most helpful if the Department of Commerce would investigate and make an independent determination of what the appropriate indirect employment multiplier ought to be to measure the number of indirect jobs created by ARA and similar projects.

2. (a) In 1961, this committee reported that the cost of doing nothing in distressed areas might exceed the cost of the proposed ARA program. The cost of inaction includes losses in the gross national product, the cost of welfare and unemployment payments to those in distressed areas, not to mention the human costs borne by the residents of impoverished areas. Thus the ARA and similar programs are "self-financing" to the extent that those employed by projects under the ARA program have effected substantial savings in Federal, State, and local welfare, unemployment compensation, relief, and similar payments.

We believe it is vital for the Congress to have an accurate estimate of what these savings have been under the ARA program and will be under the new economic development program. Therefore, it is our recommendation that the Public Works Committee should instruct the Department of Commerce to make a study of this matter and

report regularly to the Congress on the savings in Federal, State, and local welfare, unemployment, relief, and similar payments due to both direct and indirect jobs created by the program.

2. (b) The committee also pointed out in 1961 that the projects assisted under the ARA program will help generate substantial Federal, State, and local tax revenues. The committee has received no information which would accurately estimate these benefits of the ARA and the proposed Economic Development Act assistance. Therefore, we would suggest to the Public Works Committee that the Department of Commerce be instructed to make estimates of these Federal, State, and local tax revenues generated by projects assisted by ARA in the past and the proposed EDA program in the future and report regularly to the Congress on these matters.

We believe that this information would be invaluable to the Congress in evaluating both the past as well as the future effectiveness of the ARA-EDA programs. The costs of these programs are apparent since they must be included in the budget, but Congress also needs accurate information about the financial benefits of both the previous and proposed programs in order to make an informed judgment on the programs. We believe the information described in items 1 and 2 above will be invaluable to the Congress in making these determinations.

SUGGESTED AMENDMENTS TO S. 1648 (PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965) AS PROPOSED BY THE PRODUCTION AND STABILIZATION SUBCOMMITTEE

The meaning of reasonable terms

Section 201(a)(2) should be amended as follows:

On page 8, strike out lines 4 through 8, and insert in lieu thereof the following:

"(2) the funds requested for such project are not otherwise available from private lenders or from other Federal agencies on terms which in the opinion of the Secretary will permit the accomplishment of the project;"

Section 202(b)(4) should be amended as follows:

On page 12, strike out lines 8 through 13, and insert in lieu thereof the following:

"(4) No loan or guarantee shall be extended hereunder unless the financial assistance applied for is not otherwise available from private lenders or from other Federal agencies on terms which in the opinion of the Secretary will permit the accomplishment of the project."

Determination of eligibility on an annual basis

Section 401(a)(5) should be amended as follows:

On page 22, beginning with line 17, strike out all through the colon in line 20 and insert in lieu thereof the following:

"(5) notwithstanding any provision of this section to the contrary, those additional areas which were designated redevelopment areas under the Area Redevelopment Act on or after April 1, 1965:"

Temporary employment and termination of area eligibility

Section 402 should be amended as follows:

On page 25, line 3, strike out "or", and on page 25, line 6, before the period insert the following: ", or (4) be made in the case of any designated area where the Secretary determines that an improvement in the unemployment rate of such area is primarily the result of increased employment in occupations not likely to be permanent".

Sudden rise of unemployment

Subsection 401(a)(4) should be amended as follows:

On page 22, beginning with line 3, strike out all through the period in line 11 and insert in lieu thereof the following:

"(4) Upon request of such areas, those additional areas in which the Secretary determines that the loss, removal, curtailment, or closing of a major source of employment has caused, or threatens to cause within three years of the date of the request, an unusual and abrupt rise in unemployment of such magnitude that the unemployment rate for the area can reasonably be expected to exceed the national average by 50 per centum or more unless assistance is provided."

Need for Machinery and Equipment

Section 202(a) should be amended as follows:

On page 10, line 2, strike out ", in cases of demonstrated need,".

Section 202(b)(9) should be amended as follows:

On page 13, lines 19 and 20, strike out ", in cases of demonstrated need,".

Technical amendments

Section 201(b) should be amended as follows:

On page 8, beginning with line 18, strike out all through the period in line 20 and insert in lieu thereof the following:

"(b) Subject to section 701(5), no loan, including renewals or extensions thereof, shall be made under this section for a period exceeding forty years, and no evidence of indebtedness maturing more than forty years from the date of purchase shall be purchased under this section."

Section 201(c) should be amended as follows:

On page 9, line 5, beginning with the colon, striking out all through line 7 and insert in lieu thereof the following: ": Provided, That annual appropriations for the purpose of purchasing evidences of indebtedness, making and participating in loans, and guaranteeing loans shall not exceed \$170,000,000."

Section 401(a)(4) should be amended as follows:

On page 22, line 13, strike out "subsection" and insert in lieu thereof "paragraph".

Section 711 should be amended as follows:

On page 46, beginning with the last comma in line 23, strike out all through "be" in line 3, on page 47.

Section 201(a) should be amended as follows:

On page 7, line 14, strike out "facilities," and insert in lieu thereof "facilities (including machinery and equipment),".

SUPPLEMENTARY VIEWS

We do not believe that Federal Government subsidy should determine the geographical location of industry. We feel that for the most efficient production and allocation of resources, firms must locate on the basis of economic factors such as labor, raw materials, transportation facilities, markets, and supporting industry.

We are, therefore, encouraged with the fact that the administration, realizing the problems and failures of the ARA program, has come to the realistic conclusion that it is not always possible nor desirable to remove through Federal aid and subsidy all pockets of persistent unemployment.

The changes this bill would make toward a regional rather than strictly local concept are in accordance with economic theory and represent an improvement.

There are, however, imperfections in titles 2 and 4 of this bill which we hope the Public Works Committee will correct through consideration of the suggestions and recommendations made in this letter as well as others contained in the prepared statement of the Comptroller General which accompanies the two letters from this committee.

We hope that if this bill is approved by the Congress, it will be administered with more attention to basic economic determinants and thus result in a better allocation of our economic resources.

Several of the GAO recommendations found complete support from both minority and majority members attending the hearing. Other recommendations, it was felt by all, were worthy of more investigation and discussion. This has not been possible because of the limited time available to our committee. We would like to see the Public Works Committee consider the GAO recommendations in their entirety.

We agree with the Comptroller General, Joseph Campbell, that for the improvement of the proposed legislation and the benefit of members of the Public Works Committee in their markup of the bill, it would be desirable for the committee to reopen its hearings in order to consider the Comptroller's suggestions and recommendations on sections 1, 3, 5, 6, and 7 of the bill.

The General Accounting Office suggested that the bill could be modified to require the Secretary to demonstrate, prior to approval of a project, that it will have a relationship to permanent rather than temporary employment opportunities. We agree. Although this is now a claimed ARA policy, it is not in the proposed bill.

It was also suggested that there could well be some correlation between the number of jobs estimated to be created and the amount of money to be invested in the project. There is presently a reference to this in section 403(a)(3) of the bill dealing with economic development districts. It seems reasonable to us that similar language be included at other appropriate places throughout the bill.

We also recommend that the agency approving loans check more thoroughly the applicants' estimates of the number of employees that

will be needed by projects. On the basis of GAO reports, it seems to us that there have been many cases in which the estimates have no reasonable relationship to the capacity or requirements of projects. Certainly the administering agency could, as a minimum, check each estimate against employment practice in the industry as a whole. It may be desirable to write such a provision into the bill.

In the case of assistance to provide new public facilities, the GAO recommended that this activity should not be undertaken until there was a reasonable assurance that approval would be given to the application of a specific employment project for which such facilities would be needed. These facilities should not be provided speculatively in the hope their presence would attract prospective applicants.

Under present ARA procedures the borrower is required to seek private loans first, and only when he fails, will the agency evaluate his needs. The Comptroller suggests that this be reversed and that the agency make the first evaluation. This would give any private lending institution a better basis for making its decision. The goal here should not be to create competition, but to increase private financing. We think the idea, which provoked general agreement in our committee, is worthy of being considered as the basis for a possible amendment.

A further recommendation of the GAO was that maximum maturities on machinery loans might well be correlated with the reasonable useful life expectancy of the machinery. We agree. The ARA issued a policy guideline No. 19 on January 9, 1963, regarding this matter. We feel that this approach should be written into the bill.

The GAO recommended that in section 202(b)(8), a fixed charge (subject to change with experience) should be added to the interest costs on the business loans to cover operating costs of the program. There was considerable support for the recommendation of a fixed charge in our committee.

Section 202(a)(3) of the bill provides authority for the Secretary to pay to or in behalf of private business entities, amounts sufficient to reduce by 2 percentage points, interest paid on loans obtained from nongovernmental sources.

If the purpose of this section is to draw capital into areas which have economic possibilities which the administrators of the program are convinced will support long-term employment, a Federal insurance program to insure the loans made by private lending institutions would perform the same function at no cost to the Government. Such insurance could draw capital from central money markets to an area selected for assistance as has been demonstrated in the FHA program.

This insurance could cause private lenders to offer interest rates equally as low as would be the case after the 2 percent subsidy because they would not have to consider the element of unmeasurable risks in making their rates.

It is suggested by GAO that if the provision in section 203 for a revolving fund is retained in the bill, the money used from the fund be subject to limits established by annual appropriations. We agree with this recommendation.

Section 401 (a)(2) provides that the Secretary shall designate as "redevelopment areas" those which have a median family income not in excess of 40 percent of the national median, as determined by the most recent statistics.

The basic general statistics were gathered in 1960. Methods for keeping these figures more nearly up to date should be developed and used. Such statistics should also take into consideration resources other than cash income. It is obvious that not all areas are similar. A rural area, in which much of the family needs in the form of produce or services are self-provided, should not be compared with an area where cash income is required for all needs. Total resources of families should be used for any comparison rather than median family cash income.

Section 401(a)(4) of the proposed bill authorizes the Secretary to designate an area as eligible for assistance when he determines that the area may become distressed within 3 years, because of a potential loss of a major local source of employment.

When Secretary Connor was asked what would happen if the loss of employment did not materialize and the area did not become eligible by any other provision, he said that he would terminate the original designation. It seems desirable that some guidelines be provided in the bill for such termination of eligibility.

Section 403 of the bill provides that the Secretary is authorized to designate appropriate areas as "economic development districts," with the concurrence of the governments of the States in which such districts will be wholly or partially located.

Whenever a project involves less than the area of an entire State, we feel that the concurrence of counties and other local governing bodies in the area is necessary. We therefore suggest that on line 17 of page 25 of the bill the words "counties and other local governing bodies" be inserted between "States" and "in."

We also suggest that the Public Works Committee consider the advisability of amending the bill to prohibit the expenditure of money for assistance to any project that will increase the production of such products as coal, ore, lumber, etc., whose common characteristics do not permit the development of brand preference, when there is not sufficient local, regional, or national market demand to employ the efficient capacity of firms already operating in the area.

During our consideration of this legislation we have found ourselves faced with the task of determining whether the administration of the program should continue to be handled by the Department of Commerce and follow the present pattern or whether a new independent agency should be set up. Testimony of witnesses representing ARA, SBA, and GAO failed to give a clear answer to this problem. We feel that the present pattern of administration within the Department of Commerce should be continued, including the program for delegating certain responsibilities to other agencies such as SBA.

WALLACE F. BENNETT.

JOHN G. TOWER.

STROM THURMOND.

BOURKE B. HICKENLOOPER.

STATEMENT OF JOSEPH CAMPBELL, COMPTROLLER
GENERAL OF THE UNITED STATES, BEFORE THE SUB-
COMMITTEE ON PRODUCTION AND STABILIZATION OF
THE SENATE COMMITTEE ON BANKING AND CUR-
RENCY

Mr. Chairman and members of the subcommittee, we appear before you today to present our views on title II and IV of S. 1648 a bill to provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

In his letter dated March 31, 1965, transmitting a draft of this bill to the Congress for consideration, the President stated that the bill was based upon experience under the accelerated public works program and the area redevelopment program. The purposes of the bill are matters of policy for consideration by the Congress and we, therefore, make no recommendation as to its enactment. We have, however, comments which we believe are desirable for consideration by the subcommittee during its deliberations on the bill.

Our comments relating to titles II and IV of the bill are based largely upon information disclosed through our reviews of the various activities of the Area Redevelopment Administration, Department of Commerce, and other Federal agencies, under the Area Redevelopment Act (42 U.S.C. 2501) and the Public Works Acceleration Act (42 U.S.C. 2641). As a result of our reviews, we have issued 15 reports to the Congress and one report to the Senate Committee on Banking and Currency. Certain of our reports to the Congress directly relate to provisions of the proposed legislation being considered by the subcommittee and will be discussed briefly during our testimony today. Other of our reports concern the degree of effectiveness achieved by the cognizant Federal agencies in administering selected aspects of the two programs and the accuracy of certain reported accomplishments or expected accomplishments of the programs. Copies of these reports have been made available for your information and use.

Section 201 of title II would authorize the Secretary, subject to certain conditions, to make loans to assist in financing improvements for public works, public service, or development facility usage. This section, in effect, replaces and enlarges the scope of section 7 of the Area Redevelopment Act.

Because the terms "public works, public service, or development facility usage" convey broad meanings and could encompass a wide range of types of facilities, you may wish to define or have defined in more specific detail the types of facilities which will be eligible for financial assistance under this provision of legislation.

Under the proposed legislation, the project for which financial assistance is sought must directly or indirectly either tend to improve

the opportunities for the establishment or expansion of commercial or industrial facilities; assist in the creation of long-term employment, benefit the unemployed and members of low-income families, or otherwise further the objectives of the Economic Opportunity Act of 1964.

Under a somewhat comparable provision of the Area Redevelopment Act the Secretary was authorized to extend financial assistance to public facility projects if he found that the project would tend to improve the opportunities for the establishment or expansion of commercial or industrial plants or facilities which would provide more than a temporary alleviation of unemployment or underemployment. In an effort to assure that public facility assistance results in a maximum of permanent jobs, the administration adopted the position that assistance under section 7 of the act would be given only where it would trigger the location or expansion of a factory or business which would create new employment.

As the stated purpose of the proposed legislation is to provide financial assistance needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions, we suggest that consideration be given to modifying the bill to require the Secretary to demonstrate prior to approving such a project, that a definite relationship exists or will exist between the project and the new permanent employment opportunities. This suggestion would appear to be consistent with the Area Redevelopment Administration's stated policy.

Section 201(b) would provide that the rate of interest on loans to be made under section 201 will be not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on certain outstanding marketable obligations of the United States less not to exceed one-half of 1 percent of interest a year.

As presently administered the interest rate on public facility loans under the Area Redevelopment Act is 3¾ percent.

The desirability of modifying the method of establishing interest rates is a policy matter to be considered by the Congress. The modification would result in reducing the interest to be paid to the Government, and would result in an interest subsidy to the borrower to the extent that the Government's cost of borrowing and administering the funds is in excess of the interest charge to the borrower.

Section 201(c) of the proposed legislation would authorize to be appropriated sums not in excess of \$170 million annually to carry out the loan and guarantee provisions of sections 201 and 202. Section 707 of the bill would require the Secretary of Commerce, to the fullest extent practicable in carrying out the provisions of the act, to use the available services and facilities of other agencies and instrumentalities of the Federal Government. Because of the differences between the programs which would be authorized by sections 201 and 202, and inasmuch as the programs will probably be carried out by different agencies, it would seem advisable from the standpoint of program planning and administration to identify the sums authorized to carry out the purposes of each section. We believe that the bill as drawn presents a considerable degree of flexibility in program financing, the need for which is not readily apparent.

We would also like to call attention to the fact that the \$170 million appropriation limitation also pertains to guarantees or working capital loans under section 202 of the proposed legislation. The liability incurred by the Government under the guarantee provision will be of a contingent nature. Accordingly, unless it is intended to fund anticipated losses, the extent to which annual appropriations will be required under this activity will be entirely dependent on the unfavorable experience that the administering agency may encounter.

Section 202 of the bill establishes a financial assistance program involving both direct and guaranteed loans for eligible projects. Most of the provisions of this section are identical or similar to the existing provisions of section 6 of the Area Redevelopment Act. We believe that the manner in which certain of these provisions have been administered by the Area Redevelopment Administration as described in our following remarks, would be of interest to the subcommittee.

Section 202(a)(1), which would authorize the Secretary to make loans and purchase evidences of indebtedness to aid in financing and project within a redevelopment area for the purchase or development of land and facilities including, in cases of demonstrated need, machinery and equipment for industrial and commercial usage, is identical to the corresponding language of section 6(a) of the Area Redevelopment Act.

According to the conference report on the Area Redevelopment Act the provision relating to the conditions under which financial assistance may be granted with respect to machinery and equipment was adopted in lieu of a House amendment which would have authorized such assistance "in exceptional cases."

The Small Business Administration is responsible, under the delegation of authority from the Secretary of Commerce, for certain functions relating to section 6 of the act, including determinations of the need for Federal assistance because sufficient private financing is not available, the amount of Federal assistance for which a project is eligible, the reasonableness of assurance of loan repayment, and other credit considerations. In our examination of the administration of this section of the act, we have noted that in actual practice, the Area Redevelopment Administration makes the determination that there is a demonstrated need for assisting in the financing of machinery and equipment before forwarding an application to the delegate agency for review, and without having available the facts disclosed by a detailed financial investigation by the Small Business Administration. Accordingly, the subcommittee may wish to clarify in the legislative history the significance that should be attached to the terminology "in cases of demonstrated need" as used in the bill.

Sections 201(a)(2) and 202(b)(4) provide that loan or loan guarantee assistance shall not be extended unless it is established that such assistance is not available on reasonable terms from private lenders or from other Federal agencies on terms more favorable to the Government which would permit accomplishment of the project. The factors that would be considered in this connection would include maturity period, interest rate, and collateral considerations. In the administration of this provision, the question arises as to the extent to which the terms offered by a private lender, in determining their reasonableness, and the terms offered by another Government agency, in determining whether they would permit the accomplishment of the project,

should be compared with the terms specified under the proposed bill which are generally more attractive. Accordingly, the subcommittee may wish to consider setting forth the criteria that should be used in administering this provision.

Section 202(b)(7) generally limits the maturity date for loans, or evidences of indebtedness to 25 years. The subcommittee may wish to provide some limitation on the duration of working capital loan which may be guaranteed under section 202. Also, the subcommittee may wish to provide that the duration of loans to assist in financing the purchase of machinery and equipment, some of which may have a relatively short useful life, be related within the 25-year limitation to the estimated useful life of the machinery and equipment.

Section 202(b)(8) would provide that loans shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury plus such additional charge, if any, toward covering other costs of the program as the Secretary of Commerce may determine to be consistent with its purpose. If it is intended that the business loan program is to be self-supporting, we believe that the bill should be revised to require the Secretary to establish a charge which will recover the cost of operating the program and to specify the expenses that should be recovered.

Section 202(b)(9) of the proposed legislation would provide, as does section 6(b)(9) of the Area Redevelopment Act, that loan assistance not exceed 65 percent of the aggregate cost to the applicant of acquiring or developing land and facilities and of constructing, altering, converting, rehabilitating, or enlarging the building, or buildings, of a particular project.

In our review of activities of the Area Redevelopment Administration we found that, for projects involving the expansion or improvement of industrial or commercial facilities owned by an applicant, the Administration interpreted this statutory provision to permit, under certain circumstances, the inclusion in project cost of all or part of the value of the applicant's existing land and facilities. As a result of this interpretation, the Administration has in a number of cases approved Federal financing of more than 65 percent and in some cases 100 percent of the new capital expenditures required for industrial or commercial area redevelopment projects.

Although the language of the statute and its legislative history are not clear in this respect, we believe that the legislative intent may have been to limit Federal financing to 65 percent of the new capital expenditures required for a project and to require that the remaining 35 percent of the funds needed for new capital expenditures be secured from non-Federal sources.

Accordingly, in a recent report, we recommended that the Congress, in considering section 202(b)(9) of the proposed legislation, consider clarifying the intended application of the limitation on Federal financial assistance to industrial or commercial projects involving the expansion of existing facilities.

Section 202(b)(9)(B) of the bill would, in effect, consolidate the language in section 6(b)(9)(B) and (C) of the Area Redevelopment Act which relate to required participation in project costs by non-Federal interests. Section 6(b)(9) (B) of that act requires that not less than 10 percent of aggregate project cost of federally assisted industrial or commercial projects be supplied by the State or any agency, instrumentality, political subdivision thereof, or by an Indian

tribe or community or area organization which is nonovernmental in character, as equity capital or as a loan repayable only after the Federal financial assistance has been repaid in full and, if such loan is secured, its security shall be subordinate and inferior to the lien or liens securing such Federal financial assistance. Under the proposed language, the required State or community financial participation in projects would be reduced to 5 percent and the Secretary, in accordance with standards prescribed by regulation, could waive the requirement and allow the applicant or such other source as he may approve to supply such funds.

The legislative history of the Area Redevelopment Act shows that the requirement for State or community financial participation was intended to insure that each project assisted under section 6 of the act had the active support of the community in which it was located, as evidenced by the willingness of the State or local community organization to invest in the project funds in the amount of 10 percent of the aggregate project costs and to assume with respect to this investment a risk position subordinate to that of the Federal Government.

Shortly after the inception of the area redevelopment program in 1961, the Administration found that, with respect to certain prospective section 6 projects, cognizant local development corporations were unable to raise the funds necessary to meet the 10-percent requirement. Faced with this situation, the Administration, on a case-by-case basis, decided to advise certain prospective borrowers, and later adopted as a formal policy, that, in cases where the local development corporation had made a bona fide fund-raising effort, there was no limitation on the extent to which the borrower could provide funds to the local development corporation to enable it to make the required 10-percent contribution to the project.

In a recently issued report to the Congress, we expressed the view that the mere channeling of funds of the borrower or of others having an interest in the project substantially identical to that of the borrower through a local development corporation and back into the borrower's project, without such corporation's undertaking a bona fide financial risk with respect to the project, did not constitute compliance with the terms of section 6(b)(9)(B) of the act. We stated that dependent upon the specific standards which would be established by regulation, the effect of the proposed legislative provision could be to permit the adoption of the Administration's policy related to section 6(b)(9)(B) of the Area Redevelopment Act. If the intent of the proposed legislative provision is to be similar to that of section 6(b)(9)(B) of the Area Redevelopment Act, and if it is desirable to permit the waiver of the requirement, we believe the subcommittee should give consideration to the manner in which the Administration has administered the provisions of section 6(b)(9)(B) of the act and to the need to amend the proposed legislation to provide criteria to better assure that, if enacted, its intent will be achieved. We included a recommendation to this effect in our report to the Congress on this subject.

Section 202(a)(2) would authorize the Secretary to guarantee loans for working capital made to private borrowers by private lending institutions in connection with projects assisted under section 202(a)(1) provided that the guarantee shall not exceed 90 percent of the amount of the outstanding unpaid balance of such loans. Under the area Redevelopment Act, financial assistance could not be extended for

working capital. Whether the assumption of the additional risk involved in this form of financial assistance is essential to the furtherance of the program objective is a matter for congressional consideration. However, there are several factors which we believe should be considered by the subcommittee in its deliberations on this provision.

First, if the working capital guarantee program is intended to be self-supporting, the subcommittee may wish to consider requiring the assessment of a premium to cover the costs of administration of the program and to offset guarantee payments which may be required. Secondly, inasmuch as these loans could carry a 90-percent Federal guarantee against loss, the subcommittee may wish to stipulate a maximum interest rate that could be charged on such loans.

Also, section 202(b)(9)(C) of the bill would authorize the Secretary, as does section 6(b)(9)(D) of the Area Redevelopment Act, to subordinate the Government's lien position on project assets to lien positions of other loans made in connection with such project. The Area Redevelopment Administration has in some instances under the Area Redevelopment Act subordinated its lien position on project assets to assist the borrower in obtaining a working capital loan from a private lending institution.

Because of the security which would be provided the private lending institution by the Federal guarantee, the subcommittee may wish to require that any working capital loan guaranteed under section 202 be otherwise unsecured or, in some other manner, define in the legislation the relative risk positions intended to be assumed by the lender and the Government.

The bill as drawn would provide no limitations on the amount of loans that may be guaranteed in 1 year or on the amount of guarantees that may be outstanding at any one time. Because of the varying needs of the individual projects, we cannot offer a reasonable estimate of the total amount of working capital loans that might be needed in the course of 1 year. We believe that the bill should include some limitation. Simply by way of illustration, if working capital needs averaged about 50 percent of project costs and such costs totaled \$150 million in 1 year, it is evident that the Federal Government could incur a substantial contingent liability.

Section 202(a)(3) would authorize the Secretary to make payments to or on behalf of qualified borrowers, for periods not to exceed 10 years, of amounts sufficient to reduce by 2 percentage points the interest paid by such borrowers on loans obtained from nongovernmental sources and which are not guaranteed by any Government agency. It is our understanding that this benefit will be available only in those cases where investment of private capital is clearly in lieu of Federal financing as limited in section 202(b)(9), that is, not to exceed 65 percent of aggregate project cost.

One aspect of the proposed interest subsidy provision which we believe should be considered concerns the possible relationship between the borrower and the lender. In one case on which we recently issued a report to the Congress, the Area Redevelopment Administration required, for special reasons, the parent corporation to participate to the extent of \$100,000 in the loan which the Administration made to a subsidiary corporation. As we understand the language of the provision, the subsidiary corporation in such circumstances would be entitled to receive the 2-percent interest

subsidy on the amount received from the parent corporation. If it is intended that borrowers in situations such as the cited case not be eligible for this type of assistance, we suggest that it be made clear that the interest subsidy provision be applicable only to project financing arrangements conducted on an arms-length basis.

Section 203 would authorize to be established in the Treasury of the United States a revolving fund which would be available to the Secretary of Commerce for the purpose of extending financial assistance under sections 201, 202, and 403 and for the payment of all obligations and expenses arising in connection therewith. We believe that this proposal would tend to avoid the need for annual appropriations, and thus there would be less compulsion for careful evaluation by successive Congresses of the need for continuing particular programs.

We have consistently taken the view that the public interest is best served when congressional control of Federal activities is exercised through annual review and affirmative action on planned programs and financing requirements which attend the appropriation processes. Departures from this procedure should be permitted only on a clear showing that an activity cannot be successfully operated in the public interest within this framework. In the absence of special circumstances, we believe that the revolving fund method should be adopted only if its demonstrable merits in terms of more efficient operation of the activity clearly outweigh the disadvantages of reduced congressional control. If the revolving fund feature is to be retained in the bill, we suggest that the bill be revised to provide that funds may be used for the loan programs and for administrative expenses only in amounts stipulated in annual appropriation acts.

Section 401 of title IV entitled "Area and District Eligibility" presents criteria for the designation of redevelopment areas which involve matters of policy for determination by the Congress, and we have no suggestions with respect thereto.

Section 402 would require an annual review by the Secretary of the eligibility of all areas designated or under consideration for designation under section 401 and would authorize the Secretary, on the basis of his review, to terminate or modify designations of such areas in accordance with objective standards prescribed by regulation. In contrast, section 13 of the Area Redevelopment Act requires termination of eligibility of an area when the Secretary determines that it would no longer be eligible for designation under that act. If it is intended that the Secretary, in formulating regulations, is to adopt the designation criteria contained in section 401 as the bases for termination or modification actions, we believe that the subcommittee should consider the desirability of making this a specific requirement of the legislation. In this connection, the subcommittee may wish to consider information contained in our report to the Congress dealing with the Area Redevelopment Administration's policy of administratively delaying the termination of area eligibility for rather long periods of time after the Secretary of Labor had found that such area no longer met the criteria for designation.

Under section 402, areas designated under the Area Redevelopment Act would be eligible for benefits provided by this bill until the first annual review of eligibility. We note that the bill does not specify when the first annual review is to be undertaken. We note also with particular reference to subsections 401(a) (2) and (3) of the bill and

subsection 5(b) of the Area Redevelopment Act, criteria for area designation contained in the bill represent a significant change from those contained in the Area Redevelopment Act. In the light of these factors, we believe the subcommittee might wish to consider the desirability of specifying in section 402 that the first annual review of eligibility of areas designated under the Area Redevelopment Act be undertaken as promptly after the date of enactment as is practicable.

Section 402 would also provide that no termination of eligibility shall affect the validity of any application filed, or contract or undertaking entered into with respect to the affected area prior to termination. The effect of this provision, which is somewhat similar to a provision contained in section 13 of the Area Redevelopment Act, would be to extend the availability of financial assistance to an area for an unspecified period of time after the eligibility of an area has been terminated.

Section 13 of the Area Redevelopment Act did not specifically refer to the validity of applications filed prior to termination. However, the Area Redevelopment Administrator interpreted the word "Undertaking" as used in that section to include the filing of a project proposal, which generally precedes the filing of a formal application. In the administration of that act, financial assistance has been approved as much as 13 months after the date of termination of the eligibility of the area involved. Accordingly, the subcommittee may wish to consider the desirability of specifying in section 402 the period of time after which a pending application would not be valid.

Section 403(f) would authorize appropriations not to exceed \$50 million annually for financial assistance extended under the provisions of subsections 403(a) (3) and (4), the latter of which authorizes increased grants for public facility projects in redevelopment areas which are consistent with an approved district overall economic development plan.

With regard to section 403(f), and, as we suggested in connection with section 201(c) of the bill, the subcommittee may wish to consider the desirability of specifying maximum appropriation amounts authorized for each type of assistance authorized; that is, public facility grants, public facility loans, industrial and commercial loans, and public facility grant increases. The subcommittee may also wish to consider making working capital loan guarantee contracts under section 403(a)(3) subject to a limitation separate from that which we have suggested be established under section 202 of the bill.

Mr. Chairman, this concludes our statement. We will be pleased to answer any questions you may have.



S. 1648

[Report No. 193]

IN THE SENATE OF THE UNITED STATES

APRIL 1, 1965

Mr. DOUGLAS (for himself, Mr. McNAMARA, Mr. BARTLETT, Mr. BAYH, Mr. BREWSTER, Mr. BURDICK, Mr. BYRD of West Virginia, Mr. CLARK, Mr. COOPER, Mr. FULBRIGHT, Mr. GORE, Mr. GRUENING, Mr. HARRIS, Mr. HART, Mr. HARTKE, Mr. INOUE, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of New York, Mr. LONG of Missouri, Mr. MAGNUSON, Mr. MCCARTHY, Mr. MCGOVERN, Mr. MCINTYRE, Mr. METCALF, Mr. MONDALE, Mr. MONTOYA, Mr. MORSE, Mr. MOSS, Mr. MUSKIE, Mr. NELSON, Mrs. NEUBERGER, Mr. PASTORE, Mr. PELL, Mr. PROXMIRE, Mr. RANDOLPH, Mr. RIBICOFF, Mr. WILLIAMS of New Jersey, Mr. YARBOROUGH, and Mr. YOUNG of Ohio) introduced the following bill; which was read twice and referred to the Committee on Public Works

MAY 14, 1965

Reported, under authority of the order of the Senate of May 14, 1965, by
Mr. McNAMARA, with amendments

[Omit the part struck through and insert the part printed in italic]

A BILL

To provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

- 1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Public Works and
4 Economic Development Act of 1965".

1 STATEMENT OF PURPOSE

2 SEC. 2. The Congress declares that the maintenance of
3 the national economy at a high level is vital to the best
4 interests of the United States, but that some of our regions,
5 counties, and communities are suffering substantial and per-
6 sistent unemployment and underemployment; that such un-
7 employment and underemployment cause hardship to many
8 individuals and their families, and waste invaluable human
9 resources; that to overcome this problem the Federal Gov-
10 ernment, in cooperation with the States, should help areas
11 and regions of substantial and persistent unemployment and
12 underemployment to take effective steps in planning and
13 financing their public works and economic development; that
14 Federal financial assistance, including grants for public works
15 and development facilities to communities, industries, enter-
16 prises, and individuals in areas needing development should
17 enable such areas to help themselves achieve lasting improve-
18 ment and enhance the domestic prosperity by the establish-
19 ment of stable and diversified local economies and improved
20 local conditions: *Provided*, That such assistance is preceded
21 by and consistent with sound, long-range economic planning;
22 and that under the provisions of this Act new employment
23 opportunities should be created by developing and expand-
24 ing new and existing public works and other facilities and

resources rather than by merely transferring jobs from one area of the United States to another.

TITLE I—GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES

SEC. 101. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary of Commerce (hereinafter referred to as the Secretary) is authorized—

(1) to make direct grants for the acquisition or development of land and improvements for public works, public service, or development facility usage, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, *including related machinery and equipment*, within a redevelopment area, if he finds that—

(A) the project for which financial assistance is sought will directly or indirectly (i) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities, (ii) otherwise assist in the creation of additional long-term employment opportu-

1 nities for such area, or (iii) primarily benefit the
2 long-term unemployed and members of low-income
3 families or otherwise substantially further the ob-
4 jectives of the Economic Opportunity Act of 1964;

5 (B) the project for which a grant is requested
6 will fulfill a pressing need of the area, or part
7 thereof, in which it is, or will be, located; and

8 (C) the area for which a project is to be under-
9 taken has an approved overall economic develop-
10 ment program as provided in section 202 (b) (10)
11 and such project is consistent with such program;

12 (2) to make supplementary grants in order to
13 enable the States and other entities within redevelop-
14 ment areas to take maximum advantage of designated
15 Federal grant-in-aid programs (as hereinafter defined),
16 *direct grants-in-aid authorized under this section, and*
17 *Federal public works projects* for which they are eligible
18 but for which, because of their economic situation, they
19 cannot supply the required matching share.

20 (b) Subject to subsection (c) hereof, the amount of
21 any direct grant under this section for any project shall
22 not exceed 50 per centum of the cost of such project.

23 (c) The amount of any supplementary grant under this
24 section for any project shall not exceed the applicable per-
25 centage established by regulations promulgated by the Secre-

1 tary, but in no event shall the non-Federal share ~~(including~~
2 ~~assumptions of debt)~~ of the aggregate cost of any such proj-
3 ect *(including assumptions of debt)* be less than 20 per
4 centum of such cost. Supplementary grants shall be made
5 by the Secretary, in accordance with such regulations as
6 he shall prescribe, by increasing the amounts of direct grants
7 authorized under this section or by the payment of funds
8 appropriated under this Act to the heads of the depart-
9 ments, agencies, and instrumentalities of the Federal Govern-
10 ment responsible for the administration of ~~such grant-in-aid~~
11 *the applicable Federal* programs. Notwithstanding any
12 ~~limitation on requirement as to the use of supplementary~~
13 ~~grants amount or sources of non-Federal funds~~ that may
14 otherwise be applicable to the ~~grant-in-aid Federal~~ program
15 involved, funds ~~so allocated~~ *provided under this subsection*
16 shall be used for the sole purpose of increasing the Federal
17 contribution to specific projects in redevelopment areas under
18 such programs above the fixed maximum portion of the cost
19 of such project otherwise authorized by the applicable law.
20 The term "designated Federal grant-in-aid programs," as
21 used in this subsection, means such existing or future Federal
22 grant-in-aid programs assisting in the construction or equip-
23 ping of facilities as the Secretary may, in furtherance of the
24 purposes of this Act, designate as eligible for allocation of
25 funds under this section. In determining the amount of any

1 supplementary grant available to any project under this sec-
2 tion, the Secretary shall take into consideration the relative
3 needs of the area, the nature of the project to be assisted, and
4 the amount of such fair user charges or other revenues as the
5 project may reasonably be expected to generate in excess of
6 those which would amortize the local share of initial costs and
7 provide for its successful operation and maintenance (includ-
8 ing depreciation).

9 (d) The Secretary shall prescribe rules, regulations, and
10 procedures to carry out this section which will assure that
11 adequate consideration is given to the relative needs of
12 eligible areas. In prescribing such rules, regulations; and
13 procedures the Secretary shall consider among other relevant
14 factors (1) the severity of the rates of unemployment in the
15 eligible areas and the duration of such unemployment and
16 (2) the income levels of families and the extent of under-
17 employment in eligible areas.

18 (e) ~~No~~ *Except for projects specifically authorized by*
19 *Congress, no* financial assistance shall be extended under
20 this section with respect to any public service or develop-
21 ment facility which would compete with an existing pri-
22 vately owned public utility rendering a service to the public
23 at rates or charges subject to regulation by a State *or Federal*
24 regulatory body, unless the State *or Federal* regulatory body
25 determines that in the area to be served by the facility for

1 which the financial assistance is to be extended there is a
2 need for an increase in such service (taking into considera-
3 tion reasonably foreseeable future needs) which the existing
4 public utility is not able to meet through its existing facilities
5 or through an expansion which it agrees to undertake.

6 *SEC. 102. Not more than 15 per centum of the appro-*
7 *priations made pursuant to this title may be expended in any*
8 *one State.*

9 ~~SEC. 102 103.~~ There is hereby authorized to be appro-
10 priated not to exceed \$250,000,000 annually for the pur-
11 poses of this title.

12 *SEC. 103. There is hereby authorized to be appropriated*
13 *not to exceed \$400,000,000 for the fiscal year ending June*
14 *30, 1966, and for each fiscal year thereafter through the fiscal*
15 *year ending June 30, 1970.*

16 TITLE II—OTHER FINANCIAL ASSISTANCE

17 PUBLIC WORKS AND DEVELOPMENT FACILITY LOANS

18 SEC. 201. (a) Upon the application of any State, or
19 political subdivision thereof, Indian tribe, or private or pub-
20 lic nonprofit organization or association representing any
21 redevelopment area or part thereof, the Secretary is author-
22 ized to purchase evidence of indebtedness and to make loans
23 to assist in financing the purchase or development of land
24 and improvements for public works, public service, or devel-
25 opment facility usage, and the acquisition, construction, reha-

1 bilitation, alteration, expansion, or improvement of such
2 facilities, *including related machinery and equipment*, within
3 a redevelopment area, if he finds that—

4 (1) the project for which financial assistance is
5 sought will directly or indirectly—

6 (A) tend to improve the opportunities, in the
7 area where such project is or will be located, for the
8 successful establishment or expansion of industrial or
9 commercial plants or facilities,

10 (B) otherwise assist in the creation of addi-
11 tional long-term employment opportunities for such
12 area, or

13 (C) primarily benefit the long-term unem-
14 ployed and members of low-income families or
15 otherwise substantially further the objectives of the
16 Economic Opportunity Act of 1964;

17 (2) the funds requested for such project are not
18 otherwise available from private lenders ~~on reasonable~~
19 ~~terms~~, or from other Federal agencies on terms ~~more~~
20 ~~favorable to the Government~~ which ~~would~~ *in the opinion*
21 *of the Secretary will* permit the accomplishment of the
22 project;

23 (3) the amount of the loan plus the amount of other
24 available funds for such project are adequate to insure
25 the completion thereof;

(4) there is a reasonable expectation of repayment;

and

(5) such area has an approved overall economic development program as provided in section 202 (b)

(10) and the project for which financial assistance is sought is consistent with such program.

(b) ~~Subject to section 701(5), the maturity date of any such loan shall be not later than forty years after the date such loan is made.~~ *Subject to section 701(5), no loan, including renewals or extensions thereof, shall be made under this section for a period exceeding forty years, and no evidence of indebtedness maturing more than forty years from the date of purchase shall be purchased under this section.*

Such loans shall bear interest at a rate not less than ~~(i)~~ a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less ~~(ii)~~ not to exceed one-half of 1 per centum per annum.

(c) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this section and section 202: *Provided, however, That*

1 annual appropriations for the purpose of making and guar-
 2 anteeing loans shall not exceed \$170,000,000 That an-
 3 nual appropriations for the purpose of purchasing evidences
 4 of indebtedness, making and participating in loans, and guar-
 5 anteeing loans shall not exceed \$170,000,000.

6 (d) ~~No~~ Except for projects specifically authorized by
 7 Congress, no financial assistance shall be extended under this
 8 section with respect to any public service or development
 9 facility which would compete with an existing privately
 10 owned public utility rendering a service to the public at rates
 11 or charges subject to regulation by a State or Federal regula-
 12 tory body, unless the State or Federal regulatory body deter-
 13 mines that in the area to be served by the facility for which
 14 the financial assistance is to be extended there is a need
 15 for an increase in such service (taking into consideration
 16 reasonably foreseeable future needs) which the existing
 17 public utility is not able to meet through its existing facilities
 18 or through an expansion which it agrees to undertake.

19 LOANS AND GUARANTEES

20 SEC. 202. (a) The Secretary is authorized (1) to
 21 purchase evidences of indebtedness and to make loans (which
 22 for purposes of this section shall include participations in
 23 loans) to aid in financing any project within a redevelop-
 24 ment area for the purchase or development of land and facili-
 25 ties (including, in cases of demonstrated need, including ma-

1 chinery and equipment) for industrial or commercial usage,
2 including the construction of new buildings, the rehabilitation
3 of abandoned or unoccupied buildings, and the alteration,
4 conversion, or enlargement of existing buildings; (2) to guar-
5 antee loans for working capital made to private borrowers by
6 private lending institutions in connection with projects in
7 redevelopment areas assisted under subsection (a) (1)
8 hereof, upon application of such institution and upon such
9 terms and conditions as the Secretary may prescribe: *Pro-*
10 *vided, however,* That no such guarantee shall at any time ex-
11 ceed 90 per centum of the amount of the outstanding unpaid
12 balance of such loan; and (3) to contract to pay, and to
13 pay annually, for not more than ten years, to or on behalf
14 of private business entities amounts sufficient to reduce by 2
15 percentage points the interest paid by such entities on loans
16 which are obtained from non-Government sources, which
17 are not guaranteed by any Government agency, which pro-
18 vide for annual amortization of principal, and the proceeds
19 of which are used for purposes for which the Secretary is
20 authorized to purchase evidences of indebtedness or make
21 loans under this section: *Provided, however,* That subject
22 to limitations in annual appropriation Acts, the annual cost
23 of new contracts approved in any one year shall not exceed
24 \$5,000,000.

25 (b) Financial assistance under this section shall be on

1 such terms and conditions as the Secretary determines, sub-
2 ject, however, to the following restrictions and limitations:

3 (1) Such financial assistance shall not be extended to
4 assist establishments relocating from one area to another:
5 *Provided, however,* That such limitation shall not be con-
6 strued to prohibit assistance for the expansion of an existing
7 business entity through the establishment of a new branch,
8 affiliate, or subsidiary of such entity if the Secretary finds
9 that the establishment of such branch, affiliate, or subsidiary
10 will not result in an increase in unemployment of the area
11 of original location or in any other area where such entity
12 conducts business operations, unless the Secretary has reason
13 to believe that such branch, affiliate, or subsidiary is being
14 established with the intention of closing down the operations
15 of the existing business entity in the area of its original
16 location or in any other area where it conducts such
17 operations.

18 (2) Such assistance shall be extended only to applicants,
19 both private and public (including Indian tribes), which
20 have been approved for such assistance by an agency or in-
21 strumentality of the State or political subdivision thereof in
22 which the project to be financed is located, and which agency
23 or instrumentality is directly concerned with problems of
24 economic development in such State or subdivision.

25 (3) The project for which financial assistance is sought

1 must be reasonably calculated to provide more than a
2 temporary alleviation of unemployment or underemployment
3 within the redevelopment area wherein it is or will be
4 located.

5 (4) No loan or guarantee shall be extended hereunder
6 unless the financial assistance applied for is not otherwise
7 available from private lenders ~~on reasonable terms~~, or from
8 other Federal agencies on terms ~~more favorable to the Gov-~~
9 ~~ernment which would~~ *which in the opinion of the Secretary*
10 *will* permit the accomplishment of the project.

11 (5) The Secretary shall not make any loan without a
12 participation unless he determines that the loan cannot be
13 made on a participation basis.

14 (6) No evidences of indebtedness shall be purchased
15 and no loans shall be made or guaranteed unless it is deter-
16 mined that there is reasonable assurance of repayment.

17 (7) Subject to section 701 (5) of this Act, no loan,
18 including renewals or extension thereof, may be made here-
19 under for a period exceeding twenty-five years and no
20 evidences of indebtedness maturing more than twenty-five
21 years from date of purchase may be purchased hereunder:
22 *Provided*, That the foregoing restrictions on maturities shall
23 not apply to securities or obligations received by the Secre-
24 tary as a claimant in bankruptcy or equitable reorganization

1 or as a creditor in other proceedings attendant upon insol-
2 vency of the obligor.

3 (8) Loans made and evidences of indebtedness pur-
4 chased under this section shall bear interest at a rate not
5 less than ~~(i)~~ a rate determined by the Secretary of the
6 Treasury taking into consideration the current average
7 market yield on outstanding marketable obligations of the
8 United States with remaining periods to maturity com-
9 parable to the average maturities of such loans, adjusted
10 to the nearest one-eighth of 1 per centum, plus ~~(ii)~~ such
11 additional charge, if any, toward covering other costs of the
12 program as the Secretary may determine to be consistent
13 with its purpose.

14 (9) Loan assistance shall not exceed 65 per centum
15 of the aggregate cost to the applicant (excluding all other
16 Federal aid in connection with the undertaking) of acquiring
17 or developing land and facilities ~~(including, in cases of~~
18 ~~demonstrated need, including~~ machinery and equipment),
19 and of constructing, altering, converting, rehabilitating, or
20 enlarging the building or buildings of the particular project,
21 and shall, among others, be on the condition that—

22 (A) other funds are available in an amount which,
23 together with the assistance provided hereunder, shall
24 be sufficient to pay such aggregate cost;

25 (B) not less than 15 per centum of such aggregate

cost be supplied as equity capital or as a loan repayable in no shorter period of time and at no faster an amortization rate than the Federal financial assistance extended under this section is being repaid, and if such a loan is secured, its security shall be subordinate and inferior to the lien or liens securing such Federal financial assistance: *Provided, however,* That, except in projects involving financial participation by Indian tribes, not less than 5 per centum of such aggregate cost shall be supplied by the State or any agency, instrumentality, or political subdivision thereof, or by a community or area organization which is nongovernmental in character, unless the Secretary shall determine in accordance with objective standards promulgated by regulation that all or part of such funds are not reasonably available to the project because of the economic distress of the area or for other good cause, in which case he may waive the requirement of this provision to the extent of such unavailability, and allow the funds required by this subsection to be supplied by the applicant or by such other non-Federal source as may reasonably be available to the project;

(C) to the extent the Secretary finds such action necessary to encourage financial participation in a particular project by other lenders and investors, and

1 except as otherwise provided in subparagraph (B), any
2 Federal financial assistance extended under this section
3 may be repayable only after other loans made in con-
4 nection with such project have been repaid in full, and
5 the security, if any, for such Federal financial assistance
6 may be subordinate and inferior to the lien or liens
7 securing other loans made in connection with the same
8 project.

9 (10) No such assistance shall be extended unless there
10 shall be submitted to and approved by the Secretary an
11 overall program for the economic development of the area
12 and a finding by the State, or any agency, instrumentality,
13 or local political subdivision thereof, that the project for
14 which financial assistance is sought is consistent with such
15 program: *Provided*, That nothing in this Act shall authorize
16 financial assistance for any project prohibited by laws of
17 the State or local political subdivision in which the project
18 would be located, nor prevent the Secretary from requiring
19 such periodic revisions of previously approved overall eco-
20 nomic development programs as he may deem appropriate.

1 ECONOMIC DEVELOPMENT REVOLVING FUND

2 SEC. 203. Funds obtained by the Secretary under sec-
3 tion 201, loan funds obtained under section 403, and col-
4 lections and repayments received under this Act, shall be
5 deposited in an economic development revolving fund (here-
6 inafter referred to as the "fund"), which is hereby estab-
7 lished in the Treasury of the United States, and which shall
8 be available to the Secretary for the purpose of extending
9 financial assistance under sections 201, 202, and 403, and
10 for the payment of all obligations and expenditures arising
11 in connection therewith. There shall also be credited to the
12 fund such funds as have been paid into the area redevelop-
13 ment fund or may be received from obligations outstanding
14 under the Area Redevelopment Act. The fund shall pay
15 into miscellaneous receipts of the Treasury, following the
16 close of each fiscal year, interest on the amount of loans
17 outstanding *under this Act* computed in such manner and at
18 such rate as may be determined by the Secretary of the
19 Treasury taking into consideration the current average mar-

1 ket *yield* on outstanding marketable obligations of the United
2 States with remaining periods to maturity comparable to the
3 average maturities of such loans, adjusted to the nearest one-
4 eighth of 1 per centum, during the month of June preceding
5 the fiscal year in which the loans were made.

6 TITLE III—TECHNICAL ASSISTANCE, RESEARCH,
7 AND INFORMATION

8 ~~TECHNICAL AND ADMINISTRATIVE ASSISTANCE~~

9 SEC. 301. (a) In carrying out his duties under this Act
10 the Secretary is authorized to provide technical assistance
11 which would be useful in alleviating or preventing conditions
12 of excessive unemployment or underemployment (1) to
13 areas which he has designated as redevelopment areas under
14 this Act, and (2) to other areas which he finds have sub-
15 stantial need for such assistance. Such assistance shall in-
16 clude *project planning and feasibility studies, management*
17 *and operational assistance, and* studies evaluating the needs
18 of, and developing potentialities for, economic growth of such
19 areas. Such assistance may be provided by the Secretary
20 through members of his staff, through the payment of funds
21 authorized for this section to other departments or agencies of
22 the Federal Government, through the employment of private
23 individuals, partnerships, firms, corporations, or suitable in-
24 stitutions, under contracts entered into for such purposes, or
25 through grants-in-aid to appropriate public or private non-

1 profit State, area, district, or local organizations. The Secre-
2 tary, in his discretion, may require the repayment of
3 assistance provided under this subsection and prescribe the
4 terms and conditions of such repayment.

5 (b) The Secretary is authorized to make grants for
6 ~~economic planning staff and to defray not to exceed 75 per~~
7 ~~centum of the~~ administrative expenses ~~to~~ of organizations
8 which he determines to be qualified to receive grants-in-aid
9 under subsection (a) hereof: *Provided, however,* That no
10 such grant shall exceed 75 per centum of the aggregate cost
11 of the undertaking for which the assistance is rendered,
12 ~~or of the administrative expenses of any qualified organiza-~~
13 ~~tion in any one year.~~ In determining the amount of the
14 non-Federal share of such costs or expenses, the Secre-
15 tary shall give due consideration to all contributions both in
16 cash and in kind, fairly evaluated, including but not limited
17 to space, equipment, and services. Where practicable,
18 grants-in-aid authorized under this subsection shall be used
19 in conjunction with other available planning grants, such as
20 urban planning grants authorized under the Housing Act of
21 1954, as amended, and highway planning and research
22 grants authorized under the Federal Aid Highway Act of
23 1962, to assure adequate and effective planning and eco-
24 nomical use of funds.

1 ~~(c)~~ There is hereby authorized to be appropriated
2 ~~\$20,000,000~~ annually for the purposes of this section.

3 RESEARCH

4 ~~SEC. 302.~~ (c) To assist in the long-range accomplish-
5 ment of the purposes of this Act, the Secretary, in coopera-
6 tion with other agencies having similar functions, shall
7 establish and conduct a continuing program of ~~study~~ *study*,
8 *training*, and research ~~designed~~ to (A) assist in determining
9 the causes of unemployment, underemployment, underdevel-
10 opment, and chronic depression in the various areas and
11 regions of the ~~Nation and in the formulation~~ *Nation*, (B) *as-*
12 *sist in the formulation* and implementation of national, State,
13 and local programs which will raise income levels and other-
14 wise produce solutions ~~of~~ to the problems resulting from these
15 ~~conditions~~ *conditions*, and (C) *assist in providing the per-*
16 *sonnel needed to conduct such programs. The program of*
17 *study, training, and research may be conducted by the Secre-*
18 *tary through members of this staff, through payment of funds*
19 *authorized for this section to other departments or agencies*
20 *of the Federal Government, or through the employment of*
21 *private individuals, partnerships, firms, corporations, or*
22 *suitable institutions, under contracts entered into for such*
23 *purposes, or through grants to such individuals, organiza-*
24 *tions, or institutions, or through conferences and similar meet-*
25 *ings organized for such purposes. The Secretary shall make*

1 *available to interested individuals and organizations the re-*
2 *sults of such research.* The Secretary shall include in his
3 annual report under section 706 a detailed statement con-
4 cerning the study and research conducted under this section
5 together with his findings resulting therefrom and his rec-
6 ommendations for legislative and other action.

7 INFORMATION

8 ~~SEC. 303.~~ (d) The Secretary shall aid redevelopment
9 areas and other areas by furnishing to interested individuals,
10 communities, industries, and enterprises within such areas
11 any assistance, technical information, market research, or
12 other forms of assistance, information, or advice which would
13 be useful in alleviating or preventing conditions of excessive
14 unemployment or underemployment within such areas. The
15 Secretary may furnish the procurement divisions of the vari-
16 ous departments, agencies, and other instrumentalities of the
17 Federal Government with a list containing the names and
18 addresses of business firms which are located in redevelop-
19 ment areas and which are desirous of obtaining Government
20 contracts for the furnishing of supplies or services, and
21 designating the supplies and services such firms are engaged
22 in providing.

23 (e) *The Secretary shall establish an independent study*
24 *board consisting of governmental and nongovernmental ex-*
25 *perts to investigate the effects of Government procurement,*

1 *scientific, technical, and other related policies, upon regional*
 2 *economic development. Any Federal officer or employee*
 3 *may, with the consent of the head of the department or agency*
 4 *in which he is employed, serve as a member of such board,*
 5 *but shall receive no additional compensation for such service.*
 6 *Other members of such board may be compensated in accord-*
 7 *ance with the provisions of section 701(10). The board shall*
 8 *report its findings, together with recommendations for the*
 9 *better coordination of such policies, to the Secretary, who*
 10 *shall transmit the report to the Congress not later than two*
 11 *years after the enactment of this Act.*

12 *SEC. 302. There is hereby authorized to be appropriated*
 13 *\$25,000,000 annually for the purposes of this title.*

14 TITLE IV—AREA AND DISTRICT ELIGIBILITY

15 PART A—REDEVELOPMENT AREAS

16 AREA ELIGIBILITY

17 *SEC. 401. (a) The Secretary shall designate as “re-*
 18 *development areas”—*

19 *(1) those areas in which he determines, upon the*
 20 *basis of standards generally comparable with those set*
 21 *forth in paragraphs (A) and (B), that there has ex-*
 22 *isted substantial and persistent unemployment for an*
 23 *extended period of time. There shall be included among*
 24 *the areas so designated any area—*

25 *(A) where the Secretary of Labor finds that*

the current rate of unemployment, as determined by appropriate annual statistics for the most recent available calendar year, is 6 per centum or more and has averaged at least 6 per centum for the qualifying time periods specified in paragraph (B) ; and

(B) where the Secretary of Labor finds that the annual average rate of unemployment has been at least—

(i) 50 per centum above the national average for three of the preceding four calendar years, or

(ii) 75 per centum above the national average for two of the preceding three calendar years, or

(iii) 100 per centum above the national average for one of the preceding two calendar years.

The Secretary of Labor shall find the facts and provide the data to be used by the Secretary in making the determinations required by this subsection.

(2) those additional areas which have a median family income not in excess of 40 per centum of the national median, as determined by the most recent available statistics for such areas;

1 (3) those additional Federal or State Indian reser-
 2 vations *or trust or restricted Indian-owned land areas*
 3 which the Secretary, after consultation with the
 4 Secretary of the Interior *or an appropriate State agency*,
 5 determines manifest the greatest degree of economic
 6 distress on the basis of unemployment and income sta-
 7 tistics and other appropriate evidence of economic under-
 8 development;

9 (4) upon request of such areas, those additional
 10 areas in which the Secretary determines that the loss,
 11 removal, *curtailment*, or closing of a major source of em-
 12 ~~ployment~~, *employment* has caused or is about to cause
 13 *threatens to cause within three years of the date of the*
 14 *request* an unusual and abrupt rise in unemployment or
 15 ~~underemployment~~ of such magnitude that the *unemploy-*
 16 *ment rate for the area* can reasonably be expected to be-
 17 come eligible for designation under the other provisions
 18 of this Act within three years *exceed the national average*
 19 *by 50 per centum or more* unless assistance is provided.
 20 Notwithstanding any provision of ~~this section~~ *subsection*
 21 *401(b)* to the contrary, an area ~~may be~~ designated ~~at~~
 22 ~~any time~~ under the authority of this ~~subsection~~ *para-*
 23 *graph* and may be given a reasonable time after desig-
 24 nation in which to submit the overall economic develop-

1 ment program required by subsection 202 (b) (10) of
2 this Act;

3 (5) notwithstanding any provision of this section
4 to the contrary, those additional areas which were desig-
5 nated redevelopment areas under the Area Redevelop-
6 ment Act on ~~the date of the enactment of this Act~~ *or*
7 *after April 1, 1965: Provided, however,* That the con-
8 tinued eligibility of such areas after the first annual re-
9 view of eligibility conducted in accordance with section
10 402 of this Act shall be dependent on their qualification
11 for designation under the standards of economic need set
12 forth in subsections (a) (1) through (a) (4) of this
13 section.

14 (b) The size and boundaries of redevelopment areas
15 shall be as determined by the Secretary: *Provided, however,*
16 That—

17 (1) no area shall be designated until it has an ap-
18 proved overall economic development program in ac-
19 cordance with subsection 202 (b) (10) of this Act;

20 (2) any area which does not submit an acceptable
21 overall economic development program in accordance
22 with subsection 202 (b) (10) of this Act within a rea-
23 sonable time after notification of eligibility for designa-

1 tion, shall not thereafter be designated prior to the next
2 annual review of eligibility in accordance with section
3 402 of this Act;

4 (3) no area shall be designated which does not
5 have a population of at least one thousand five hundred
6 persons, *except for areas designated under subsection*
7 *401(a)(3), which shall have a population of not less*
8 *than one thousand persons; and*

9 (4) except for areas designated under subsections
10 (a) (3) and (a) (4) hereof, no area shall be designated
11 which is smaller than a "labor area" (as defined by the
12 Secretary of Labor), a county, or a municipality with
13 a population of over two hundred and fifty thousand,
14 whichever in the opinion of the Secretary is appropriate.

15 (c) Upon the request of the Secretary, the Secretary
16 of Labor, the Secretary of Agriculture, the Secretary of the
17 Interior, and such other heads of agencies as may be appro-
18 priate are authorized to conduct such special studies, obtain
19 such information, and compile and furnish to the Secretary
20 such data as the Secretary may deem necessary or proper
21 to enable him to make the determinations provided for in
22 this section. The Secretary shall reimburse when appro-
23 priate, out of any funds appropriated to carry out the pur-
24 poses of this Act, the foregoing officers for any expenditures
25 incurred by them under this section.

1 (d) As used in this Act, the term "redevelopment
2 area" refers to any area within the United States which
3 has been designated by the Secretary as a redevelopment
4 area.

5 ANNUAL REVIEW OF AREA ELIGIBILITY

6 SEC. 402. The Secretary shall conduct an annual review
7 of the eligibility of all areas designated or ~~under considera-~~
8 ~~tion for designation~~ in accordance with section 401 of this
9 Act, and on the basis thereof may terminate or modify the
10 designations of such areas in accordance with objective
11 standards which he shall prescribe by regulation. No area
12 previously designated shall retain its designated status unless
13 it maintains a currently approved overall economic develop-
14 ment program in accordance with subsection 202 (b) (10) .
15 No termination of eligibility shall (1) be made without
16 thirty days' prior notification to the area concerned, (2)
17 affect the validity of any application filed, or contract or
18 undertaking entered into, with respect to such area pursuant
19 to this Act prior to such termination, ~~or~~ (3) prevent any
20 such area from again being designated a redevelopment area
21 under section 401 of this Act if the Secretary determines
22 it to be eligible under such ~~section~~ section, or (4) be made
23 in the case of any designated area where the Secretary deter-
24 mines that an improvement in the unemployment rate of a

1 *designated area is primarily the result of increased employ-*
2 *ment in occupations not likely to be permanent.* The Secre-
3 tary shall keep the departments and agencies of the Federal
4 Government, and interested State or local agencies, advised
5 at all times of any changes made hereunder with respect to
6 the classification of any area.

7 PART B—ECONOMIC DEVELOPMENT DISTRICTS

8 SEC. 403. (a) In order that economic development
9 projects of broader geographical significance may be planned
10 and carried out, the Secretary is authorized—

11 (1) to designate appropriate “economic develop-
12 ment districts” within the United States with the concur-
13 rence of the States in which such districts will be wholly
14 or partially located, if—

15 (A) the proposed district is of sufficient size or
16 population, and contains sufficient resources, to foster
17 economic development on a scale involving more
18 than a single redevelopment area;

19 (B) the proposed district contains two or more
20 redevelopment areas;

21 (C) the proposed district contains one or more
22 redevelopment areas or economic development cen-
23 ters identified in an approved district overall eco-
24 nomic development program as having sufficient size
25 and potential to foster the economic growth activi-

1 ties necessary to alleviate the distress of the re-
2 development areas within the district; and

3 (D) the proposed district has a district overall
4 economic development program which includes ade-
5 quate land use and transportation planning and con-
6 tains a specific program for district cooperation, self-
7 help, and public investment and is approved by the
8 State or States affected and by the Secretary;

9 (2) to designate as “economic development cen-
10 ters,” in accordance with such regulations as he shall pre-
11 scribe, such areas as he may deem appropriate, if—

12 (A) the proposed center has been identified
13 and included in an approved district overall eco-
14 nomic development program and recommended by
15 the State or States affected for such special desig-
16 nation;

17 (B) the proposed center is geographically and
18 economically so related to the district that its eco-
19 nomic growth may reasonably be expected to con-
20 tribute significantly to the alleviation of distress in
21 the redevelopment areas of the district; and

22 (C) the proposed center does not have a popu-
23 lation in excess of two hundred and fifty thousand
24 according to the last preceding Federal census.

1 (3) to provide financial assistance in accordance
2 with the criteria of sections 101, 201, and 202 of this
3 Act, except as may be herein otherwise provided, for
4 projects in economic development centers designated
5 under subsection (a) (2) above, if—

6 (A) the project will further the objectives of
7 the overall economic development program of the
8 district in which it is to be located;

9 (B) the project will enhance the economic
10 growth potential of the district or result in addi-
11 tional long-term employment opportunities com-
12 mensurate with the amount of Federal financial
13 assistance requested; and

14 (C) the amount of Federal financial assistance
15 requested is reasonably related to the size, popula-
16 tion, and economic needs of the district;

17 (4) subject to the 20 per centum non-Federal share
18 required for any project by subsection 101 (c) of this
19 Act, to increase the amount of grant assistance author-
20 ized by section 101 for projects within redevelopment
21 areas (designated under section 401), by an amount
22 not to exceed 10 per centum of the aggregate cost of any
23 such project, in accordance with such regulations as he
24 shall prescribe, if—

25 (A) the redevelopment area is situated within

1 a designated economic development district and is
2 actively participating in the economic development
3 activities of the district; and

4 (B) the project is consistent with an approved
5 district overall economic development program.

6 (b) In designating economic development districts and
7 approving district overall economic development programs
8 under subsection (a) of this section, the Secretary is author-
9 ized, under regulations prescribed by him—

10 (1) to invite the several States to draw up proposed
11 district boundaries and to identify potential economic
12 development centers;

13 (2) to cooperate with the several States—

14 (A) in sponsoring and assisting district eco-
15 nomic planning and development groups, and

16 (B) in assisting such district groups to formu-
17 late district overall economic development programs.

18 (c) The Secretary shall by regulation prescribe stand-
19 ards for the termination or modification of economic develop-
20 ment districts and economic development centers designated
21 under the authority of this section.

22 (d) As used in this Act, the term “economic develop-
23 ment district” refers to any area within the United States
24 composed of cooperating redevelopment areas and, where
25 appropriate, designated economic development centers and

1 neighboring counties or communities, which has been design-
 2 nated by the Secretary as an economic development district.

3 (e) As used in this Act, the term "economic develop-
 4 ment center" refers to any area within the United States
 5 which has been identified as an economic development center
 6 in an approved district overall economic development pro-
 7 gram and which has been designated by the Secretary as
 8 eligible for financial assistance under sections 101, 201, and
 9 202 of this Act in accordance with the provisions of this
 10 section.

11 (f) There is hereby authorized to be appropriated not to
 12 exceed \$50,000,000 annually for financial assistance extended
 13 under the provisions of subsections (a) (3) and (a) (4)
 14 hereof.

15 (g) In order to allow time for adequate and careful dis-
 16 trict planning, subsections (a) and (f) of this section shall
 17 not be effective until one year from the date of enactment.

18 TITLE V—REGIONAL ACTION PLANNING

19 COMMISSIONS

20 ~~ESTABLISHMENT AND COORDINATION~~

21 *ESTABLISHMENT OF REGIONS*

22 *SEC. 501. The Secretary is authorized to designate ap-*
 23 *propriate "economic development regions" within the United*
 24 *States with the concurrence of the States in which such regions*
 25 *will be wholly or partially located if he finds (A) that there*

1 is a relationship between the areas within such region geo-
 2 graphically, culturally, historically, and economically, (B)
 3 that with the exception of Alaska and Hawaii, the region is
 4 within contiguous States, and (C) upon consideration of the
 5 following matters, that the region has lagged behind the whole
 6 nation in economic development:

7 (1) the rate of unemployment is substantially above
 8 the national rate;

9 (2) the median level of family income is significantly
 10 below the national median;

11 (3) the level of housing, health, and educational
 12 facilities is substantially below the national level;

13 (4) the economy of the area has traditionally been
 14 dominated by a single industry;

15 (5) the rate of outmigration of labor or capital or
 16 both is substantial;

17 (6) the area is adversely affected by changing in-
 18 dustrial technology; and

19 (7) the area is adversely affected by changes in na-
 20 tional defense facilities or production; and

21 (8) indices of regional production indicate a growth
 22 rate substantially below the national average.

23 REGIONAL COMMISSIONS

24 SEC. 502. (a) Upon designation of development regions,

1 *the Secretary shall invite and encourage the States wholly or*
2 *partially located within such regions to establish appropriate*
3 *multistate regional commissions.*

4 *(b) Each such commission shall be composed of one*
5 *Federal member, hereinafter referred to as the "Federal co-*
6 *chairman", appointed by the President by and with the advice*
7 *and consent of the Senate, and one member from each par-*
8 *ticipating State in the region. Each State member may be*
9 *the Governor, or his designee, or such other person as may*
10 *be provided by the law of the State which he represents. The*
11 *State members of the commission shall elect a cochairman*
12 *of the commission from among their number.*

13 *(c) Decisions by a regional commission shall require*
14 *the affirmative vote of the Federal cochairman and of a*
15 *majority, or at least one if only two, of the State members.*
16 *In matters coming before a regional commission, the Federal*
17 *cochairman shall, to the extent practicable, consult with the*
18 *Federal departments and agencies having an interest in the*
19 *subject matter.*

20 *(d) Each State member of a regional commission shall*
21 *have an alternate, appointed by the Governor or as other-*
22 *wise may be provided by the law of the State which he*
23 *represents. The President, by and with the advise and*
24 *consent of the Senate, shall appoint an alternate for the Fed-*
25 *eral cochairman of each regional commission. An alter-*

1 nate shall vote in the event of the absence, death, disability,
 2 removal, or resignation of the State or Federal cochairman
 3 for which he is an alternate.

4 (e) The Federal cochairman to a regional commis-
 5 sion shall be compensated by the Federal Government from
 6 funds authorized by this Act at level IV of the Federal
 7 Executive Salary Schedule. His alternate shall be com-
 8 pensated by the Federal Government from funds authorized
 9 by this Act at not to exceed the maximum scheduled rate for
 10 grade GS-18 of the Classification Act of 1949, as amended,
 11 and when not actively serving as an alternate for the Federal
 12 cochairman shall perform such functions and duties as are
 13 delegated to him by the Federal cochairman. Each State
 14 member and his alternate shall be compensated by the State
 15 which they represent at the rate established by the law of
 16 such State.

17 (f) If the Secretary finds that the State of Alaska or
 18 the State of Hawaii meets the requirements for an economic
 19 development region, he may establish a Commission for either
 20 State in a manner agreeable to him and to the Governor of
 21 the affected State.

22 ~~SEC. 501. (a)~~ The Secretary is authorized to invite
 23 and encourage the several States to establish appropriate
 24 multistate regional action planning commissions for the
 25 purpose of—

1 *FUNCTIONS OF COMMISSION*

2 *SEC. 503. (a) In carrying out the purposes of this Act,*
3 *each Commission shall with respect to its region—*

(1) ~~advising~~ *advise* and ~~assisting him~~ *assist the*
Secretary in the identification of optimum boundaries
for multistate economic development regions,

(2) ~~initiating~~ *initiate* and ~~coordinating~~ *coordinate*
the preparation of long-range overall economic develop-
ment programs for such regions,

(3) ~~fostering~~ *foster* surveys and studies to provide data required for the preparation of specific plans and programs for the development of such regions,

(4) ~~advising~~ *advise* and ~~assisting him~~ *assist the*
Secretary and the States concerned in the initiation and
coordination of economic development districts, in order
to promote maximum benefits from the expenditure of
Federal, State, and local funds,

(5) ~~promoting~~ *promote* increased private investment in such regions,

(6) ~~preparing~~ *prepare* legislative and other recommendations with respect to both short-range and long-range programs and projects for Federal, State, and local agencies, and

24 ~~(7) receiving, reviewing, and commenting on all~~
25 tentative plans or proposals concerning multistate re-

1 regional economic development, and transmitting such
2 plans and proposals with appropriate comments and
3 recommendations to the Secretary and the heads of
4 other interested Federal and State agencies.

5 ~~(b)~~ As used in this Act, the term "region" refers to any
6 area within the United States which includes two or more
7 designated or potential economic development districts in
8 two or more contiguous States.

9 ~~(c)~~ The State members of such commissions shall be as
10 determined and appointed by the Governors of the States
11 concerned. The President shall appoint the Federal member
12 or members of such commissions, if any, who shall report
13 through the Secretary and be compensated at a rate not in
14 excess of that authorized by section 701(10) of this Act.

15 (7) develop, on a continuing basis, comprehensive
16 and coordinated plans and programs and establish pri-
17 orities thereunder, giving due consideration to other
18 Federal, State, and local planning in the region;

19 (8) conduct and sponsor investigations, research,
20 and studies, including an inventory and analysis of the
21 resources of the region, and, in cooperation with Fed-
22 eral, State and local agencies, sponsor demonstration
23 projects designed to foster regional productivity and
24 growth;

1 (9) review and study, in cooperation with the
2 agency involved, Federal, State, and local public and
3 private programs and, where appropriate, recommend
4 modifications or additions which will increase their
5 effectiveness in the region;

6 (10) formulate and recommend, where appropriate,
7 interstate compacts and other forms of interstate coopera-
8 tion, and work with State and local agencies in develop-
9 ing appropriate model legislation; and

10 (11) provide a forum for consideration of problems
11 of the region and proposed solutions and establish and
12 utilize, as appropriate, citizens and special advisory
13 councils and public conferences.

14 ~~(d)~~ (b) The Secretary shall present such plans and pro-
15 posals of the commissions as may be transmitted and recom-
16 mended to him (but are not authorized by any other section
17 of this Act) first for review by the Federal agencies pri-
18 marily interested in such plans and proposals and then,
19 together with the recommendations of such agencies, to the
20 President for such action as he may deem desirable.

21 ~~(e)~~ (c) The Secretary shall provide effective and con-
22 tinuing liaison between the Federal Government and each
23 regional commission.

24 ~~(f)~~ (d) Each Federal agency shall, consonant with law
25 and within the limits of available funds, cooperate with such

1 commissions as may be established in order to assist them
 2 in carrying out their functions under this section.

3 *(e) Each regional commission may, from time to time,*
 4 *make additional recommendations to the Secretary and*
 5 *recommendations to the State Governors and appropriate*
 6 *local officials, with respect to—*

7 *(1) the expenditure of funds by Federal, State,*
 8 *and local departments and agencies in its region in*
 9 *the fields of natural resources, agriculture, education,*
 10 *training, health and welfare, transportation, and other*
 11 *fields related to the purposes of this Act; and*

12 *(2) such additional Federal, State, and local legis-*
 13 *lation or administrative actions as the commission*
 14 *deems necessary to further the purposes of this Act.*

15 PROGRAM DEVELOPMENT CRITERIA

16 SEC. ~~502~~ 504. In developing recommendations for pro-
 17 grams and projects for future regional economic development,
 18 and in establishing within those recommendations a priority
 19 ranking for such programs and projects, the Secretary shall
 20 encourage each regional commission to follow procedures
 21 that will insure consideration of the following factors:

22 (1) the relationship of the project or class of proj-
 23 ects to overall regional development including its loca-
 24 tion in an area determined by the State to have a
 25 significant potential for growth;

1 (2) the population and area to be served by the
2 project or class of projects including the relative per
3 capita income and the unemployment rates in the area;

4 (3) the relative financial resources available to the
5 State or political subdivisions or instrumentalities thereof
6 which seek to undertake the project;

7 (4) the importance of the project or class of proj-
8 ects in relation to other projects or classes of projects
9 which may be in competition for the same funds;

10 (5) the prospects that the project, on a continuing
11 rather than a temporary basis, will improve the opportu-
12 nities for employment, the average level of income, or
13 the economic and social development of the area served
14 by the project.

15 REGIONAL TECHNICAL AND PLANNING ASSISTANCE

16 SEC. ~~503~~ 505. (a) The Secretary is authorized to pro-
17 vide to the commissions technical assistance which would be
18 useful in aiding the commissions to carry out their functions
19 under this Act and to develop recommendations and pro-
20 grams. *Such assistance shall include studies and plans*
21 *evaluating the needs of, and developing potentialities for,*
22 *economic growth of such regions, and research on improving*
23 *the conservation and utilization of the human and natural*
24 *resources of the region.* Such assistance may be provided
25 by the Secretary through members of his staff, through the

1 payment of funds authorized for this section to other depart-
 2 ments or agencies of the Federal Government, or through the
 3 employment of private individuals, partnerships, firms, cor-
 4 porations, or suitable institutions, under contracts entered
 5 into for such purposes, or through grants-in-aid to the com-
 6 missions. The Secretary, in his discretion, may require the
 7 repayment of assistance provided under this subsection and
 8 prescribe the terms and conditions of such repayment.

9 (b) For the period ending on June 30 of the second
 10 full Federal fiscal year following the date of enactment of
 11 ~~this Act,~~ *establishment of a commission*, the administrative
 12 expenses of each commission ~~may as approved by the Secre-~~
 13 *tary shall* be paid by the Federal Government ~~on such terms~~
 14 ~~and conditions as the Secretary may approve.~~ Thereafter,
 15 not to exceed 50 per centum of such expenses may be paid
 16 by the Federal Government. In determining the amount
 17 of the non-Federal share of such costs or expenses, the
 18 Secretary shall give due consideration to all contributions
 19 both in cash and in kind, fairly evaluated, including but not
 20 limited to space, equipment, and services.

21 (c) There is hereby authorized to be appropriated
 22 \$15,000,000 annually for the purposes of this section.

23 ADMINISTRATIVE POWERS OF REGIONAL COMMISSIONS

24 *SEC. 506. To carry out its duties under this Act, each*
 25 *regional commission is authorized to—*

1 (1) adopt, amend, and repeal bylaws, rules, and
2 regulations governing the conduct of its business and
3 the performance of its functions;

4 (2) appoint and fix the compensation of an execu-
5 tive director and such other personnel as may be neces-
6 sary to enable the commission to carry out its functions,
7 except that such compensation shall not exceed the
8 salary of the alternate to the Federal cochairman on the
9 commission and no member, alternate, officer, or em-
10 ployee of such commission, other than the Federal co-
11 chairman on the commission and his staff and his
12 alternate, and Federal employees detailed to the com-
13 mission under clause (3), shall be deemed a Federal
14 employee for any purpose;

15 (3) request the head of any Federal department or
16 agency (who is hereby so authorized) to detail to
17 temporary duty with the commission such personnel
18 within his administrative jurisdiction as the commission
19 may need for carrying out its functions, each such detail
20 to be without loss of seniority, pay, or other employee
21 status;

22 (4) arrange for the services of personnel from any
23 State or local government or any subdivision or agency
24 thereof, or any intergovernmental agency;

25 (5) make arrangements, including contracts, with

1 *any participating State government for inclusion in a*
2 *suitable retirement and employee benefit system of such*
3 *of its personnel as may not be eligible for, or continue in,*
4 *another governmental retirement or employee benefit*
5 *system, or otherwise provide for such coverage of its per-*
6 *sonnel, and the Civil Service Commission of the United*
7 *States is authorized to contract with such commission*
8 *for continued coverage of commission employees, who at*
9 *date of commission employment are Federal employees,*
10 *in the retirement program and other employee benefit*
11 *programs of the Federal Government;*

12 (6) *accept, use, and dispose of gifts or donations*
13 *of services or property, real, personal, or mixed, tangible*
14 *or intangible;*

15 (7) *enter into and perform such contracts, leases,*
16 *cooperative agreements, or other transactions as may be*
17 *necessary in carrying out its functions and on such*
18 *terms as it may deem appropriate, with any department,*
19 *agency, or instrumentality of the United States or with*
20 *any State, or any political subdivision, agency, or in-*
21 *strumentality thereof, or with any person, firm, asso-*
22 *ciation, or corporation;*

23 (8) *maintain an office in the District of Columbia*
24 *and establish field offices at such other places as it may*
25 *deem appropriate; and*

1 (9) take such other actions and incur such other
2 expenses as may be necessary or appropriate.

3 INFORMATION

4 *SEC. 507. In order to obtain information needed to carry*
5 *out its duties, each regional commission shall—*

6 (1) hold such hearings, sit and act at such times
7 and places, take such testimony, receive such evidence,
8 and print or otherwise reproduce and distribute so much
9 of its proceedings and reports thereon as it may deem
10 advisable, a cochairman of such commission, or any
11 member of the commission designated by the commis-
12 sion for the purpose, being hereby authorized to admin-
13 ister oaths when it is determined by the commission
14 that testimony shall be taken or evidence received under
15 oath;

(2) arrange for the head of any Federal, State, or local department or agency (who is hereby so authorized, to the extent not otherwise prohibited by law) to furnish to such commission such information as may be available to or procurable by such department or agency; and

22 (3) keep accurate and complete records of its
23 doings and transactions which shall be made available
24 for public inspection.

PERSONAL FINANCIAL INTERESTS

1
2 *SEC. 508. (a) Except as permitted by subsection (b)*
3 *hereof, no State member or alternate and no officer or em-*
4 *ployee of a regional commission shall participate personally*
5 *and substantially as member, alternate, officer, or employee,*
6 *through decision, approval, disapproval, recommendation,*
7 *the rendering of advice, investigation, or otherwise, in any*
8 *proceeding, application, request for a ruling or other determi-*
9 *nation, contract, claim, controversy, or other particular*
10 *matter in which, to his knowledge, he, his spouse, minor*
11 *child, partner, organization (other than a State or political*
12 *subdivision thereof) in which he is serving as officer, director,*
13 *trustee, partner, or employee, or any person or organization*
14 *with whom he is serving as officer, director, trustee, partner,*
15 *or employee, or any person or organization with whom he*
16 *is negotiating or has any arrangement concerning prospective*
17 *employment, has a financial interest. Any person who shall*
18 *violate the provisions of this subsection shall be fined not more*
19 *than \$10,000, or imprisoned not more than two years,*
20 *or both.*

21 *(b) Subsection (a) hereof shall not apply if the State*
22 *member, alternate, officer, or employee first advises the*
23 *regional commission involved of the nature and circum-*
24 *stances of the proceeding, application, request for a ruling*

1 or other determination, contract, claim, controversy, or other
2 particular matter and makes full disclosure of the financial
3 interest and receives in advance a written determination
4 made by such Commission that the interest is not so sub-
5 stantial as to be deemed likely to affect the integrity of the
6 services which the Commission may expect from such State
7 member, alternate, officer, or employee.

8 (c) No State member of a regional commission, or his
9 alternate, shall receive any salary, or any contribution to or
10 supplementation of salary for his services on such commission
11 from any source other than his State. No person detailed
12 to serve a regional commission under authority of clause
13 (4) of section 506 shall receive any salary or any contribu-
14 tion to or supplementation of salary for his services on such
15 commission from any source other than the State, local, or
16 intergovernmental department or agency from which he was
17 detailed or from such commission. Any person who shall
18 violate the provisions of this subsection shall be fined not
19 more than \$5,000, or imprisoned not more than one year, or
20 both.

21 (d) Notwithstanding any other subsection of this sec-
22 tion, the Federal cochairman and his alternate on a re-

1 gional commission and any Federal officers or employees
2 detailed to duty with it pursuant to clause (3) of section
3 10 shall not be subject to any such subsection but shall
4 remain subject to sections 202 through 209 of title 18,
5 United States Code.

6 (e) A regional commission may, in its discretion,
7 declare void and rescind any contract or other agreement
8 pursuant to the Act in relation to which it finds that there
9 has been a violation of subsection (a) or (c) of this section,
10 or any of the provisions of sections 202 through 209, title 18,
11 United States Code.

12 ANNUAL REPORTS

13 SEC. 509. Each regional commission established pur-
14 suant to this Act shall make a comprehensive and detailed
15 annual report each fiscal year to the Congress with respect to
16 such commission's activities and recommendations for pro-
17 grams. The first such report shall be made for the first
18 fiscal year in which such commission is in existence for more
19 than three months. Such reports shall be printed and trans-
20 mitted to the Congress not later than January 31 of the
21 calendar year following the fiscal year with respect to which
22 the report is made.

1 ~~TITLE VI—ECONOMIC DEVELOPMENT~~2 ~~ADMINISTRATOR~~3 *TITLE VI—ADMINISTRATION*4 ~~ADMINISTRATOR FOR ECONOMIC DEVELOPMENT~~

5 ~~SEC. 601.~~ There shall be appointed by the President, by
6 and with the advice and consent of the Senate, an Adminis-
7 trator for Economic Development in the Department of Com-
8 merce, who shall receive compensation at the annual rate
9 applicable to level V of the Federal Executive Salary Act
10 of 1964. The Administrator shall perform such duties in
11 the execution of this Act as the Secretary may assign.

12 *“SEC. 601. (a) The Secretary shall administer this Act*
13 *and, with the assistance of an Assistant Secretary of Com-*
14 *merce, in addition to those already provided for, shall super-*
15 *vise and direct the Administrator created herein, and*
16 *coordinate the Federal cochairmen appointed heretofore or*
17 *subsequent to this Act. The Assistant Secretary created by*
18 *this section shall be appointed by the President by and with*
19 *the advice and consent of the Senate and shall be compensated*
20 *at the rate provided for level IV of the Federal Executive*
21 *Salary Schedule. Such Assistant Secretary shall perform*
22 *such functions as the Secretary may prescribe. There shall*
23 *be appointed by the President, by and with the advice and*
24 *consent of the Senate, an Administrator for Economic Devel-*
25 *opment who shall be compensated at the rate provided for level*

1 *V of the Federal Executive Salary Schedule who shall per-*
2 *form such duties as are assigned by the Secretary.*

3 “(b) Subsections (d) and (e) of section 303 of the
4 *Federal Executive Salary Act of 1964 are hereby amended*
5 *by adding the positions established by subsection (a) hereof.”*

6 ADVISORY COMMITTEE ON REGIONAL ECONOMIC
7 DEVELOPMENT

8 SEC. 602. The Secretary shall appoint a National Pub-
9 lic Advisory Committee on Regional Economic Development
10 which shall consist of twenty-five members and shall be
11 composed of representatives of labor, management, agricul-
12 ture, State and local governments, and the public in general.
13 From the members appointed to such Committee the Secre-
14 tary shall designate a Chairman. Such Committee, or any
15 duly established subcommittee thereof, shall from time to
16 time make recommendations to the Secretary relative to the
17 carrying out of his duties under this Act. Such Committee
18 shall hold not less than two meetings during each calendar
19 year.

20 CONSULTATION WITH OTHER PERSONS AND AGENCIES

21 SEC. 603. (a) The Secretary is authorized from time
22 to time to call together and confer with any persons, includ-
23 ing representatives of labor, management, agriculture, and
24 government, who can assist in meeting the problems of area
25 and regional unemployment or underemployment.

1 (b) The Secretary may make provision for such con-
2 sultation with interested departments and agencies as he may
3 deem appropriate in the performance of the functions vested
4 in him by this Act.

5 TITLE VII—MISCELLANEOUS

6 POWERS OF SECRETARY

7 SEC. 701. In performing his duties under this Act, the
8 Secretary is authorized to—

9 (1) adopt, alter, and use a seal, which shall be
10 judicially noticed;

11 (2) hold such hearings, sit and act at such times
12 and places, and take such testimony, as he may deem
13 advisable;

14 (3) request directly from any executive depart-
15 ment, bureau, agency, board, commission, office, inde-
16 pendent establishment, or instrumentality information,
17 suggestions, estimates, and statistics needed to carry out
18 the purposes of this Act; and each department, bureau,
19 agency, board, commission, office, establishment, or in-
20 strumentality is authorized to furnish such information,
21 suggestions, estimates, and statistics directly to the
22 Secretary;

23 (4) under regulations prescribed by him, assign
24 or sell at public or private sale, or otherwise dispose
25 of for cash or credit, in his discretion and upon such

1 terms and conditions and for such consideration as he
2 shall determine to be reasonable, any evidence of debt,
3 contract, claim, personal property, or security assigned
4 to or held by him in connection with loans made or
5 evidences of indebtedness purchased under this Act, and
6 collect or compromise all obligations assigned to or held
7 by him in connection with such loans or evidences of
8 indebtedness until such time as such obligations may be
9 referred to the Attorney General for suit or collection;

10 (5) further extend the maturity of or renew any
11 loan made or evidence of indebtedness purchased under
12 this Act, beyond the periods stated in such loan or evi-
13 dence of indebtedness or in this Act, for additional pe-
14 riods not to exceed ten years, if such extension or re-
15 newal will aid in the orderly liquidation of such loan or
16 evidence of indebtedness;

17 (6) deal with, complete, renovate, improve, mod-
18 ernize, insure, rent, or sell for cash or credit, upon such
19 terms and conditions and for such consideration as he
20 shall determine to be reasonable, any real or personal
21 property conveyed to, or otherwise acquired by, him in
22 connection with loans made or evidences of indebtedness
23 purchased under this Act;

24 (7) pursue to final collection, by way of compro-
25 mise or other administrative action, prior to reference

1 to the Attorney General, all claims against third parties
2 assigned to him in connection with loans made or evi-
3 dences of indebtedness purchased under this Act. This
4 shall include authority to obtain deficiency judgments or
5 otherwise in the case of mortgages assigned to the Sec-
6 retary. Section 3709 of the Revised Statutes, as
7 amended (41 U.S.C. 5), shall not apply to any contract
8 of hazard insurance or to any purchase or contract for
9 services or supplies on account of property obtained by
10 the Secretary as a result of loans made or evidences of
11 indebtedness purchased under this Act if the premium
12 therefor or the amount thereof does not exceed \$1,000.
13 The power to convey and to execute, in the name of the
14 Secretary, deeds of conveyance, deeds of release, assign-
15 ments and satisfactions of mortgages, and any other writ-
16 ten instrument relating to real or personal property or
17 any interest therein acquired by the Secretary pursuant
18 to the provisions of this Act may be exercised by the
19 Secretary or by any officer or agent appointed by him for
20 that purpose without the execution of any express dele-
21 gation of power or power of attorney;

22 (8) acquire, in any lawful manner, any property
23 (real, personal, or mixed, tangible or intangible), when-
24 ever deemed necessary or appropriate to the conduct

1 of the activities authorized in sections 201, 202, 301,
2 403, and 503 of this Act;

3 (9) in addition to any powers, functions, privileges,
4 and immunities otherwise vested in him, take any and
5 all actions, including the procurement of the services
6 of attorneys by contract, determined by him to be neces-
7 sary or desirable in making, purchasing, servicing, com-
8 promising, modifying, liquidating, or otherwise admin-
9 istratively dealing with or realizing on loans made or
10 evidences of indebtedness purchased under this Act;

11 (10) employ experts and consultants or organiza-
12 tions therefor as authorized by section 15 of the Admin-
13 istrative Expenses Act of 1946 (5 U.S.C. 55a), com-
14 pensate individuals so employed at rates not in excess
15 of \$100 per diem, including travel time, and allow
16 them, while away from their homes or regular places
17 of business, travel expenses (including per diem in
18 lieu of subsistence) as authorized by section 5 of such
19 Act (5 U.S.C. 73b-2) for persons in the Government
20 service employed intermittently, while so employed:
21 *Provided, however,* That contracts for such employment
22 may be renewed annually;

23 (11) sue and be sued in any court of record of a
24 State having general jurisdiction or in any United States

1 district court, and jurisdiction is conferred upon such
2 district court to determine such controversies without
3 regard to the amount in controversy; but no attachment,
4 injunction, garnishment, or other similar process, mesne
5 or final, shall be issued against the Secretary or his prop-
6 erty. Nothing herein shall be construed to except the
7 activities under this Act from the application of sec-
8 tions 507 (b) and 2679 of title 28, United States Code,
9 and of section 367 of the Revised Statutes (5 U.S.C.
10 316) ; and

11 (12) establish such rules, regulations, and pro-
12 cedures as he may deem appropriate in carrying out
13 the provisions of this Act.

14 SAVINGS PROVISIONS

15 SEC. 702. (a) No suit, action, or other proceeding law-
16 fully commenced by or against the Administrator or any
17 other officer of the Area Redevelopment Administration in
18 his official capacity or in relation to the discharge of his
19 official duties under the Area Redevelopment Act, shall
20 abate by reason of the taking effect of the provisions of this
21 Act, but the court may, on motion or supplemental petition
22 filed at any time within twelve months after such taking
23 effect, showing a necessity for the survival of such suit,
24 action, or other proceeding to obtain a settlement of the
25 questions involved, allow the same to be maintained by or

1 against the Secretary or the Administrator or such other
2 officer of the Department of Commerce as may be appro-
3 priate.

4 (b) Except as may be otherwise expressly provided in
5 this Act, all powers and authorities conferred by this Act
6 shall be cumulative and additional to and not in derogation
7 of any powers and authorities otherwise existing. All rules,
8 regulations, orders, authorizations, delegations, or other ac-
9 tions duly issued, made, or taken by or pursuant to applicable
10 law, prior to the effective date of this Act, by any agency,
11 officer, or office pertaining to any functions, powers, and
12 duties under the Area Redevelopment Act shall continue in
13 full force and effect after the effective date of this Act until
14 modified or rescinded by the Secretary or such other officer
15 of the Department of Commerce as, in accordance with appli-
16 cable law, may be appropriate.

17 TRANSFER OF FUNCTIONS AND EFFECTIVE DATE

18 SEC. 703. (a) The functions, powers, duties, and au-
19 thorities and the assets, funds, contracts, loans, liabilities,
20 commitments, authorizations, allocations, and records which
21 are vested in or authorized to be transferred to the Secretary
22 of the Treasury under section 29 (b) of the Area Redevelop-
23 ment Act, and all functions, powers, duties, and authorities
24 under section 29 (c) of the Area Redevelopment Act are
25 hereby vested in the Secretary.

1 ~~(b)~~ Any appropriations available to the Secretary for
2 the purposes of the Area Redevelopment Act on or after
3 the date of enactment of this Act shall be available for the
4 purposes of this Act.

5 ~~(e)~~ *(b)* In the event that the Administrator required by
6 this Act to be appointed by and with the advice and consent
7 of the Senate shall not have entered upon office on the
8 effective date of this Act, the President may designate a
9 person to act in such office as *Administrator under this Act*
10 until the office is filled as provided in this Act or until the
11 expiration of the first period of sixty days following ~~said the~~
12 effective date of *this Act*, whichever shall first occur. While
13 so acting such person shall receive compensation at the rate
14 provided by this Act for such office.

15 ~~(d)~~ *(c)* The provisions of this Act shall take effect upon
16 enactment unless herein explicitly otherwise provided.

17 *(d)* Notwithstanding any requirements of this Act relat-
18 ing to the eligibility of areas, projects for which applications
19 are pending before the Area Redevelopment Administration
20 on the effective date of this Act shall for a period of one year
21 thereafter be eligible for consideration by the Secretary for
22 such assistance under the provisions of this Act as he may
23 determine to be appropriate.

SEPARABILITY

1
2 SEC. 704. Notwithstanding any other evidence of the
3 intent of Congress, it is hereby declared to be the intent of
4 Congress that if any provision of this Act or the application
5 thereof to any persons or circumstances shall be adjudged
6 by any court of competent jurisdiction to be invalid, such
7 judgment shall not affect, impair, or invalidate the remainder
8 of this Act or its application to other persons and circum-
9 stances, but shall be confined in its operation to the provision
10 of this Act or the application thereof to the persons and
11 circumstances directly involved in the controversy in which
12 such judgment shall have been rendered.

APPLICATION OF ACT

13
14 SEC. 705. As used in this Act, the terms "State",
15 "States", and "United States" include the several States,
16 the District of Columbia, the Commonwealth of Puerto Rico,
17 the Virgin Islands, Guam, and American Samoa.

ANNUAL REPORT

18
19 SEC. 706. The Secretary shall make a comprehensive
20 and detailed annual report to the Congress of his operations
21 under this Act for each fiscal year beginning with the fiscal
22 year ending June 30, 1966. Such report shall be printed
23 and shall be transmitted to the Congress not later than Janu-

1 ary 3 of the year following the fiscal year with respect to
2 which such report is made.

3 USE OF OTHER FACILITIES

4 SEC. 707. (a) ~~To the fullest extent~~ *Where* practicable
5 in carrying out the provisions of this Act the Secretary ~~shall~~
6 *may* use the available services and facilities of other agencies
7 and instrumentalities of the Federal Government, but only
8 with their consent and on a reimbursable basis. The fore-
9 going requirement shall be implemented by the Secretary in
10 such a manner as to avoid the duplication of existing staffs
11 and facilities in any agency or instrumentality of the Federal
12 Government. The Secretary is authorized to delegate to
13 the heads of other departments and agencies of the Federal
14 Government any of the Secretary's functions, powers, and
15 duties under this Act as he may deem appropriate, and to
16 authorize the redelegation of such functions, powers, and
17 duties by the heads of such departments and agencies.

18 (b) Departments and agencies of the Federal Govern-
19 ment shall exercise their powers, duties, and functions in
20 such manner as will assist in carrying out the objectives of
21 this Act.

22 (c) Funds authorized to be appropriated under this Act
23 may be transferred, ~~with the approval of the Director of~~
24 ~~the Bureau of the Budget,~~ between departments and agencies

1 of the Government, if such funds are used for the purposes
2 for which they are specifically authorized and appropriated.

3 APPROPRIATION

4 SEC. 708. There are hereby authorized to be appropri-
5 ated such sums as may be necessary to carry out the provi-
6 sions of this Act. Appropriations authorized under this Act
7 shall remain available until expended unless otherwise pro-
8 vided by appropriations Acts.

9 PENALTIES

10 SEC. 709. (a) Whoever makes any statement knowing
11 it to be false, or whoever willfully overvalues any security,
12 for the purpose of obtaining for himself or for any applicant
13 any financial assistance under section 101, 201, 202, or 403
14 or any extension thereof by renewal, deferment or action, or
15 otherwise, or the acceptance, release, or substitution of secu-
16 rity therefor, or for the purpose of influencing in any way
17 the action of the Secretary, or for the purpose of obtaining
18 money, property, or anything of value, under this Act, shall
19 be punished by a fine of not more than \$10,000 or by im-
20 prisonment for not more than five years, or both.

21 (b) Whoever, being connected in any capacity with the
22 Secretary, in the administration of this Act (1) embezzles,
23 abstracts, purloins, or willfully misapplies any moneys, funds,
24 securities, or other things of value, whether belonging to him

1 or pledged or otherwise entrusted to him, or (2) with intent
2 to defraud the Secretary or any other body politic or cor-
3 porate, or any individual, or to deceive any officer, auditor,
4 or examiner, makes any false entry in any book, report, or
5 statement of or to the Secretary, or without being duly
6 authorized draws any order or issues, puts forth, or assigns
7 any note, debenture, bond, or other obligation, or draft, bill
8 of exchange, mortgage, judgment, or decree thereof, or (3)
9 with intent to defraud participates or shares in or receives
10 directly or indirectly any money, profit, property, or benefit
11 through any transaction, loan, grant, commission, contract,
12 or any other act of the Secretary, or (4) gives any unau-
13 thorized information concerning any future action or plan of
14 the Secretary which might affect the value of securities, or
15 having such knowledge invests or speculates, directly or
16 indirectly, in the securities or property of any company or
17 corporation receiving loans, grants, or other assistance from
18 the Secretary, shall be punished by a fine of not more than
19 \$10,000 or by imprisonment for not more than five years,
20 or both.

21 EMPLOYMENT OF EXPEDITERS AND ADMINISTRATIVE
22 EMPLOYEES

23 SEC. 710. No financial assistance shall be extended by
24 the Secretary under section 101, 201, 202, or 403 to any
25 business enterprise unless the owners, partners, or officers

1 of such business enterprise (1) certify to the Secretary the
2 names of any attorneys, agents, and other persons engaged
3 by or on behalf of such business enterprise for the purpose
4 of expediting applications made to the Secretary for assist-
5 ance of any sort, under this Act, and the fees paid or to be
6 paid to any such person; and (2) execute an agreement
7 binding such business enterprise, for a period of two years
8 after such assistance is rendered by the Secretary to such
9 business enterprise, to refrain from employing, tendering any
10 office or employment to, or retaining for professional services,
11 any person who, on the date such assistance or any part
12 thereof was rendered, or within one year prior thereto, shall
13 have served as an officer, attorney, agent, or employee,
14 occupying a position or engaging in activities which the
15 Secretary shall have determined involve discretion with
16 respect to the granting of assistance under this Act.

17 PREVAILING RATE OF WAGE AND FORTY-HOUR WEEK

18 SEC. 711. All laborers and mechanics employed by con-
19 tractors or subcontractors on projects assisted by the Secre-
20 tary under this Act shall be paid wages at rates not less than
21 those prevailing on similar construction in the locality as de-
22 termined by the Secretary of Labor in accordance with the
23 Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5);
24 and every such employee shall receive compensation at a
25 rate not less than one and one-half times his basic rate of pay

1 for all hours worked in any workweek in excess of eight
2 hours in any workday or forty hours in the workweek, as the
3 ease may be. The Secretary shall not extend any financial
4 assistance under section 101, 201, 202, or 403 for such a
5 project without first obtaining adequate assurance that these
6 labor standards will be maintained upon the construction
7 work. The Secretary of Labor shall have, with respect to
8 the labor standards specified in this provision, the authority
9 and functions set forth in Reorganization Plan Numbered 14
10 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 133z-15),
11 and section 2 of the Act of June 13, 1934, as amended
12 (40 U.S.C. 276c).

13 RECORD OF APPLICATIONS

14 SEC. 712. The Secretary shall maintain as a permanent
15 part of the records of the Department of Commerce a list of
16 applications approved for financial assistance under section
17 101, 201, 202, or 403, which shall be kept available for pub-
18 lic inspection during the regular business hours of the De-
19 partment of Commerce. The following information shall be
20 posted in such list as soon as each application is approved;
21 (1) the name of the applicant and, in the case of corporate
22 applications, the names of the officers and directors thereof,
23 (2) the amount and duration of the loan or grant for which
24 application is made, (3) the purposes for which the pro-

1 ceeds of the loan or grant are to be used, and (4) a general
2 description of the security offered in the case of a loan.

3 RECORDS AND AUDIT

4 SEC. 713. (a) Each recipient of assistance under this
5 Act shall keep such records as the Secretary shall prescribe,
6 including records which fully disclose the amount and the
7 disposition by such recipient of the proceeds of such assist-
8 ance, the total cost of the project or undertaking in connec-
9 tion with which such assistance is given or used, and the
10 amount and nature of that portion of the cost of the project
11 or undertaking supplied by other sources, and such other
12 records as will facilitate an effective audit.

13 (b) The Secretary and the Comptroller General of the
14 United States, or any of their duly authorized representa-
15 tives, shall have access for the purpose of audit and examina-
16 tion to any books, documents, papers, and records of the
17 recipient that are pertinent to assistance received under this
18 Act.

19 CONFORMING AMENDMENT

20 SEC. 714. All benefits heretofore specifically made avail-
21 able (and not subsequently revoked) under other Federal
22 programs to persons or to public or private organizations,
23 corporations, or entities in areas designated by the Secretary
24 as "redevelopment areas" under section 5 of the Area Re-

1 development Act, are hereby also extended, insofar as prac-
2 ticable, to such areas as may be designated as “redevel-
3 opment areas” or “economic development centers” under the
4 authority of section 401 or 403 of this Act: *Provided, how-*
5 *ever,* That this section shall not be construed as limiting such
6 administrative discretion as may have been conferred under
7 any other law.

8 *SEC. 715. All financial and technical assistance author-*
9 *ized under this Act shall be in addition to any Federal assist-*
10 *ance previously authorized, and no provision hereof shall be*
11 *construed as authorizing or permitting any reduction or*
12 *diminution in the proportional amount of Federal assistance*
13 *to which any State or other entity eligible under this Act*
14 *would otherwise be entitled under the provisions of any other*
15 *Act.*

A BILL

To provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

By Mr. DOUGLAS, Mr. McNAMARA, Mr. BARTLETT, Mr. BAYH, Mr. BREWSTER, Mr. BURDICK, Mr. BYRD of West Virginia, Mr. CLARK, Mr. COOPER, Mr. FULLBRIGHT, Mr. GORE, Mr. GRUENING, Mr. HARRIS, Mr. HART, Mr. HARTKE, Mr. INOUYE, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of New York, Mr. LONG of Missouri, Mr. MAGNUSON, Mr. MCCARTHY, Mr. MCGOVERN, Mr. MCINTYRE, Mr. METCALF, Mr. MONDALE, Mr. MONTOMY, Mr. MORSE, Mr. MOSS, Mr. MUSKIE, Mr. NELSON, Mrs. NEUBERGER, Mr. PASTORE, Mr. PELL, Mr. PROXMIRE, Mr. RANDOLPH, Mr. RIBICOFF, Mr. WILLIAMS of New Jersey, Mr. YARBOROUGH, and Mr. YOUNG of Ohio

APRIL 1, 1965

Read twice and referred to the Committee on Public Works

MAY 14, 1965

Reported with amendments

May 26, 1965

0. PERSONNEL; PROPERTY. Passed as reported S. 1689, to permit the hiring or rental of private property by the Forest Service from its employees at isolated locations; and without amendment H. R. 6691, to validate certain over payments made by the Forest Service to Southwestern Indian firefighter crews from N. Mex. and Ariz. H. R. 6691 will now be sent to the President. pp. 11359-60
1. NOMINATIONS. The Nomination of Wilbur J. Cohen, to be Under Secretary of Health, Education and Welfare, was confirmed. p. 11304
2. ECONOMIC DEVELOPMENT. Began debate on S. 1648, the proposed Public Works and Economic Development Act of 1965. pp. 11366-88, 11406
3. SOIL CONSERVATION. Sens. Russell, S. C., and Douglas paid tribute to the soil and water conservation districts on the occasion of "Soil Stewardship Week" and Sen. Douglas inserted the statement of SCS Administrator Williams in connection with these observances. pp. 11410, 11428-9
4. PATENTS; RESEARCH. Sen. Yarborough criticized the practice of developing technological knowledge through expenditure of Federal funds then turning over the Government's rights to private contractors and inserted a supporting editorial "Hassle Over Patents." pp. 11414-5
5. COTTON. Sen. Tower commended and inserted a letter from a Texas county crops committee protesting the proposed change in the rules for measuring cotton when planted in a skip-row pattern. p. 11416
Sen. Tower commended and inserted a letter and an editorial urging new cotton legislation. pp. 11416, 11421-2
6. TEXTILE LABELING. The Commerce Committee was discharged from further consideration of H. R. 806, to amend the Textile Fiber Products Identification Act to permit the listing on labels of certain fibers constituting less than 5 percent of a textile fiber product, and the bill was passed without amendment. This bill will now be sent to the President. pp. 11246-7
7. ECONOMY. Sen. Javits inserted an editorial commending the minority report of the Joint Economic Committee report on the President's Economic Report describing it as a constructive and needed document. pp. 11417-8
8. AGING; SENIOR CITIZENS. The Labor and Public Welfare Committee reported with amendments H. R. 3708, to provide assistance in the development of new or improved programs to help older persons through grants to the States for community planning and services and for training, through research, development or training projects grants, and to establish within HEW an operating agency to be designated as the "Administration on Aging" (S. Rept. 247). p. 11392
Sens. Carlson and Ribicoff submitted amendments to the Administration's bill to provide health care for the aged. pp. 11404-6
9. TRANSPORTATION. Sen. Bartlett commended and inserted a speech stating that the decline of certain segments of the U. S. merchant fleet "has reached a point where we are now faced with the danger of losing control over the orderly movement of our foreign commerce." pp. 11424-5
0. VETERANS' BENEFITS. Sen. Yarborough urged support of his bill S. 9, to give cold war veterans educational and home loan benefits similar to those provided for veterans of World War II. p. 11430

21. MARKETING; FOREIGN TRADE. Sen. Pell spoke in support of Sen. Muskie's bill, the proposed Orderly Marketing Act of 1965. pp. 11443-4
22. ADJOURNMENT. Sen. Mansfield announced that the Senate would meet Fri. but have no business and adjourn until Tues. pp. 11386

ITEMS IN APPENDIX

23. ECONOMICS; BANKING. Extension of remarks of Sen. Jackson commending and inserting a statement, "The Government's Use of Our Dollars", discussing the economic decision-making process. pp. A2657-9
24. DAIRY. Extension of remarks of Sen. Young, N. Dak., inserting a constituent's letter outlining problems he faces as a dairy producer and "the cost-price squeeze." p. A2661
Rep. Race inserted a report which had been submitted to the Dairy and Food Industries Supply Ass'n describing efforts being made to expand oversea sales and to find markets in new areas. pp. A2671-2
25. SOYBEANS. Rep. Michel inserted an article describing the development of the soybean industry and stating that "American agriculture has every right to be very proud of its export record." p. A2678
26. MEAT INSPECTION. Extension of remarks of Rep. Sullivan expressing approval that "funds have been provided to meet the continuing expansion of the meat and poultry inspection programs", commending the combining of this Department inspection services. pp. A2680-2
27. OPINION POLL. Rep. Rumsfeld inserted results of a national issues poll, including items of interest to this Department. pp. A2683-4
28. RESEARCH; RAGWEED. Extension of remarks of Rep. Kelly urging enactment of her proposed bill which would authorize this Department to eradicate ragweed and stating that "I earnestly urge that the Department of Agriculture recommend study to review the most efficient means of destroying this plant in all areas of the United States." p. A2688

BILLS INTRODUCED

29. ELECTRIFICATION. H. R. 8471 by Rep. Gray, and H. R. 8486 by Rep. Denton, to amend the Federal Power Act, as amended in respect of the jurisdiction of the Federal Power Commission over nonprofit cooperatives; to Interstate and Foreign Commerce Committee.
30. FOREIGN TRADE. S. 2045 by Sen. Hartke, H. R. 8510 thru H. R. 8597, to amend the Antidumping Act, 1921; to Senate Finance and House Ways and Means Committees. Remarks of Sen. Hartke pp. 11393-9
H. R. 8474 by Rep. Keith, Orderly Marketing Act of 1965; to Ways and Means Committee. Remarks of author pp. 11298-9
31. PUBLIC DEBT. H. R. 8464 by Rep. Mills, to provide for the period beginning on July 1, 1965, and ending on June 30, 1966, a temporary increase in the public debt limit set forth in section 21 of the Second Liberty Bond Act; to Ways and Means Committee.

this area to be prepared for the impact of future growth. Mr. Fulton suggested that the University of Washington community development program has encouraged self-study and analysis in 15 or 16 different fields for several smaller communities in the city.

ACTION GROUP

There was discussion about civil rights groups such as CORE, SNIC, NAACP, Southern Leadership Conference, etc. Mr. Lidstone suggested a program could possibly be done entitled "Tempo of Our Times." He pointed out that, to handle such a program, logic would have to prevail and not emotion. He felt that to find out what the basic purposes of these organizations are, what they do, what their influence is, would be a good program. Rev. Mr. Walker then added that people will always say, "What does this have to do with Bellingham?" and, at that point, Mr. Lidstone said, "People will wonder why a march for Alabama when the Lummi need help right here."

ANTIPOVERTY

Reverend Walker said the antipoverty program is being utilized both with the Lummi Indians and the Nooksack Indians. Mr. Hallman added that a migrant labor center in Lynden is being established. He suggested we tie this together in an agricultural program. He pointed out that \$40,000 in Federal money is to be granted and some of the programs should be concentrated on Canadian Indians who come down to work in Whatcom County. Reverend Walker said the Methodists in this area have contributed \$20,000 for a chapel and meetinghouse on the Mission Road in Whatcom County, as a project for the Nooksacks. It is a denominational project, he pointed out. However, Mr. Lidstone added that it might be a good focal point for the beginning of a program on "Tempo of Our Times." Mr. Freeman said that 4-H groups in the county were working with migrant Mexican workers and Mr. Hallman added this is why a migrant center will be helpful. Reverend Sellards said that there was a tutoring project of the Lummi Indians on a one-to-one basis by students at Western Washington State College. He said that the program had apparently, at this point, been highly successful because the college students had no axes to grind or monuments to build, simply an interest in the Lummi Indians and a desire to see them better themselves. This program is being carried out at the very low age group. KVOS plans to do a program involving the migrant labor center in Lynden, as a result of this discussion.

COLLEGE FEES

The situation on increased college fees was discussed by Dr. Bunke, who said that possibly fees could be used as a basis for a program to show other problems existing in the college in terms of the financial crisis facing schools, the incredible competition for faculty, etc. Mr. Hallman pointed out that UBC was having similar problems and it was suggested and agreed that, to do such a program, it would be desirable to get representatives from both schools to discuss mutual problems. Mr. Freeman said he thought it would be good to hold a program entitled "Post-mortem on the Legislature," and to get the State legislators from both parties together from the 41st and 42nd districts to speak for themselves and to face one another. Dave said KVOS would go along and even place an ad in the paper and on the air, asking people to write in questions about the legislature. It was then suggested that Scott Barron, who is chairman of the county Republican Party and Mr. Freeman could get together and sort out the questions and present them to the legislators on this program.

Mr. Fulton said that Bellingham's water supply was one part of a whole program in relation to the aluminum plant in relation to agricultural irrigation and an overall water supply problem could be a program

in itself. Mr. Lidstone said he had attended a meeting of the Wheel and Keel Club, in Bellingham, at which Mr. Fulton had presented a report of recreational land availability in Whatcom County. Lidstone said, "I was shocked to find that we have nothing left, really, of our recreational area. He said Fulton's description, lets one know how little land is really left available for park sites and how few park sites we will really have in ten years, if we don't take action immediately on securing these sites for future use.

CROSS-STATE HIGHWAY

Mr. Freeman suggested some sort of a program employing motion picture film of a horse pack trip, which is to be made in August along the route of the north cross State highway in Washington State. Trips of this nature are made periodically throughout the summer months by various interest groups and KVOS-TV was invited to go along on the August trip. The highway is under construction from both sides of the Cascades from the Okanogan country up the Methow Valley on the east and up the Skagit Valley on the west. Bureau of Public Roads is providing the basic financing on this route which will provide a new access to the Puget Sound Basin from the agricultural areas of the Cascades upon its completion. Duayne Trecker plans to make this trip and to do a subsequent program.

TECH SCHOOL DOCUMENTARY

Duayne said that the Tech School program is about half filmed, but some of the film will have to be reshot because of a faulty camera in the last filming. When finished, this 30-minute program will be used as a channel 12 special, but will be self-contained and can be used by service clubs and the Bellingham schools in any way they choose.

KVOS-TV CHANNEL 12 STEERING COMMITTEE

KVOS-TV's Steering Committee met at the room 206 on February 24, 1965.

Permanent members present: Mayor John Westford, Chamber Manager Nix Lidstone, and Ross Glover of the Bellingham public schools.

Rotating members present: Glen Hallman of the county health department; Ray Smith, director of vocational education in the Bellingham schools; Capt. Charles Gold, Bellingham water superintendent; Dr. Manfred Vernon, chairman of the political science department, WWSC; and Roy Freeman, chairman of the county Democratic Central Committee.

KVOS-TV staff members present: Dave Mintz, Dick Dailey, Marian Boylan, and Duayne Trecker.

RECAP OF ACTIVITIES

Duayne went over programs on channel 12 special from mid-November to mid-February. These included channel 12 press conference with Dr. Harvey Bunke, "A Professor Looks at His College," "Three U's for B.C.," Lynden Christian High School's Christmas Concert, a preview of the 1965 legislature, a viewpoint on governments, concerning Vietnam, "The Natural World of Poetry," "So More Will Live" (heart campaign) "Intalco: A Visit From Paris," channel 12 press conference with Lloyd Meeds of the Second Congressional District.

For the benefit of those who had not attended a previous steering committee meeting, Duayne and Dave explained how the committee operates, that KVOS is looking for programming ideas that will be of benefit to this community. An interview with Justice William O. Douglas, of the U.S. Supreme Court, was filmed with Andy Anderson doing the interview and is to air in March. The program on the inauguration of Dr. Bunke, as president of Western, is to be done Thursday, February 25. Duayne explained that Count de Vitry, chief executive officer of the Intalco Aluminum Co. of France, was gracious enough to come to the KVOS

studios for an interview about Intalco, when he visited the Intalco site on the 27th of January. Pathe Newsreel photographer and other press members following the entourage also came to the studios to film the filming.

PEACE MARCH

The student peace march demonstration on Vietnam, which started at the college and terminated with the arrest of 47 participants, was discussed by all those in attendance at the committee meeting. After hearing strong statements from Mayor Westford and Mr. Lidstone, the consensus was that we would do no program on the peace marchers, at least at this time. The possibility of a program dealing with the basic freedoms will be given management study in the following weeks.

ALASKA FERRIES

Mr. Lidstone discussed the problems involved in getting a legislative memorial for this project to urge Congress to pass legislation which would make the Alaska Ferry System part of the Federal Interstate Highway System. He talked about creating an interest in the community (there is plenty in Bellingham) but at the same time, attempting to encourage Alaskans to do the same. He pointed out that the basic problem in Alaska is that the State treasury is too low to do anything at this time, and added that it will be up to the Alaskans to make the formal request to Congress for the extension of the service before Congress will take legislative action and make Bellingham a southern terminus for the ferry route.

RECREATION FACILITIES

Mr. Hallman suggested a program on recreation in Whatcom County. He said there has been a county park board formed by resolution of the county commissioners which will consist of a six- or seven-man commission to make a study. As a result of having passed two statutory amendments allowing for development of parks and conservation in this State, Hallman suggested obtaining films from the Soil Conservation Service and the U.S. Forest Service. This could be an adjunct to also discussion water resources in the area. In discussing this, Hallman thought it was necessary that the program show recreation facilities in Whatcom County and potential sites. In general discussion it was pointed out that there would be some taxes involved for Whatcom County, but that matching funds would be available from the State of Washington.

BELLINGHAM TECHNICAL SCHOOL

Ray Smith, of the vocational education department, told of the school district's efforts to get PTA's to hold their monthly meetings at the tech school this year in order to display to the public the role of the school and its activity in the community. Smith pointed out that some 80 percent of our youngsters are not now going to college and someone must make them employable. He said this is one area where the Bellingham Tech School is coming into great use and its growth has been dynamic. Smith pointed out that the school district has recently allocated more money for the tech school for an expansion of the buildings in addition to a Federal grant doubling the technical school equipment; i.e., heavy machinery, lathes, drill presses, and the like. This equipment has been recently received and is being installed. Dave Mintz suggested we might use the tech school story to point out the fact that not all persons are able to go on to college for one reason or another, and possibly even involve a college spokesman who would point to the need for schools such as the Bellingham Tech School.

BELLINGHAM SCHOOLS

The change in grade systems contemplated by Bellingham schools was suggested as a good topic for channel 12 special. The public schools, when the new high school is

opened, will go to either an 8-4 or a K-5-3-4 grade system instead of the present 6-3-3-. The Bellingham school board has decided to make the change (probably the K-5-3-4 system). There will naturally be a lot of questions in the community as to how this will affect children and what difference it might make in their class attendance, in grading, and the like. We thought such a program might well be done this fall as a sort of a groundbreaker for the community on the new high school which will open the following year.

SENIOR CITIZEN'S CENTER

Glen Hallman related that the Whatcom County Health Department in conjunction with other social agencies will soon open a senior citizen's center. It will be partially supported by funds from the county commissioners and other welfare agencies. Its time and activities will center on elderly persons looking for sparetime entertainment, hobbies, instruction, and avocations. Hallman's suggestion of a channel 12 special on this matter will be looked into in the future.

WATER

There was general consensus that a program on Bellingham's water supply and the good points on the water system might be appropriate sometime this spring. A study ordered by the State health department on the purity of the city's water is now being finished and nothing should be done until after that report is made public.

COLOR TV

A discussion was held about color television. Ross Glover suggested that perhaps a channel 12 special might be devoted to this subject. Dave Mintz said the fall of 1967 appears to be the soonest that KVOS-TV might go color. He noted, however, that a lot of questions on some of the technicalities of color have been coming in. Such a program, if done, could be put on the air sometime in conjunction with the fall programming of 1965 making use of the station engineering and management personnel under questioning by the department of public affairs.

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 179, Senate bill 1648.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (S. 1648) to provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Public Works, with amendments, on page 3, line 15, after the word "facilities", to insert "including related machinery and equipment,"; on page 4, at the beginning of line 16, to insert "direct grants-in-aid authorized under this section, and Federal public works projects"; on page 5, line 1, after the word "share", to strike out "(including assumptions of debt)"; in line 3, after the word "project", to insert "(including assumptions of debt)"; in line 10, after the word "of", to strike out

"such grant-in-aid" and insert "the applicable Federal"; at the beginning of line 12, to strike out "limitation on" and insert "requirement as to"; in the same line, after the word "the", to strike out "use of supplementary grants" and insert "amount or sources of non-Federal funds"; in line 14, after the word "the", to strike out "grant-in-aid" and insert "Federal"; in line 15, after the word "funds", to strike out "so allocated" and insert "provided under this subsection"; on page 6, line 18, after "(e)", to strike out "No" and insert "Except for projects specifically authorized by Congress, no"; in line 23, after the word "State", to insert "or Federal"; in line 24, after the word "State", to insert "or Federal"; on page 7, after line 5, to insert:

SEC. 102. Not more than 15 per centum of the appropriations made pursuant to this title may be expended in any one State.

After line 8, to strike out:

SEC. 102. There is hereby authorized to be appropriated not to exceed \$250,000,000 annually for the purposes of this title.

And, in lieu thereof, to insert:

SEC. 103. There is hereby authorized to be appropriated not to exceed \$400,000,000 for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1970.

On page 8, line 2, after the word "facilities", to insert "including related machinery and equipment,"; in line 18, after the word "lenders", to strike out "on reasonable terms,"; in line 19 after the word "terms", to strike out "more favorable to the Government"; in line 20, after the word "which", to strike out "would" and insert "in the opinion of the Secretary will"; on page 9, line 7, after "(b)", to strike out "Subject to section 701(5), the maturity date of any such loan shall be not later than forty years after the date such loan is made" and insert "Subject to section 701(5), no loan, including renewals or extensions thereof, shall be made under this section for a period exceeding forty years, and no evidence of indebtedness maturing more than forty years from the date of purchase shall be purchased under this section"; in line 14, after the word "than", to strike out "(i)"; in line 20, after the word "less", to strike out "(ii)"; in line 24, after the word "Provided", to strike out "however, That annual appropriations for the purpose of making and guaranteeing loans shall not exceed \$170,000,000" and insert "That annual appropriations for the purpose of purchasing evidences of indebtedness, making and participating in loans, and guaranteeing loans shall not exceed \$170,000,000"; on page 10, line 6 after "(d)", to strike out "No" and insert "Except for projects specifically authorized by Congress, no"; in line 11, after the word "State", to insert "or Federal"; in line 12, after the word "State", to insert "or Federal"; in line 25, after the word "facilities", to strike out "including, in cases of demonstrated need," and insert "including"; on page 13, line 7, after the word "lenders", to strike out "on reasonable terms,"; in line 8, after the word "terms", to strike out "more favorable to the Government which would"

and insert "which in the opinion of the Secretary will"; on page 14, line 5, after the word "than", to strike out "(i)"; in line 10, after the word "plus", to strike out "(ii)"; in line 17, after the word "facilities", to strike out "including, in cases of demonstrated need," and insert "including"; on page 17, line 17, after the word "outstanding", to insert "under this Act"; on page 18, line 1, after the word "market", to insert "yield"; after line 7 to strike out: "TECHNICAL AND ADMINISTRATIVE ASSISTANCE".

In line 16, after the word "include", to insert "project planning and feasibility studies, management and operational assistance, and"; on page 19, line 5, after the word "grants", to strike out "for economic planning staff and" and insert "to defray not to exceed 75 per centum of the"; in line 7, after the word "expenses", to strike out "to" and insert "of"; in line 9, after the word "hereof", to strike out the colon and "Provided, however, That no such grant shall exceed 75 per centum of the aggregate cost of the undertaking for which the assistance is rendered, or of the administrative expenses of any qualified organization in any one year."; at the top of page 20, to strike out:

(e) There is hereby authorized to be appropriated \$20,000,000 annually for the purposes of this section.

After line 2, to strike out: "RESEARCH".

At the beginning of line 4, to strike out "Sec. 302." and insert "(c)"; in line 7, after the word "of", to strike out "study" and insert "study, training,"; in line 8, after the word "research", to strike out "designed"; in the same line, after the word "to", to insert "(A)"; in line 11, after the word "the", to strike out "Nation and in the formulation" and insert "Nation, (B) assist in the formulation"; in line 14, after the word "solutions", to strike out "of" and insert "to"; at the beginning of line 15, to strike out "conditions" and insert "conditions, and (C) assist in providing the personnel needed to conduct such programs. The program of study, training, and research may be conducted by the Secretary through members of this staff, through payment of funds authorized for this section to other departments or agencies of the Federal Government, or through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants to such individuals, organizations, or institutions, or through conferences and similar meetings organized for such purposes. The Secretary shall make available to interested individuals and organizations the results of such research."; on page 21, after line 6, to strike out: "information".

At the beginning of line 8, to strike out "Sec. 303." and insert "(d)"; after line 22, to insert:

(e) The Secretary shall establish an independent study board consisting of governmental and nongovernmental experts to investigate the effects of Government procurement, scientific, technical, and other related policies, upon regional economic development. Any Federal officer or employee may, with the consent of the head of the depart-

ment or agency in which he is employed, serve as a member of such board, but shall receive no additional compensation for such service. Other members of such board may be compensated in accordance with the provisions of section 701(10). The board shall report its findings, together with recommendations for the better coordination of such policies, to the Secretary, who shall transmit the report to the Congress not later than two years after the enactment of this Act.

On page 22, after line 11, to insert:

Sec. 302. There is hereby authorized to be appropriated \$25,000,000 annually for the purposes of this title.

On page 24, line 2, after the word "reservations", to insert "or trust or restricted Indian-owned land areas"; in line 4, after the word "Interior", to insert "or an appropriate State agency"; in line 11, after the word "removal", to insert "curtailment,"; in the same line, after the word "of", where it appears the second time, to strike out "employment," and insert "employment"; in line 12, after the word "or", to strike out "is about to cause" and insert "threatens to cause within three years of the date of the request"; in line 14, after the word "unemployment", to strike out "or under-employment"; in line 15, after the word "the", to insert "unemployment rate for the"; in line 16, after the word "to", to strike out "become eligible for designation under the other provisions of this Act within three years" and insert "exceed the national average by 50 per centum or more"; in line 20, after the word "of", to strike out "this section" and insert "subsection 401 (b)"; in line 21, after the word "area", to strike out "may be"; in the same line, after the word "designated", to strike out "at any time"; in line 22, after the word "this", to strike out "subsection" and insert "paragraph"; in line 23, after the amendment just above stated, to strike out "and"; on page 25, line 6, after the word "on", to strike out "the date of the enactment of this Act" and insert "or after April 1, 1965"; on page 26, line 6, after the word "persons", to insert "except for areas designated under subsection 401(a) (3), which shall have a population of not less than one thousand persons"; on page 27, line 7, after the word "or", to strike out "under consideration for designation"; in line 19, after the word "termination", to strike out "or"; in line 22, after the word "such", to strike out section. and insert "section, or (4) be made in the case of any designated area where the Secretary determines that an improvement in the unemployment rate of a designated area is primarily the result of increased employment in occupations not likely to be permanent."; on page 32, after line 19, to strike out: "ESTABLISHMENT AND COORDINATION".

After line 20, to insert:

ESTABLISHMENT OF REGIONS

Sec. 501. The Secretary is authorized to designate appropriate "economic development regions" within the United States with the concurrence of the States in which such regions will be wholly or partially located if he finds (A) that there is a relationship between the areas within such region geographically, culturally, historically, and

economically, (B) that with the exception of Alaska and Hawaii, the region is within contiguous States, and (C) upon consideration of the following matters, that the region has lagged behind the whole nation in economic development:

- (1) the rate of unemployment is substantially above the national rate;
- (2) the median level of family income is significantly below the national median;
- (3) the level of housing, health, and educational facilities is substantially below the national level;
- (4) the economy of the area has traditionally been dominated by a single industry;
- (5) the rate of outmigration of labor or capital or both is substantial;
- (6) the area is adversely affected by changing industrial technology;
- (7) the area is adversely affected by changes in national defense facilities or production; and
- (8) indices of regional production indicate a growth rate substantially below the national average.

On page 33, after line 22, to insert:

REGIONAL COMMISSIONS

Sec. 502. (a) Upon designation of development regions, the Secretary shall invite and encourage the States wholly or partially located within such regions to establish appropriate multistate regional commissions.

(b) Each such commission shall be composed of one Federal member, hereinafter referred to as the "Federal cochairman", appointed by the President by and with the advice and consent of the Senate, and one member from each participating State in the region. Each State member may be the Governor, or his designee, or such other person as may be provided by the law of the State which he represents. The State members of the commission shall elect a cochairman of the commission from among their number.

(c) Decisions by a regional commission shall require the affirmative vote of the Federal cochairman and of a majority, or at least one if only two, of the State members. In matters coming before a regional commission, the Federal cochairman shall, to the extent practicable, consult with the Federal departments and agencies having an interest in the subject matter.

(d) Each State member of a regional commission shall have an alternate, appointed by the Governor or as otherwise may be provided by the law of the State which he represents. The President, by and with the advice and consent of the Senate, shall appoint an alternate for the Federal cochairman of each regional commission. An alternate shall vote in the event of the absence, death, disability, removal, or resignation of the State or Federal cochairman for which he is an alternate.

(e) The Federal cochairman to a regional commission shall be compensated by the Federal Government from funds authorized by this Act at level IV of the Federal Executive Salary Schedule. His alternate shall be compensated by the Federal Government from funds authorized by this Act at not to exceed the maximum scheduled rate for grade GS-18 of the Classification Act of 1949, as amended, and when not actively serving as an alternate for the Federal cochairman shall perform such functions and duties as are delegated to him by the Federal cochairman. Each State member and his alternate shall be compensated by the State which they represent at the rate established by the law of such State.

(f) If the Secretary finds that the State of Alaska or the State of Hawaii meets the requirements for an economic development region, he may establish a Commission for either State in a manner agreeable to him and to the Governor of the affected State.

On page 35, after line 21, to strike out:

Sec. 501. (a) The Secretary is authorized to invite and encourage the several States to establish appropriate multistate regional action planning commissions for the purpose of—

At the top of page 36, to insert:

FUNCTIONS OF COMMISSION

Sec. 503. (a) In carrying out the purposes of this Act, each Commission shall with respect to its region—

In line 4, after "(1)", to strike out "advising" and insert "advise"; in the same line, after the word "and", to strike out "assisting him" and insert "assist the Secretary"; in line 7, after "(2)", to strike out "initiating" and insert "initiate"; in the same line, after the word "and", to strike out "coordinating" and insert "coordinate"; in line 10, after "(3)", to strike out "fostering" and insert "foster"; in line 13, after "(4)", to strike out "advising" and insert "advise"; in the same line, after the word "and", to strike out "assisting him" and insert "assist the Secretary"; in line 18, after "(5)", to strike out "promoting" and insert "promote"; in line 20, after "(6)", to strike out "preparing" and insert "prepare"; in line 23, after the word "agencies", to strike out "and"; after line 23, to strike out:

(7) receiving, reviewing, and commenting on all tentative plans or proposals concerning multistate regional economic development, and transmitting such plans and proposals with appropriate comments and recommendations to the Secretary and the heads of other interested Federal and State agencies.

(b) As used in this Act, the term "region" refers to any area within the United States which includes two or more designated or potential economic development districts in two or more contiguous States.

(c) The State members of such commissions shall be as determined and appointed by the Governors of the States concerned. The President shall appoint the Federal member or members of such commissions, if any, who shall report through the Secretary and be compensated at a rate not in excess of that authorized by section 701(10) of this Act.

And, in lieu thereof, to insert:

(7) develop, on a continuing basis, comprehensive and coordinated plans and programs and establish priorities thereunder, giving due consideration to other Federal, State, and local planning in the region;

On page 37, after line 18, to insert:

(8) conduct and sponsor investigations, research, and studies, including an inventory and analysis of the resources of the region, and, in cooperation with Federal, State and local agencies, sponsor demonstration projects designed to foster regional productivity and growth;

At the top of page 38, to insert:

(9) review and study, in cooperation with the agency involved, Federal, State, and local public and private programs and, where appropriate, recommend modifications or additions which will increase their effectiveness in the region;

After line 5, to insert:

(10) formulate and recommend, where appropriate, interstate compacts and other forms of interstate cooperation, and work

with State and local agencies in developing appropriate model legislation; and

After line 9, to insert:

(11) provide a forum for consideration of problems of the region and proposed solutions and establish and utilize, as appropriate, citizens and special advisory councils and public conferences.

At the beginning of line 14, to strike out "(d)" and insert "(b)"; at the beginning of line 21, to strike out "(e)" and insert "(c)"; at the beginning of line 24, to strike out "(f)" and insert "(d)"; on page 39, after line 2, to insert:

(e) Each regional commission may, from time to time, make additional recommendations to the Secretary and recommendations to the State Governors and appropriate local officials, with respect to—

(1) the expenditure of funds by Federal, State, and local departments and agencies in its region in the fields of natural resources, agriculture, education, training, health and welfare, transportation, and other fields related to the purposes of this Act; and

(2) such additional Federal, State, and local legislation or administrative actions as the commission deems necessary to further the purposes of this Act.

At the beginning of line 16, to change the section number from "502" to "504"; on page 40, at the beginning of line 16, to change the section number from "503" to "505"; in line 20, after the word "programs," to insert

"Such assistance shall include studies and plans evaluating the needs of, and developing potentialities for, economic growth of such regions, and research on improving the conservation and utilization of the human and natural resources of the region."; on page 41, line 10, after the word "of", to strike out "enactment of this Act," and insert "establishment of a commission."; in line 12, after the word "commission", to strike out "may" and insert "as approved by the Secretary shall"; in line 13, after the word "Government", to strike out "on such terms and conditions as the Secretary may approve"; after line 22, to insert:

Administrative powers of regional commissions

SEC. 506. To carry out its duties under this Act, each regional commission is authorized to—

(1) adopt, amend, and repeal bylaws, rules, and regulations governing the conduct of its business and the performance of its functions;

(2) appoint and fix the compensation of an executive director and such other personnel as may be necessary to enable the commission to carry out its functions, except that such compensation shall not exceed the salary of the alternate to the Federal co-chairman on the commission and no member, alternate, officer, or employee of such commission, other than the Federal co-chairman on the commission and his staff and his alternate, and Federal employees detailed to the commission under clause (3), shall be deemed a Federal employee for any purpose;

(3) request the head of any Federal department or agency (who is hereby so authorized) to detail to temporary duty with the commission such personnel within his administrative jurisdiction as the commission may need for carrying out its functions, each such detail to be without loss of seniority, pay, or other employee status;

(4) arrange for the services of personnel from any State or local government or any

subdivision or agency thereof, or any inter-governmental agency;

(5) make arrangements, including contracts, with any participating State government for inclusion in a suitable retirement and employee benefit system of such of its personnel as may not be eligible for, or continue in, another governmental retirement or employee benefit system, or otherwise provide for such coverage of its personnel, and the Civil Service Commission of the United States is authorized to contract with such commission for continued coverage of commission employees, who at date of commission employment are Federal employees, in the retirement program and other employee benefit programs of the Federal Government;

(6) accept, use, and dispose of gifts or donations of services or property, real, personal, or mixed, tangible or intangible;

(7) enter into and perform such contracts, leases, cooperative agreements, or other transactions as may be necessary in carrying out its functions and on such terms as it may deem appropriate, with any department, agency, or instrumentality of the United States or with any State, or any political subdivision, agency, or instrumentality thereof, or with any person, firm, association, or corporation;

(8) maintain an office in the District of Columbia and establish field offices at such other places as it may deem appropriate; and

(9) take such other actions and incur such other expenses as may be necessary or appropriate.

On page 44, after line 2, to insert:

Information

SEC. 507. In order to obtain information needed to carry out its duties, each regional commission shall—

(1) hold such hearings, sit and act at such times and places, take such testimony, receive such evidence, and print or otherwise reproduce and distribute so much of its proceedings and reports thereon as it may deem advisable, a co-chairman of such commission, or any member of the commission designated by the commission for the purpose, being hereby authorized to administer oaths when it is determined by the commission that testimony shall be taken or evidence received under oath;

(2) arrange for the head of any Federal, State, or local department or agency (who is hereby so authorized, to the extent not otherwise prohibited by law) to furnish to such commission such information as may be available to or procurable by such department or agency; and

(3) keep accurate and complete records of its doings and transactions which shall be made available for public inspection.

At the top of page 45, to insert:

Personal financial interests

SEC. 508. (a) Except as permitted by subsection (b) hereof, no State member or alternate and no officer or employee of a regional commission shall participate personally and substantially as member, alternate, officer, or employee, through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise, in any proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter in which, to his knowledge, he, his spouse, minor child, partner, organization (other than a State or political subdivision thereof) in which he is serving as officer, director, trustee, partner, or employer, or any person or organization with whom he is serving as officer, director, trustee, partner, or employee, or any person or organization with whom he is negotiating or has any arrangement concerning prospective employment, has a financial interest. Any person who shall violate the provisions of this sub-

section shall be fined not more than \$10,000, or imprisoned not more than two years, or both.

(b) Subsection (a) hereof shall not apply if the State member, alternate, officer, or employee first advises the regional commission involved of the nature and circumstances of the proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter and makes full disclosure of the financial interest and receives in advance a written determination made by such Commission that the interest is not so substantial as to be deemed likely to affect the integrity of the services which the Commission may expect from such State member, alternate, officer, or employee.

(c) No State member of a regional commission, or his alternate, shall receive any salary, or any contribution to or supplementation of salary for his services on such commission from any source other than his State. No person detailed to serve a regional commission under authority of clause

(4) of section 506 shall receive any salary or any contribution to or supplementation of salary for his services on such commission from any source other than the State, local, or intergovernmental department or agency from which he was detailed or from such commission. Any person who shall violate the provisions of this subsection shall be fined not more than \$5,000, or imprisoned not more than one year, or both.

(d) Notwithstanding any other subsection of this section, the Federal co-chairman and his alternate on a regional commission and any Federal officers or employees detailed to duty with it pursuant to clause (3) of section 10 shall not be subject to any such subsection but shall remain subject to sections 202 through 209 of title 18, United States Code.

(e) A regional commission may, in its discretion, declare void and rescind any contract or other agreement pursuant to the Act in relation to which it finds that there has been a violation of subsection (a) or (c) of this section, or any of the provisions of sections 202 through 209, title 18, United States Code.

On page 47, after line 11, to insert:

Annual reports

SEC. 509. Each regional commission established pursuant to this Act shall make a comprehensive and detailed annual report each fiscal year to the Congress with respect to such commission's activities and recommendations for programs. The first such report shall be made for the first fiscal year in which such commission is in existence for more than three months. Such reports shall be printed and transmitted to the Congress not later than January 31 of the calendar year following the fiscal year with respect to which the report is made.

At the top of page 48, to strike out:

TITLE VI—ECONOMIC DEVELOPMENT
ADMINISTRATOR

And, in lieu thereof, to insert:

TITLE VI—ADMINISTRATION

After line 3, to strike out:

Administrator for economic development

SEC. 601. There shall be appointed by the President, by and with the advice and consent of the Senate, an Administrator for Economic Development in the Department of Commerce, who shall receive compensation at the annual rate applicable to level V of the Federal Executive Salary Act of 1964. The Administrator shall perform such duties in the execution of this Act as the Secretary may assign.

And, in lieu thereof, to insert:

"SEC. 601. (a) The Secretary shall administer this Act and, with the assistance of an Assistant Secretary of Commerce, in addition to those already provided for, shall supervise and direct the Administrator created herein, and coordinate the Federal cochairmen appointed heretofore or subsequent to this Act. The Assistant Secretary created by this section shall be appointed by the President by and with the advice and consent of the Senate and shall be compensated at the rate provided for level IV of the Federal Executive Salary Schedule. Such Assistant Secretary shall perform such functions as the Secretary may prescribe. There shall be appointed by the President, by and with the advice and consent of the Senate, an Administrator for Economic Development who shall be compensated at the rate provided for level V of the Federal Executive Salary Schedule who shall perform such duties as are assigned by the Secretary.

"(b) Subsections (d) and (e) of section 303 of the Federal Executive Salary Act of 1964 are hereby amended by adding the positions established by subsection (a) hereof."

At the top of page 56, to strike out:

(b) Any appropriations available to the Secretary for the purposes of the Area Redevelopment Act on or after the date of enactment of this Act shall be available for the purposes of this Act.

At the beginning of line 5, to strike out "(c)" and insert "(b)"; in the same line, after the amendment just above stated, to strike out "In the event that the Administrator required by this Act to be appointed by and with the advice and consent of the Senate shall not have entered upon office on the effective date of this Act,"; in line 9, after the word "act", to strike out "in such office" and insert "as Administrator under this Act"; in line 11, after the word "following", to strike out "said" and insert "the"; in line 12, after the word "date", to insert "of this Act"; at the beginning of line 15, to strike out "(d)" and insert "(c)"; after line 16, to insert:

(d) Notwithstanding any requirements of this Act relating to the eligibility of areas, projects for which applications are pending before the Area Redevelopment Administration on the effective date of this Act shall for a period of one year thereafter be eligible for consideration by the Secretary for such assistance under the provisions of this Act as he may determine to be appropriate.

On page 58, line 4, after "(a)", to strike out "To the fullest extent" and insert "Where"; in line 5, after the word "Secretary", to strike out "shall" and insert "may"; in line 23, after the word "transferred", to strike out the comma and "with the approval of the Director of the Bureau of the Budget,"; on page 61, line 23, after "(40 U.S.C. 276a-276a-5)", to strike out the comma and "and every such employee shall receive compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be"; and on page 64, after line 7, to insert a new section, as follows:

SEC. 715. All financial and technical assistance authorized under this Act shall be in addition to any Federal assistance previously authorized, and no provision hereof shall be construed as authorizing or permitting any reduction or diminution in the proportional amount of Federal assistance

to which any State or other entity eligible under this Act would otherwise be entitled under the provisions of any other Act.

So as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Public Works and Economic Development Act of 1965".

STATEMENT OF PURPOSE

SEC. 2. The Congress declares that the maintenance of the national economy at a high level is vital to the best interests of the United States, but that some of our regions, counties, and communities are suffering substantial and persistent unemployment and underemployment; that such unemployment and underemployment cause hardship to many individuals and their families, and waste invaluable human resources; that to overcome this problem the Federal Government, in cooperation with the States, should help areas and regions of substantial and persistent unemployment and underemployment to take effective steps in planning and financing their public works and economic development; that Federal financial assistance, including grants for public works and development facilities to communities, industries, enterprises, and individuals in areas needing development should enable such areas to help themselves achieve lasting improvement and enhance the domestic prosperity by the establishment of stable and diversified local economies and improved local conditions: *Provided*, That such assistance is preceded by and consistent with sound, long-range economic planning; and that under the provisions of this Act new employment opportunities should be created by developing and expanding new and existing public works and other facilities and resources rather than by merely transferring jobs from one area of the United States to another.

TITLE I—GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES

SEC. 101. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary of Commerce (hereinafter referred to as the Secretary) is authorized—

(1) to make direct grants for the acquisition or development of land and improvements for public works, public service, or development facility usage, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, including related machinery and equipment, within a redevelopment area, if he finds that—

(A) the project for which financial assistance is sought will directly or indirectly (i) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities, (ii) otherwise assist in the creation of additional long-term employment opportunities for such area, or (iii) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964;

(B) the project for which a grant is requested will fulfill a pressing need of the area, or part thereof, in which it is, or will be located; and

(C) the area for which a project is to be undertaken has an approved overall economic development program as provided in section 202(b)(10) and such project is consistent with such program;

(2) to make supplementary grants in order to enable the States and other entities within redevelopment areas to take maximum advantage of designated Federal grant-in-aid pro-

grams (as hereinafter defined), direct grants-in-aid authorized under this section, and Federal public works projects for which they are eligible but for which, because of their economic situation, they cannot supply the required matching share.

(b) Subject to subsection (c) hereof, the amount of any direct grant under this section for any project shall not exceed 50 per centum of the cost of such project.

(c) The amount of any supplementary grant under this section for any project shall not exceed the applicable percentage established by regulations promulgated by the Secretary, but in no event shall the non-Federal share of the aggregate cost of any such project (including assumptions of debt) be less than 20 per centum of such cost. Supplementary grants shall be made by the Secretary, in accordance with such regulations as he shall prescribe, by increasing the amounts of direct grants authorized under this section or by the payment of funds appropriated under this Act to the heads of the departments, agencies, and instrumentalities of the Federal Government responsible for the administration of the applicable Federal programs. Notwithstanding any requirement as to the amount or sources of non-Federal funds that may otherwise be applicable to the Federal program involved, funds provided under this subsection shall be used for the sole purpose of increasing the Federal contribution to specific projects in redevelopment areas under such programs above the fixed maximum portion of the cost of such project otherwise authorized by the applicable law. The term "designated Federal grant-in-aid programs," as used in this subsection, means such existing or future Federal grant-in-aid programs assisting in the construction or equipping of facilities as the Secretary may, in furtherance of the purposes of this Act, designate as eligible for allocation of funds under this section. In determining the amount of any supplementary grant available to any project under this section, the Secretary shall take into consideration the relative needs of the area, the nature of the project to be assisted, and the amount of such fair user charges or other revenues as the project may reasonably be expected to generate in excess of those which would amortize the local share of initial costs and provide for its successful operation and maintenance (including depreciation).

(d) The Secretary shall prescribe rules, regulations, and procedures to carry out this section which will assure that adequate consideration is given to the relative needs of eligible areas. In prescribing such rules, regulations, and procedures the Secretary shall consider among other relevant factors (1) the severity of the rates of unemployment in the eligible areas and the duration of such unemployment and (2) the income levels of families and the extent of underemployment in eligible areas.

(e) Except for projects specifically authorized by Congress, no financial assistance shall be extended under this section with respect to any public service or development facility which would compete with an existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State or Federal regulatory body, unless the State or Federal regulatory body determines that in the area to be served by the facility for which the financial assistance is to be extended there is a need for an increase in such service (taking into consideration reasonably foreseeable future needs) which the existing public utility is not able to meet through its existing facilities or through an expansion which it agrees to undertake.

SEC. 102. Not more than 15 per centum of the appropriations made pursuant to this title may be expended in any one State.

SEC. 103. There is hereby authorized to be appropriated not to exceed \$400,000,000 for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1970.

TITLE II—OTHER FINANCIAL ASSISTANCE

Public works and development facility loans

SEC. 201. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary is authorized to purchase evidence of indebtedness and to make loans to assist in financing the purchase or development of land and improvements for public works, public service, or development facility usage, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, including related machinery and equipment, within a redevelopment area, if he finds that—

(1) the project for which financial assistance is sought will directly or indirectly—

(A) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities.

(B) otherwise assist in the creation of additional long-term employment opportunities for such area, or

(C) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964;

(2) the funds requested for such project are not otherwise available from private lenders or from other Federal agencies on terms which in the opinion of the Secretary will permit the accomplishment of the project;

(3) the amount of the loan plus the amount of other available funds for such project are adequate to insure the completion thereof;

(4) there is a reasonable expectation of repayment; and

(5) such area has an approved overall economic development program as provided in section 202(b)(10) and the project for which financial assistance is sought is consistent with such program.

(b) Subject to section 701(5), no loan, including renewals or extensions thereof, shall be made under this section for a period exceeding forty years, and no evidence of indebtedness maturing more than forty years from the date of purchase shall be purchased under this section. Such loans shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed one-half of 1 per centum per annum.

(c) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this section and section 202: *Provided*, That annual appropriations for the purpose of purchasing evidences of indebtedness, making and participating in loans, and guaranteeing loans shall not exceed \$170,000,000.

(d) Except for projects specifically authorized by Congress, no financial assistance shall be extended under this section with respect to any public service or development facility which would compete with an existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State or Federal regulatory body, unless the State or Federal regulatory body determines that in the area to be served by the facility for which the

financial assistance is to be extended there is a need for an increase in such service (taking into consideration reasonably foreseeable future needs) which the existing public utility is not able to meet through its existing facilities or through an expansion which it agrees to undertake.

Loans and guarantees

SEC. 202. (a) The Secretary is authorized (1) to purchase evidences of indebtedness and to make loans (which for purposes of this section shall include participations in loans) to aid in financing any project within a redevelopment area for the purchase or development of land and facilities (including machinery and equipment) for industrial or commercial usage, including the construction of new buildings, the rehabilitation of abandoned or unoccupied buildings, and the alteration, conversion, or enlargement of existing buildings; (2) to guarantee loans for working capital made to private borrowers by private lending institutions in connection with projects in redevelopment areas assisted under subsection (a)(1) hereof, upon application of such institution and upon such terms and conditions as the Secretary may prescribe: *Provided, however*, That no such guarantee shall at any time exceed 90 per centum of the amount of the outstanding unpaid balance of such loan; and (3) to contract to pay, and to pay annually, for not more than ten years, to or on behalf of private business entities amounts sufficient to reduce by 2 percentage points the interest paid by such entities on loans which are obtained from non-Government sources, which are not guaranteed by any Government agency, which provide for annual amortization of principal, and the proceeds of which are used for purposes for which the Secretary is authorized to purchase evidences of indebtedness or make loans under this section: *Provided, however*, That subject to limitations in annual appropriation Acts, the annual cost of new contracts approved in any one year shall not exceed \$5,000,000.

(b) Financial assistance under this section shall be on such terms and conditions as the Secretary determines, subject, however, to the following restrictions and limitations:

(1) Such financial assistance shall not be extended to assist establishments relocating from one area to another: *Provided, however*, That such limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity if the Secretary finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment of the area of original location or in any other area where such entity conducts business operations, unless the Secretary has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

(2) Such assistance shall be extended only to applicants, both private and public (including Indian tribes), which have been approved for such assistance by an agency or instrumentality of the State or political subdivision thereof in which the project to be financed is located, and which agency or instrumentality is directly concerned with problems of economic development in such State or subdivision.

(3) The project for which financial assistance is sought must be reasonably calculated to provide more than a temporary alleviation of unemployment or underemployment within the redevelopment area wherein it is or will be located.

(4) No loan or guarantee shall be extended hereunder unless the financial assist-

ance applied for is not otherwise available from private lenders or from other Federal agencies on terms which in the opinion of the Secretary will permit the accomplishment of the project.

(5) The Secretary shall not make any loan without a participation unless he determines that the loan cannot be made on a participation basis.

(6) No evidences of indebtedness shall be purchased and no loans shall be made or guaranteed unless it is determined that there is reasonable assurance of repayment.

(7) Subject to section 701(5) of this Act, no loan, including renewals or extension thereof, may be made hereunder for a period exceeding twenty-five years and no evidences of indebtedness maturing more than twenty-five years from date of purchase may be purchased hereunder: *Provided*, That the foregoing restrictions on maturities shall not apply to securities or obligations received by the Secretary as a claimant in bankruptcy or equitable reorganization or as a creditor in other proceedings attendant upon insolvency of the obligor.

(8) Loans made and evidences of indebtedness purchased under this section shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, plus such additional charge, if any, toward covering other costs of the program as the Secretary may determine to be consistent with its purpose.

(9) Loan assistance shall not exceed 65 per centum of the aggregate cost to the applicant (excluding all other Federal aid in connection with the undertaking) of acquiring or developing land and facilities (including machinery and equipment), and of constructing, altering, converting, rehabilitating, or enlarging the building or buildings of the particular project, and shall, among others, be on the condition that—

(A) other funds are available in an amount which, together with the assistance provided hereunder, shall be sufficient to pay such aggregate cost;

(B) not less than 15 per centum of such aggregate cost be supplied as equity capital or as a loan repayable in no shorter period of time and at no faster an amortization rate than the Federal financial assistance extended under this section is being repaid, and if such a loan is secured, its security shall be subordinate and inferior to the lien or liens securing such Federal financial assistance: *Provided, however*, That, except in projects involving financial participation by Indian tribes, not less than 5 per centum of such aggregate cost shall be supplied by the State or any agency, instrumentality, or political subdivision thereof, or by a community or area organization which is non-governmental in character, unless the Secretary shall determine in accordance with objective standards promulgated by regulation that all or part of such funds are not reasonably available to the project because of the economic distress of the area or for other good cause, in which case he may waive the requirement of this provision to the extent of such unavailability, and allow the funds required by this subsection to be supplied by the applicant or by such other non-Federal source as may reasonably be available to the project;

(C) to the extent the Secretary finds such action necessary to encourage financial participation in a particular project by other lenders and investors, and except as otherwise provided in subparagraph (B), any Federal financial assistance extended under this section may be repayable only after other loans made in connection with such project

have been repaid in full, and the security, if any, for such Federal financial assistance may be subordinate and inferior to the lien or liens securing other loans made in connection with the same project.

(10) No such assistance shall be extended unless there shall be submitted to and approved by the Secretary an overall program for the economic development of the area and a finding by the State, or any agency, instrumentality, or local political subdivision thereof, that the project for which financial assistance is sought is consistent with such program: *Provided*, That nothing in this Act shall authorize financial assistance for any project prohibited by laws of the State or local political subdivision in which the project would be located, nor prevent the Secretary from requiring such periodic revisions of previously approved overall economic development programs as he may deem appropriate.

Economic development revolving fund

SEC. 203. Funds obtained by the Secretary under section 201, loan funds obtained under section 403, and collections and repayments received under this Act, shall be deposited in an economic development revolving fund (hereinafter referred to as the "fund"), which is hereby established in the Treasury of the United States, and which shall be available to the Secretary for the purpose of extending financial assistance under sections 201, 202, and 403, and for the payment of all obligations and expenditures arising in connection therewith. There shall also be credited to the fund such funds as have been paid into the area redevelopment fund or may be received from obligations outstanding under the Area Redevelopment Act. The fund shall pay into miscellaneous receipts of the Treasury, following the close of each fiscal year, interest on the amount of loans outstanding under this Act computed in such manner and at such rate as may be determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, during the month of June preceding the fiscal year in which the loans were made.

TITLE III—TECHNICAL ASSISTANCE, RESEARCH, AND INFORMATION

SEC. 301. (a) In carrying out his duties under this Act the Secretary is authorized to provide technical assistance which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment (1) to areas which he has designated as redevelopment areas under this Act, and (2) to other areas which he finds have substantial need for such assistance. Such assistance shall include project planning and feasibility studies, management and operational assistance, and studies evaluating the needs of, and developing potentialities for, economic growth of such areas. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government, through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants-in-aid to appropriate public or private nonprofit State, area, district, or local organizations. The Secretary, in his discretion, may require the repayment of assistance provided under this subsection and prescribe the terms and conditions of such repayment.

(b) The Secretary is authorized to make grants to defray not to exceed 75 per centum of the administrative expenses of organizations which he determines to be qualified to receive grants-in-aid under subsection (a)

hereof. In determining the amount of the non-Federal share of such costs or expenses, the Secretary shall give due consideration to all contributions both in cash and in kind, fairly evaluated, including but not limited to space, equipment, and services. Where practicable, grants-in-aid authorized under this subsection shall be used in conjunction with other available planning grants, such as urban planning grants authorized under the Housing Act of 1954, as amended, and highway planning and research grants authorized under the Federal Aid Highway Act of 1962, to assure adequate and effective planning and economical use of funds.

(c) To assist in the long-range accomplishment of the purposes of this Act, the Secretary, in cooperation with other agencies having similar functions, shall establish and conduct a continuing program of study, training, and research to (A) assist in determining the causes of unemployment, underemployment, underdevelopment, and chronic depression in the various areas and regions of the Nation, (B) assist in the formulation and implementation of National, State, and local programs which will raise income levels and otherwise produce solutions to the problems resulting from these conditions, and (C) assist in providing the personnel needed to conduct such programs. The program of study, training, and research may be conducted by the Secretary through members of this staff, through payment of funds authorized for this section to other departments or agencies of the Federal Government, or through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants to such individuals, organizations, or institutions, or through conferences and similar meetings organized for such purposes. The Secretary shall make available to interested individuals and organizations the results of such research. The Secretary shall include in his annual report under section 706 a detailed statement concerning the study and research conducted under this section together with his findings resulting therefrom and his recommendations for legislative and other action.

(d) The Secretary shall aid redevelopment areas and other areas by furnishing to interested individuals, communities, industries, and enterprises within such areas any assistance, technical information, market research, or other forms of assistance, information, or advice which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment within such areas. The Secretary may furnish the procurement divisions of the various departments, agencies, and other instrumentalities of the Federal Government with a list containing the names and addresses of business firms which are located in redevelopment areas and which are desirous of obtaining Government contracts for the furnishing of supplies or services, and designating the supplies and services such firms are engaged in providing.

(e) The Secretary shall establish an independent study board consisting of governmental and nongovernmental experts to investigate the effects of Government procurement, scientific, technical, and other related policies, upon regional economic development. Any Federal officer or employee may, with the consent of the head of the department or agency in which he is employed, serve as a member of such board, but shall receive no additional compensation for such service. Other members of such board may be compensated in accordance with the provisions of section 701(10). The board shall report its findings, together with recommendations for the better coordination of such policies, to the Secretary, who shall transmit the report to the Congress not later

than two years after the enactment of this Act.

SEC. 302. There is hereby authorized to be appropriated \$25,000,000 annually for the purposes of this title.

TITLE IV—AREA AND DISTRICT ELIGIBILITY

Part A—Redevelopment areas

Area Eligibility

SEC. 401. (a) The Secretary shall designate as "redevelopment areas"—

(1) those areas in which he determines, upon the basis of standards generally comparable with those set forth in paragraphs (A) and (B), that there has existed substantial and persistent unemployment for an extended period of time. There shall be included among the areas so designated any area—

(A) where the Secretary of Labor finds that the current rate of unemployment, as determined by appropriate annual statistics for the most recent available calendar year, is 6 per centum or more and has averaged at least 6 per centum for the qualifying time periods specified in paragraph (B); and

(B) where the Secretary of Labor finds that the annual average rate of unemployment has been at least—

(i) 50 per centum above the national average for three of the preceding four calendar years, or

(ii) 75 per centum above the national average for two of the preceding three calendar years, or

(iii) 100 per centum above the national average for one of the preceding two calendar years.

The Secretary of Labor shall find the facts and provide the data to be used by the Secretary in making the determinations required by this subsection.

(2) those additional areas which have a median family income not in excess of 40 per centum of the national median, as determined by the most recent available statistics for such areas;

(3) those additional Federal or State Indian reservations or trust or restricted Indian-owned land areas which the Secretary, after consultation with the Secretary of the Interior or an appropriate State agency, determines manifest the greatest degree of economic distress on the basis of unemployment and income statistics and other appropriate evidence of economic underdevelopment;

(4) upon request of such areas, those additional areas in which the Secretary determines that the loss, removal, curtailment, or closing of a major source of employment has caused or threatens to cause within three years of the date of the request an unusual and abrupt rise in unemployment of such magnitude that the unemployment rate for the area can reasonably be expected to exceed the national average by 50 per centum or more unless assistance is provided. Notwithstanding any provision of subsection 401(b) to the contrary, an area designated under the authority of this paragraph may be given a reasonable time after designation in which to submit the overall economic development program required by subsection 202(b) (10) of this Act;

(5) notwithstanding any provision of this section to the contrary, those additional areas which were designated redevelopment areas under the Area Redevelopment Act on or after April 1, 1965: *Provided, however*, That the continued eligibility of such areas after the first annual review of eligibility conducted in accordance with section 402 of this Act shall be dependent on their qualification for designation under the standards of economic need set forth in subsections (a) (1) through (a) (4) of this section.

(b) The size and boundaries of redevelopment areas shall be as determined by the Secretary: *Provided, however*, That—

(1) no area shall be designated until it has an approved overall economic development program in accordance with subsection 202(b)(10) of this Act;

(2) any area which does not submit an acceptable overall economic development program in accordance with subsection 202(b)(10) of this Act within a reasonable time after notification of eligibility for designation, shall not thereafter be designated prior to the next annual review of eligibility in accordance with section 402 of this Act;

(3) no area shall be designated which does not have a population of at least one thousand five hundred persons, except for areas designated under subsection 401(a)(3), which shall have a population of not less than one thousand persons; and

(4) except for areas designated under subsections (a)(3) and (a)(4) hereof, no area shall be designated which is smaller than a "labor area" (as defined by the Secretary of Labor), a county, or a municipality with a population of over two hundred and fifty thousand, whichever in the opinion of the Secretary is appropriate. (c) Upon the request of the Secretary, the Secretary of Labor, the Secretary of Agriculture, the Secretary of the Interior, and such other heads of agencies as may be appropriate are authorized to conduct such special studies, obtain such information, and compile and furnish to the Secretary such data as the Secretary may deem necessary or proper to enable him to make the determinations provided for in this section. The Secretary shall reimburse when appropriate, out of any funds appropriated to carry out the purposes of this Act, the foregoing officers for any expenditures incurred by them under this section.

(d) As used in this Act, the term "redevelopment area" refers to any area within the United States which has been designated by the Secretary as a redevelopment area.

Annual Review of Area Eligibility

SEC. 402. The Secretary shall conduct an annual review of the eligibility of all areas designated or in accordance with section 401 of this Act, and on the basis thereof may terminate or modify the designations of such areas in accordance with objective standards which he shall prescribe by regulation. No area previously designated shall retain its designated status unless it maintains a currently approved overall economic development program in accordance with subsection 202(b)(10). No termination of eligibility shall (1) be made without thirty days' prior notification to the area concerned, (2) affect the validity of any application filed, or contract or undertaking entered into, with respect to such area pursuant to this Act prior to such termination, (3) prevent any such area from again being designated a redevelopment area under section 401 of this Act if the Secretary determines it to be eligible under such section, or (4) be made in the case of any designated area where the Secretary determines that an improvement in the unemployment rate of a designated area is primarily the result of increased employment in occupations not likely to be permanent. The Secretary shall keep the departments and agencies of the Federal Government, and interested State or local agencies, advised at all times of any changes made hereunder with respect to the classification of any area.

Part B—Economic development districts

SEC. 403. (a) In order that economic development projects of broader geographical significance may be planned and carried out, the Secretary is authorized—

(1) to designate appropriate "economic development districts" within the United States with the concurrence of the States in which such districts will be wholly or partially located, if—

(A) the proposed district is of sufficient size or population, and contains sufficient resources, to foster economic development on

a scale involving more than a single redevelopment area;

(B) the proposed district contains two or more redevelopment areas;

(C) the proposed district contains one or more redevelopment areas or economic development centers identified in an approved district overall economic development program as having sufficient size and potential to foster the economic growth activities necessary to alleviate the distress of the redevelopment areas within the district; and

(D) the proposed district has a district overall economic development program which includes adequate land use and transportation planning and contains a specific program for district cooperation, self-help, and public investment and is approved by the State or States affected and by the Secretary;

(2) to designate as "economic development centers," in accordance with such regulations as he shall prescribe, such areas as he may deem appropriate, if—

(A) the proposed center has been identified and included in an approved district overall economic development program and recommended by the State or States affected for such special designation;

(B) the proposed center is geographically and economically so related to the district that its economic growth may reasonably be expected to contribute significantly to the alleviation of distress in the redevelopment areas of the district; and

(C) the proposed center does not have a population in excess of two hundred and fifty thousand according to the last preceding Federal census.

(3) to provide financial assistance in accordance with the criteria of sections 101, 201, and 202 of this Act, except as may be herein otherwise provided, for projects in economic development centers designated under subsection (a)(2) above, if—

(A) the project will further the objectives of the overall economic development program of the district in which it is to be located;

(B) the project will enhance the economic growth potential of the district or result in additional long-term employment opportunities commensurate with the amount of Federal financial assistance requested; and

(C) the amount of Federal financial assistance requested is reasonably related to the size, population, and economic needs of the district;

(4) subject to the 20 per centum non-Federal share required for any project by subsection 101(c) of this Act, to increase the amount of grant assistance authorized by section 101 for projects within redevelopment areas (designated under section 401), by an amount not to exceed 10 per centum of the aggregate cost of any such project, in accordance with such regulations as he shall prescribe, if—

(A) the redevelopment area is situated within a designated economic development district and is actively participating in the economic development activities of the district; and

(B) the project is consistent with an approved district overall economic development program.

(b) In designating economic development districts and approving district overall economic development programs under subsection (a) of this section, the Secretary is authorized, under regulations prescribed by him—

(1) to invite the several States to draw up proposed district boundaries and to identify potential economic development centers;

(2) to cooperate with the several States—

(A) in sponsoring and assisting district economic planning and development groups, and

(B) in assisting such district groups to formulate district over all economic development programs.

(c) The Secretary shall by regulation prescribe standards for the termination or modification of economic development districts and economic development centers designated under the authority of this section.

(d) As used in this Act, the term "economic development district" refers to any area within the United States composed of cooperating redevelopment areas and, where appropriate, designated economic development centers and neighboring counties or communities, which has been designated by the Secretary as an economic development district.

(e) As used in this Act, the term "economic development center" refers to any area within the United States which has been identified as an economic development center in an approved district overall economic development program and which has been designated by the Secretary as eligible for financial assistance under sections 101, 201, and 202 of this Act in accordance with the provisions of this section.

(f) There is hereby authorized to be appropriated not to exceed \$50,000,000 annually for financial assistance extended under the provisions of subsections (a)(3) and (a)(4) hereof.

(g) In order to allow time for adequate and careful district planning, subsections (a) and (f) of this section shall not be effective until one year from the date of enactment.

TITLE V—REGIONAL ACTION PLANNING COMMISSIONS

Establishment of regions

SEC. 501. The Secretary is authorized to designate appropriate "economic development regions" within the United States with the concurrence of the States in which such regions will be wholly or partially located if he finds (A) that there is a relationship between the areas within such region geographically, culturally, historically, and economically, (B) that with the exception of Alaska and Hawaii, the region is within contiguous States, and (C) upon consideration of the following matters, that the region has lagged behind the whole nation in economic development:

(1) the rate of unemployment is substantially above the national rate;

(2) the median level of family income is significantly below the national median;

(3) the level of housing, health, and educational facilities is substantially below the national level;

(4) the economy of the area has traditionally been dominated by a single industry;

(5) the rate of outmigration of labor or capital or both is substantial;

(6) the area is adversely affected by changing industrial technology; and

(7) the area is adversely affected by changes in national defense facilities or production; and

(8) indices of regional production indicate a growth rate substantially below the national average.

Regional commissions

SEC. 502. (a) Upon designation of development regions, the Secretary shall invite and encourage the States wholly or partially located within such regions to establish appropriate multistate regional commissions.

(b) Each such commission shall be composed of one Federal member, hereinafter referred to as the "Federal cochairman", appointed by the President by and with the advice and consent of the Senate, and one member from each participating State in his region. Each State member may be the Governor, or his designee, or such other person as may be provided by the law of the State which he represents. The State members of the commission shall elect a cochairman of the commission from among their number.

(c) Decisions by a regional commission shall require the affirmative vote of the Federal cochairman and of a majority, or at least one if only two, of the State members. In matters coming before a regional commission, the Federal cochairman shall, to the extent practicable, consult with the Federal departments and agencies having an interest in the subject matter.

(d) Each State member of a regional commission shall have an alternate, appointed by the Governor or as otherwise may be provided by the law of the State which he represents. The President, by and with the advice and consent of the Senate, shall appoint an alternate for the Federal cochairman of each regional commission. An alternate shall vote in the event of the absence, death, disability, removal, or resignation of the State or Federal cochairman for which he is an alternate.

(e) The Federal cochairman to a regional commission shall be compensated by the Federal Government from funds authorized by this Act at level IV of the Federal Executive Salary Schedule. His alternate shall be compensated by the Federal Government from funds authorized by this Act at not to exceed the maximum scheduled rate for grade GS-18 of the Classification Act of 1949, as amended, and when not actively serving as an alternate for the Federal cochairman shall perform such functions and duties as are delegated to him by the Federal cochairman. Each State member and his alternate shall be compensated by the State which they represent at the rate established by the law of such State.

(f) If the Secretary finds that the State of Alaska or the State of Hawaii meets the requirements for an economic development region, he may establish a Commission for either State in a manner agreeable to him and to the Governor of the affected State.

Functions of commission

SEC. 503. (a) In carrying out the purposes of this Act, each Commission shall with respect to its region—

(1) advise and assist the Secretary in the identification of optimum boundaries for multistate economic development regions,

(2) initiate and coordinate the preparation of long-range overall economic development programs for such regions,

(3) foster surveys and studies to provide data required for the preparation of specific plans and programs for the development of such regions,

(4) advise and assist the Secretary and the States concerned in the initiation and coordination of economic development districts, in order to promote maximum benefits from the expenditure of Federal, State, and local funds,

(5) promote increased private investment in such regions,

(6) prepare legislative and other recommendations with respect to both short-range and long-range programs and projects for Federal, State, and local agencies,

(7) develop, on a continuing basis, comprehensive and coordinated plans and programs and establish priorities thereunder, giving due consideration to other Federal, State, and local planning in the region;

(8) conduct and sponsor investigations, research, and studies, including an inventory and analysis of the resources of the region, and, in cooperation with Federal, State, and local agencies, sponsor demonstration projects designed to foster regional productivity and growth;

(9) review and study, in cooperation with the agency involved, Federal, State, and local public and private programs and, where appropriate, recommend modifications or additions which will increase their effectiveness in the region;

(10) formulate and recommend, where appropriate, interstate compacts and other

forms of interstate cooperation, and work with State and local agencies in developing appropriate model legislation; and

(11) provide a forum for consideration of problems of the region and proposed solutions and establish and utilize, as appropriate, citizens and special advisory councils and public conferences.

(b) The Secretary shall present such plans and proposals of the commissions as may be transmitted and recommended to him (but are not authorized by any other section of this Act) first for review by the Federal agencies primarily interested in such plans and proposals and then, together with the recommendations of such agencies, to the President for such action as he may deem desirable.

(c) The Secretary shall provide effective and continuing liaison between the Federal Government and each regional commission.

(d) Each Federal agency shall, consonant with law and within the limits of available funds, cooperate with such commissions as may be established in order to assist them in carrying out their functions under this section.

(e) Each regional commission may, from time to time, make additional recommendations to the Secretary and recommendations to the State Governors and appropriate local officials, with respect to—

(1) the expenditure of funds by Federal, State, and local departments and agencies in its region in the fields of natural resources, agriculture, education, training, health and welfare, transportation, and other fields related to the purposes of this Act; and

(2) such additional Federal, State, and local legislation or administrative actions as the commission deems necessary to further the purposes of this Act.

Program development criteria

SEC. 504. In developing recommendations for programs and projects for future regional economic development, and in establishing within those recommendations a priority ranking for such programs and projects, the Secretary shall encourage each regional commission to follow procedures that will insure consideration of the following factors:

(1) the relationship of the project or class of projects to overall regional development including its location in an area determined by the State to have a significant potential for growth;

(2) the population and area to be served by the project or class of projects including the relative per capita income and the unemployment rates in the area;

(3) the relative financial resources available to the State or political subdivisions or instrumentalities thereof which seek to undertake the project;

(4) the importance of the project or class of projects in relation to other projects or classes of projects which may be in competition for the same funds;

(5) the prospects that the project, on a continuing rather than a temporary basis, will improve the opportunities for employment, the average level of income, or the economic and social development of the area served by the project.

Regional technical and planning assistance

SEC. 505. (a) The Secretary is authorized to provide to the commissions technical assistance which would be useful in aiding the commissions to carry out their functions under this Act and to develop recommendations and programs. Such assistance shall include studies and plans evaluating the needs of, and developing potentialities for, economic growth of such regions, and research on improving the conservation and utilization of the human and natural resources of the region. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other

departments or agencies of the Federal Government, or through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants-in-aid to the commissions. The Secretary, in his discretion, may require the repayment of assistance provided under this subsection and prescribe the terms and conditions of such repayment.

(b) For the period ending on June 30 of the second full Federal fiscal year following the date of establishment of a commission, the administrative expenses of each commission as approved by the Secretary shall be paid by the Federal Government. Thereafter, not to exceed 50 per centum of such expenses may be paid by the Federal Government. In determining the amount of the non-Federal share of such costs or expenses, the Secretary shall give due consideration to all contributions both in cash and in kind, fairly evaluated, including but not limited to space, equipment, and services.

(c) There is hereby authorized to be appropriated \$15,000,000 annually for the purposes of this section.

Administrative powers of regional commissions

SEC. 506. To carry out its duties under this Act, each regional commission is authorized to—

(1) adopt, amend, and repeal bylaws, rules, and regulations governing the conduct of its business and the performance of its functions;

(2) appoint and fix the compensation of an executive director and such other personnel as may be necessary to enable the commission to carry out its functions, except that such compensation shall not exceed the salary of the alternate to the Federal cochairman on the commission and no member, alternate, officer, or employee of such commission, other than the Federal cochairman on the commission and his staff and his alternate, and Federal employees detailed to the commission under clause (3), shall be deemed a Federal employee for any purpose;

(3) request the head of any Federal department or agency (who is hereby so authorized) to detail to temporary duty with the commission such personnel within his administrative jurisdiction as the commission may need for carrying out its functions, each such detail to be without loss of seniority, pay, or other employee status;

(4) arrange for the services of personnel from any State or local government or any subdivision or agency thereof, or any intergovernmental agency;

(5) make arrangements, including contracts, with any participating State government for inclusion in a suitable retirement and employee benefit system of such of its personnel as may not be eligible for, or continue in, another governmental retirement or employee benefit system, or otherwise provide for such coverage of its personnel, and the Civil Service Commission of the United States is authorized to contract with such commission for continued coverage of commission employees, who at date of commission employment are Federal employees, in the retirement program and other employee benefit programs of the Federal Government;

(6) accept, use, and dispose of gifts or donations of services or property, real, personal, or mixed, tangible or intangible;

(7) enter into and perform such contracts, leases, cooperative agreements, or other transactions as may be necessary in carrying out its functions and on such terms as it may deem appropriate, with any department, agency, or instrumentality of the United States or with any State, or any political subdivision, agency, or instrumentality thereof, or with any person, firm, association, or corporation;

(8) maintain an office in the District of Columbia and establish field offices at such other places as it may deem appropriate; and

(9) take such other actions and incur such other expenses as may be necessary or appropriate.

Information

SEC. 507. In order to obtain information needed to carry out its duties, each regional commission shall—

(1) hold such hearings, sit and act at such times and places, take such testimony, receive such evidence, and print or otherwise reproduce and distribute so much of its proceedings and reports thereon as it may deem advisable, a cochairman of such commission, or any member of the commission designated by the commission for the purpose, being hereby authorized to administer oaths when it is determined by the commission that testimony shall be taken or evidence received under oath;

(2) arrange for the head of any Federal, State, or local department or agency (who is hereby so authorized, to the extent not otherwise prohibited by law) to furnish to such commission such information as may be available to or procurable by such department or agency; and

(3) keep accurate and complete records of its doings and transactions which shall be made available for public inspection.

Personal financial interests

SEC. 508. (a) Except as permitted by subsection (b) hereof, no State member or alternate and no officer or employee of a regional commission shall participate personally and substantially as member, alternate, officer, or employee, through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise, in any proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter in which, to his knowledge, he, his spouse, minor child, partner, organization (other than a State or political subdivision thereof) in which he is serving as officer, director, trustee, partner, or employee, or any person or organization with whom he is serving as officer, director, trustee, partner, or employee, or any person or organization with whom he is negotiating or has any arrangement concerning prospective employment, has a financial interest. Any person who shall violate the provisions of this subsection shall be fined not more than \$10,000, or imprisoned not more than two years, or both.

(b) Subsection (a) hereof shall not apply if the State member, alternate, officer, or employee first advises the regional commission involved of the nature and circumstances of the proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter and makes full disclosure of the financial interest and receives in advance a written determination made by such Commission that the interest is not so substantial as to be deemed likely to affect the integrity of the services which the Commission may expect from such State member, alternate, officer, or employee.

(c) No State member of a regional commission, or his alternate, shall receive any salary, or any contribution to or supplementation of salary for his services on such commission from any source other than his State. No person detailed to serve a regional commission under authority of clause

(4) of section 506 shall receive any salary or any contribution to or supplementation of salary for his services on such commission from any source other than the State, local, or intergovernmental department or agency from which he was detailed or from such commission. Any person who shall violate the provisions of this subsection shall be fined not more than \$5,000, or imprisoned not more than one year, or both.

(d) Notwithstanding any other subsection of this section, the Federal cochairman and his alternate on a regional commission and any Federal officers or employees detailed to duty with it pursuant to clause (3) of section 10 shall not be subject to any such subsection but shall remain subject to sections 202 through 209 of title 18, United States Code.

(e) A regional commission may, in its discretion, declare void and rescind any contract or other agreement pursuant to the Act in relation to which it finds that there has been a violation of subsection (a) or (c) of this section, or any of the provisions of sections 202 through 209, title 18, United States Code.

Annual reports

SEC. 509. Each regional commission established pursuant to this Act shall make a comprehensive and detailed annual report each fiscal year to the Congress with respect to such commission's activities and recommendations for programs. The first such report shall be made for the first fiscal year in which such commission is in existence for more than three months. Such reports shall be printed and transmitted to the Congress not later than January 31 of the calendar year following the fiscal year with respect to which the report is made.

TITLE VI—ADMINISTRATION

"SEC. 601. (a) The Secretary shall administer this Act and, with the assistance of an Assistant Secretary of Commerce, in addition to those already provided for, shall supervise and direct the Administrator created herein, and coordinate the Federal cochairmen appointed heretofore or subsequent to this Act. The Assistant Secretary created by this section shall be appointed by the President by and with the advice and consent of the Senate and shall be compensated at the rate provided for level IV of the Federal Executive Salary Schedule. Such Assistant Secretary shall perform such functions as the Secretary may prescribe. There shall be appointed by the President, by and with the advice and consent of the Senate, an Administrator for Economic Development who shall be compensated at the rate provided for level V of the Federal Executive Salary Schedule who shall perform such duties as are assigned by the Secretary.

"(b) Subsections (d) and (e) of section 303 of the Federal Executive Salary Act of 1964 are hereby amended by adding the positions established by subsection (a) hereof."

Advisory Committee on Regional Economic Development

SEC. 602. The Secretary shall appoint a National Public Advisory Committee on Regional Economic Development which shall consist of twenty-five members and shall be composed of representatives of labor, management, agriculture, State and local governments, and the public in general. From the members appointed to such Committee the Secretary shall designate a Chairman. Such Committee, or any duly established subcommittee thereof, shall from time to time make recommendations to the Secretary relative to the carrying out of his duties under this Act. Such Committee shall hold not less than two meetings during each calendar year.

Consultation with other persons and agencies

SEC. 603. (a) The Secretary is authorized from time to time to call together and confer with any persons, including representatives of labor, management, agriculture, and government, who can assist in meeting the problems of area and regional unemployment and underemployment.

(b) The Secretary may make provision for such consultation with interested departments and agencies as he may deem appro-

priate in the performance of the functions vested in him by this Act.

TITLE VII—MISCELLANEOUS

Powers of Secretary

SEC. 701. In performing his duties under this Act, the Secretary is authorized to—

(1) adopt, alter, and use a seal, which shall be judicially noticed;

(2) hold such hearings, sit and act at such times and places, and take such testimony, as he may deem advisable;

(3) request directly from any executive department, bureau, agency, board, commission, office independent establishment, or instrumentality information, suggestions, estimates, and statistics needed to carry out the purposes of this Act; and each department, bureau, agency, board, commission, office, establishment, or instrumentality is authorized to furnish such information, suggestions, estimates, and statistics directly to the Secretary;

(4) under regulations prescribed by him, assign or sell at public or private sale, or otherwise dispose of for cash or credit, in his discretion and upon such terms and conditions and for such consideration as he shall determine to be reasonable, any evidence of debt, contract, claim, personal property, or security assigned to or held by him in connection with loans made or evidences of indebtedness purchased under this Act, and collect or compromise all obligations assigned to or held by him in connection with such loans or evidences of indebtedness until such time as such obligations may be referred to the Attorney General for suit or collection;

(5) further extend the maturity of or renew any loan made or evidence of indebtedness purchased under this Act, beyond the periods stated in such loan or evidence of indebtedness or in this Act, for additional periods not to exceed ten years, if such extension or renewal will aid in the orderly liquidation of such loan or evidence of indebtedness;

(6) deal with, complete, renovate, improve modernize, insure, rent, or sell for cash or credit, upon such terms and conditions and for such consideration as he shall determine to be reasonable, any real or personal property conveyed to, or otherwise acquired by, him in connection with loans made or evidences of indebtedness purchased under this Act;

(7) pursue to final collection, by way of compromise or other administrative action, prior to reference to the Attorney General, all claims against third parties assigned to him in connection with loans made or evidences of indebtedness purchased under this Act. This shall include authority to obtain deficiency judgments or otherwise in the case of mortgages assigned to the Secretary. Section 3709 of the Revised Statutes, as amended (41 U.S.C. 5), shall not apply to any contract of hazard insurance or to any purchase or contract for services or supplies on account of property obtained by the Secretary as a result of loans made or evidences of indebtedness purchased under this Act if the premium therefor or the amount thereof does not exceed \$1,000. The power to convey and to execute, in the name of the Secretary, deeds of conveyance, deeds of release, assignments and satisfactions of mortgages, and any other written instrument relating to real or personal property or any interest therein acquired by the Secretary pursuant to the provisions of this Act may be exercised by the Secretary or by any officer or agent appointed by him for that purpose without the execution of any express delegation of power or power of attorney;

(8) acquire, in any lawful manner, any property (real, personal, or mixed, tangible or intangible), whenever deemed necessary or appropriate to the conduct of the activities

authorized in sections 201, 202, 301, 403, and 503 of this Act;

(9) in addition to any powers, functions, privileges, and immunities otherwise vested in him, take any and all actions, including the procurement of the services of attorneys by contract, determined by him to be necessary or desirable in making, purchasing, servicing, compromising, modifying, liquidating, or otherwise administratively dealing with or realizing on loans made or evidences of indebtedness purchased under this Act;

(10) employ experts and consultants or organizations therefor as authorized by section 15 of the Administrative Expenses Act of 1946 (5 U.S.C. 55a), compensate individuals so employed at rates not in excess of \$100 per diem, including travel time, and allow them, while away from their homes or regular places of business, travel expenses (including per diem in lieu of subsistence) as authorized by section 5 of such Act (5 U.S.C. 73b-2) for persons in the Government service employed intermittently, while so employed: *Provided, however,* That contracts for such employment may be renewed annually;

(11) sue and be sued in any court of record of a State having general jurisdiction or in any United States district court, and jurisdiction is conferred upon such district court to determine such controversies without regard to the amount in controversy; but no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against the Secretary or his property. Nothing herein shall be construed to except the activities under this Act from the application of sections 507(b) and 2679 of title 28, United States Code, and of section 367 of the Revised Statutes (5 U.S.C. 316); and

(12) establish such rules, regulations, and procedures as he may deem appropriate in carrying out the provisions of this Act.

Savings provisions

SEC. 702. (a) No suit, action, or other proceeding lawfully commenced by or against the Administrator or any other officer of the Area Redevelopment Administration in his official capacity or in relation to the discharge of his official duties under the Area Redevelopment Act, shall abate by reason of the taking effect of the provisions of this Act, but the court may, on motion or supplemental petition filed at any time within twelve months after such taking effect, showing a necessity for the survival of such suit, action, or other proceeding to obtain a settlement of the questions involved, allow the same to be maintained by or against the Secretary or the Administrator or such other officer of the Department of Commerce as may be appropriate.

(b) Except as may be otherwise expressly provided in this Act, all powers and authorities conferred by this Act shall be cumulative and additional to and not in derogation of any powers and authorities otherwise existing. All rules, regulations, orders, authorizations, delegations, or other actions duly issued, made, or taken by or pursuant to applicable law, prior to the effective date of this Act, by any agency, officer, or office pertaining to any functions, powers, and duties under the Area Redevelopment Act shall continue in full force and effect after the effective date of this Act until modified or rescinded by the Secretary or such other officer of the Department of Commerce as, in accordance with applicable law, may be appropriate.

Transfer of functions and effective date

SEC. 703. (a) The functions, powers, duties, and authorities and the assets, funds, contracts, loans, liabilities, commitments, authorizations, allocations, and records which are vested in or authorized to be transferred to the Secretary of the Treasury under sec-

tion 29(b) of the Area Redevelopment Act, and all functions, powers, duties, and authorities under section 29(c) of the Area Redevelopment Act are hereby vested in the Secretary.

(b) The President may designate a person to act as Administrator under this Act until the office is filled as provided in this Act or until the expiration of the first period of sixty days following the effective date of this Act, whichever shall first occur. While so acting such person shall receive compensation at the rate provided by this Act for such office.

(c) The provisions of this Act shall take effect upon enactment unless herein explicitly otherwise provided.

(d) Notwithstanding any requirements of this Act relating to the eligibility of areas, projects for which applications are pending before the Area Redevelopment Administration on the effective date of this Act shall for a period of one year thereafter be eligible for consideration by the Secretary for such assistance under the provisions of this Act as he may determine to be appropriate.

Separability

SEC. 704. Notwithstanding any other evidence of the intent of Congress, it is hereby declared to be the intent of Congress that if any provision of this Act or the application thereof to any persons or circumstances shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this Act or its application to other persons and circumstances, but shall be confined in its operation to the provision of this Act or the application thereof to the persons and circumstances directly involved in the controversy in which such judgment shall have been rendered.

Application of Act

SEC. 705. As used in this Act, the terms "State", "States", and "United States" include the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.

Annual report

SEC. 706. The Secretary shall make a comprehensive and detailed annual report to the Congress of his operations under this Act for each fiscal year beginning with the fiscal year ending June 30, 1966. Such report shall be printed and shall be transmitted to the Congress not later than January 3 of the year following the fiscal year with respect to which such report is made.

Use of other facilities

SEC. 707. (a) Where practicable in carrying out the provisions of this Act the Secretary may use the available services and facilities of other agencies and instrumentalities of the Federal Government, but only with their consent and on a reimbursable basis. The foregoing requirement shall be implemented by the Secretary in such a manner as to avoid the duplication of existing staffs and facilities in any agency or instrumentality of the Federal Government. The Secretary is authorized to delegate to the heads of other departments and agencies of the Federal Government any of the Secretary's functions, powers, and duties under this Act as he may deem appropriate, and to authorize the redelegation of such functions, powers, and duties by the heads of such departments and agencies.

(b) Departments and agencies of the Federal Government shall exercise their powers, duties, and functions in such manner as will assist in carrying out the objectives of this Act.

(c) Funds authorized to be appropriated under this Act may be transferred between departments and agencies of the Government, if such funds are used for the purposes for

which they are specifically authorized and appropriated.

Appropriation

SEC. 708. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act. Appropriations authorized under this Act shall remain available until expended unless otherwise provided by appropriations Acts.

Penalties

SEC. 709. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any financial assistance under section 101, 201, 202, or 403 or any extension thereof by renewal, deferment or action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the Secretary, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

(b) Whoever, being connected in any capacity with the Secretary, in the administration of this Act (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to him or pledged or otherwise entrusted to him, or (2) with intent to defraud the Secretary or any other body politic or corporate, or any individual, or to deceive any officer, auditor, or examiner, makes any false entry in any book, report, or statement of or to the Secretary, or without being duly authorized draws any order or issues, puts forth, or assigns any note, debenture, bond, or other obligation, or draft, bill of exchange, mortgage, judgment, or decree thereof, or (3) with intent to defraud participates or shares in or receives directly or indirectly any money, profit, property, or benefit through any transaction, loan, grant, commission, contract, or any other act of the Secretary, or (4) gives any unauthorized information concerning any future action or plan of the Secretary which might affect the value of securities, or having such knowledge invests or speculates, directly or indirectly, in the securities or property of any company or corporation receiving loans, grants, or other assistance from the Secretary, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

Employment of expeditors and administrative employees

SEC. 710. No financial assistance shall be extended by the Secretary under section 101, 201, 202, or 403 to any business enterprise unless the owners, partners, or officers of such business enterprise (1) certify to the Secretary the names of any attorneys, agents, and other persons engaged by or on behalf of such business enterprise for the purpose of expediting applications made to the Secretary for assistance of any sort, under this Act, and the fees paid or to be paid to any such person; and (2) execute an agreement binding such business enterprise, for a period of two years after such assistance is rendered by the Secretary to such business enterprise, to refrain from employing, tendering any office or employment to, or retaining for professional services, any person who, on the date such assistance or any part thereof was rendered, or within one year prior thereto, shall have served as an officer, attorney, agent, or employee, occupying a position or engaging in activities which the Secretary shall have determined involve discretion with respect to the granting of assistance under this Act.

Prevailing rate of wage and forty-hour week

SEC. 711. All laborers and mechanics employed by contractors or subcontractors on

projects assisted by the Secretary under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5). The Secretary shall not extend any financial assistance upon section 101, 201, 202, or 403 for such a project without first obtaining adequate assurance that these labor standards will be maintained upon the construction work. The Secretary of Labor shall have, with respect to the labor standards specified in this provision, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 1332-15), and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c).

Record of applications

SEC. 712. The Secretary shall maintain as a permanent part of the records of the Department of Commerce a list of applications approved for financial assistance under section 101, 201, 202, or 403, which shall be kept available for public inspection during the regular business hours of the Department of Commerce. The following information shall be posted in such list as soon as each application is approved: (1) the name of the applicant and, in the case of corporate applications, the names of the officers and directors thereof, (2) the amount and duration of the loan or grant for which application is made, (3) the purposes for which the proceeds of the loan or grant are to be used, and (4) a general description of the security offered in the case of a loan.

Records and audit

SEC. 713. (a) Each recipient of assistance under this Act shall keep such records as the Secretary shall prescribe, including records which fully disclose the amount and the disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance is given or used, and the amount and nature of that portion of the cost of the project or undertaking supplied by other sources, and such other records, as will facilitate an effective audit.

(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient that are pertinent to assistance received under this Act.

Conforming amendment

SEC. 714. All benefits heretofore specifically made available (and not subsequently revoked) under other Federal programs to persons or to public or private organizations, corporations, or entities in areas designated by the Secretary as "redevelopment areas" under section 5 of the Area Redevelopment Act, are hereby also extended, insofar as practicable, to such areas as may be designated as "redevelopment areas" or "economic development centers" under the authority of section 401 or 403 of this Act: *Provided, however*, That this section shall not be construed as limiting such administrative discretion as may have been conferred under any other law.

SEC. 715. All financial and technical assistance authorized under this Act shall be in addition to any Federal assistance previously authorized, and no provision hereof shall be construed as authorizing or permitting any reduction or diminution in the proportional amount of Federal assistance to which any State or other entity eligible under this Act would otherwise be entitled under the provisions of any other Act.

Mr. McNAMARA. Mr. President, I ask unanimous consent that the committee amendments be considered and agreed to en bloc, and that the bill as

thus amended be considered as original text for the purpose of amendment.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Michigan?

There being no objection, the committee amendments were considered and agreed to en bloc.

Mr. McNAMARA. Mr. President, the legislation before us today is of vital personal interest to millions of Americans in all sections of the Nation. It is an urgent matter which, I am confident, a large majority of the Nation wants to see enacted as soon as possible.

The Public Works and Economic Development Act of 1965 is of such vital interest because it brings a new hope to the unemployed, the partially employed, and the impoverished who are located in areas of the country which have been bypassed by progress and prosperity.

Unfortunately, the problem of our depressed areas is somewhat like the problem of poverty-stricken individuals: Unless one is poverty-stricken oneself, it is difficult to comprehend and know the full impact of poverty. To an extent, the problem is partially hidden because of the overall economic well-being of the Nation. Thus, in our more prosperous areas it may be difficult to understand the sense of hopelessness and frustration that manifests itself in the areas where economic development and job opportunities are restricted.

To demonstrate the scope of the problem, let me cite some figures used by Secretary of Commerce Connor in his testimony before the Public Works Committee several weeks ago.

The Secretary noted that the Nation's 100 hardest hit unemployment areas—in 28 States—had an annual average unemployment rate in 1964 of 13.6 percent, or more than 2½ times the national average. In six States we find areas with unemployment rates running more than 18 percent. This is at a time when our national unemployment rate is at its lowest point in 7 years.

In our hardest hit rural areas the census figures show that the 100 poorest counties had median family incomes ranging from \$1,260 to \$1,766 per year, or nearly 70 percent below the national average of \$5,600.

Here we have entire counties where the majority of people are trying to exist on incomes below the poverty level.

Figures such as these should help to bring home the idea to those who have not had an appreciation of the magnitude and seriousness of the problem of area economic distress.

How do we deal with this nagging and vexing problem, a problem, incidentally, that would still be with us, but to a somewhat lesser degree, even if the national unemployment rate were reduced another 50 percent. We observe that in several European economies where there is practically full employment on an overall basis, the depressed areas problem continues to exist because of technological changes, shifts in demand, changing patterns of trade and so on. In a growing and dynamic economy we must face up to this problem, as it cannot be wished away, and the usual

monetary and fiscal policies designed to strengthen the economy cannot be expected to do the whole job.

Therefore, I believe we must act along the lines suggested by the President in S. 1648, which he transmitted to Congress on March 31 of this year.

The bill proposed by the President was referred to the Committee on Public Works, which held hearings in April, and also obtained the views of the Banking and Currency Committee, which held its own hearings on titles II and IV of the bill. I would like to commend the chairman of the Banking and Currency Committee, Senator ROBERTSON for his cooperation in this matter particularly with regard to the dispatch with which his committee handled the titles II and IV.

I also want to call special attention to the great work of the Senator from Illinois [Mr. DOUGLAS], chairman of the Subcommittee on Production and Stabilization which held hearings on titles II and IV. Senator DOUGLAS is properly known as the father of the original Area Redevelopment Act.

The principle purposes of S. 1648, as amended, are to:

First. Provide a means by which certain areas which are lagging behind the general economic growth of the Nation can be helped to improve their physical and social structure and thereby stimulate economic growth.

Second. Make available both direct and supplementary grants to Government and non-Government nonprofit agencies in order to improve the physical resources of these lagging areas so as to increase opportunities to stimulate economic growth.

Third. Provide loans to Government and non-Government nonprofit agencies in order to make available funds needed as the required local share for public works grant-in-aid programs and the local share of funds necessary for grants for facilities related to area economic development needs.

Fourth. Provide loans to profit organizations for facilities, including equipment and machinery, and the guarantee of loans for working capital purposes, in order to make it possible to expand economic development in areas qualifying under the act.

Fifth. Provide technical assistance to any area determined by the Secretary of Commerce to be in need of such assistance in planning or in working at preventing or alleviating conditions of excessive unemployment or underemployment.

Sixth. Provide grants and loans and other forms of assistance to areas facing economic disaster as the result of the closing or curtailing of employment at a major source of employment in an area in advance of such closing or curtailment.

Seventh. Encourage the establishment of multicounty development districts so that grants and loans can be utilized for broader geographic application and thus help depressed areas by linking them with more healthy areas.

Eighth. Encourage the establishment of multistate economic development regions where applicable criteria are met,

and provide such regions with funds to establish development commissions including up to 100 percent of administrative and staff costs.

S. 1648 responds, I think, to basic problems and needs of our economically disadvantaged areas and of the broader economic regions it is designed to help develop. In large measure it draws on the experiences and lessons of the original area redevelopment program and the accelerated public works program. The approach to development planning of multistate regions is patterned after the program recently developed for Appalachia. Our anticipations for that program are high, just as they are for this program. The predecessor programs to Appalachia and this bill have made significant contributions to the well-being of a number of areas.

Let me cite the examples of an APW project and an ARA project in my home State of Michigan which I believe help make the case for the public works and economic development program. Last year in the Public Works Committee, during the hearings on the first Appalachia bill, we heard of a good example of the multiple effects a public works project can have on the economic life of a small town. It concerned Harbor Springs, Emmet County, Mich. Harbor Springs, population 1,500, is a resort town. It received two APW grants totaling \$122,000 for sanitary sewers and an interceptor sewer, and matched these grants with \$122,000 of its own funds.

Apart from giving a year's employment to 20 men on the construction site, this project brought the following results: 1½ miles of new streets were built along these sewers, seven new homes were started or completed; a new subdivision, dormant and failing for 2 years because of the lack of sewers, became eligible for FHA insurance and 10 lots were sold; a new restaurant, a new drive-in restaurant, and a new motel were started, and the local appliance dealer estimated that he will be able to sell 50 garbage disposals and 10 washing machines. All of this new activity in a town of just 1,500 population.

This story illustrates aptly the point that the distinguished senior Senator from West Virginia, Mr. RANDOLPH, had made on a number of occasions, that even though the APW program had as its first consideration the relief of unemployment at a time when national employment rates were high, many of the projects financed under that program will have long-run effects, contributing more to an area than the short-term employment they were designed to provide.

The example of an ARA project in Michigan I want to give you concerns a tourism development in the northern part of the Lower Peninsula of Michigan.

Shanty Creek, a year-round lodge in Antrim County, Mich., started out in late 1962 with approval of an \$890,500 ARA loan to help build a lodge, a golf course, fishing and boating facilities, private trout stream, and heated swimming pool, several ski slopes with tows and lifts.

Today, Shanty Creek Lodge has assets of \$2.5 million, and employs 90 workers on a year-round basis. In the first year and a half of operation, the lodge, I am

told, attracted so many patrons that many had to be turned away. They went to other resorts in the area which helped to boost the business of food and lodging facilities in nearby communities.

The lodge management is planning further expansion of housing and sports facilities to make Shanty Creek even more attractive to visitors. Recently \$800,000 in private investment was put into the project for this purpose.

Impact of the money being spent by customers and employees of the project is readily apparent in the area. Business has gone up an average of about 15 percent in the nearby town of Bellaire. Bank deposits are increasing. Two years ago, there were seven vacant stores in the Shanty Creek area; today there is one.

A new supermarket has been built; its owners are already talking about expansion.

The architect for Shanty Creek has opened an office in Bellaire, with nine employees. A bakery and a barbershop, each with two employees, have opened for business. Local contractors have almost more business than they can handle. One construction company has increased employment from 10 to 40 workers.

Shanty Creek's opening in Bellaire has stimulated other projects. These include a food processing firm, a lumber company, a tool manufacturer, and two other small factories. Together, these 5 projects are generating more than 200 job opportunities in the community. Local business leaders report that, in addition to the direct efforts of these projects, ARA's participation in the community's development efforts has helped generate a new feeling of hope and optimism throughout the area.

Under the Public Works and Economic Development Act, Mr. President, we shall be able to continue to assist worthy development projects of the kind I have just cited; projects with an assist from the Government have come into being in areas of need years before anything could have happened without this assistance. Projects such as I have cited did not come into being at the expense of another area or of other industries. The new jobs created by these projects, represent, insofar as I can determine, net increases in employment and income, and they came into being in areas most in need of new job opportunities.

Thus far I have talked mainly of the meaning of this program to individual areas of unemployment and low income. I would like now to deal briefly with the regional planning and programing aspect of this bill. The regional planning provisions of the bill are quite new in concept and follow generally the plan embodied in the Appalachian Regional Development Act.

While the Appalachian region is only beginning to implement its program, the great value of the 2 years which went into developing that program is that it identified and outlined a new approach to economic development problems common to two or more adjoining States.

Under S. 1648, States may join together to form regional development commissions to further projects and pro-

grams which are best planned across sizable geographic areas and which no local unit or group of units within one State can do alone or without regard to the effect of their efforts on a similar area in adjoining States.

The Appalachia experience has produced a workable mechanism for a Federal-State partnership which can develop a program and implement it. The Public Works Committee, therefore, recommended the regional commission plan that was created in the Appalachia Regional Development Act as the instrument to be used by other regions.

The regional approach to the problem of area economic development embodied in S. 1648, Mr. President, provides a very strong and much-needed adjunct to the other provisions of the bill.

Title I of this bill, public works and development facilities, is designed to increase the amount of Federal funds being expended both for general improvement of the physical structure of an area, and for specific improvements related to projected economic development. One of the greatest handicaps a community, area, or region can suffer when economically disadvantaged is the inability of its physical plant and public services to support existing industry, or new development.

If a community, for example, has an inadequate water treatment and distribution system, it can hardly hope to induce industrial development which would further tax the existing facilities and possibly lead to breakdown in the system.

This type of investment cannot adequately be measured in terms of jobs created or new factories constructed. But the purpose here is not the immediate employment gain that such facilities will produce. The primary purpose is to create developmental facilities that will contribute to the economic underpinning of the community that can make it more capable of supporting additional population and of making the most of its natural advantages.

The grants that would be made under title I are not to be limited to traditional public works, but are meant to include physical properties which will have a bearing on long-term industrial and commercial growth.

Examples of projects which should be eligible under this title, as well as projects for which public facility loans would be available under title II when they are directly related to economic development needs, are waterworks and waterlines, sanitary and storm sewers, industrial parks, police and fire stations, research centers, tourism facilities, industrial streets and roads, waste treatment facilities, area vocational schools, airports, and watershed protection and flood control projects.

Examples of public facilities which, if indirectly related to economic development, could be eligible for grants under section 101—and loans under section 201—would be streets primarily related to residential development, water and sewage facilities related to residential development, hospitals, vocational education facilities, community centers, and

in some circumstances, library and similar buildings.

There is a critical need in many, if not most, of the areas that would be eligible under this program for these types of facilities if they are to ever have the chance of getting back into the mainstream of American economic life. I want to emphasize that the funds to be provided under the public works provisions of this act are not merely to be substituted for funds available under existing programs. It would be contrary to the purposes of this act if other Federal agencies cut back the amounts of funds which would have gone to eligible areas if the additional funds under this program were not available. Further, the present policy of loaning the local share where communities are unable to make a one-lump-sum payment should be continued.

The bill as originally introduced called for an annual authorization of \$250 million for direct and supplemental grants for public and development facilities.

In testifying before the Senate Public Works Committee, a number of witnesses, including several Members of Congress expressed doubt as to whether this sum would be large enough to meet the tremendous backlog of needs of the underdeveloped areas.

Many, but not all, of the APW projects left unfunded because of exhaustion of authorization will be eligible for consideration under the Public Works and Economic Development Act. There will also be many projects of the type previously financed under the ARA program. These are public facility projects that have a direct tie-in with a new employment-creating enterprise.

The Public Works Committee also amended the bill to permit supplementary grants for direct Federal projects that have been authorized by Congress.

On the basis of estimates on backlog and new projects, the committee determined that \$400 million would be the minimum necessary to fund title I. Senator RANDOLPH offered an amendment for \$500 million. There was sympathy for increasing even to that figure. However, committee studies indicate that there is a backlog of \$250 million; that new applications will total \$250 to \$300 million, of which \$100 million will be able to be handled in the year application is made.

Further, there needs to be some standby authorization in the event of sudden loss of employment in a number of areas over the year period. Annual backlog would be \$250 million, new grants in any year, \$100 million, and reserve, \$50 million.

Title III of S. 1648 authorizes a program for technical assistance and planning assistance to areas having substantial need for such assistance that would be useful in alleviating or preventing conditions of excessive unemployment or underemployment. This title provides for a research program aimed at better understanding of the causes and conditions of area and regional economic distress, and an information program designed to provide better economic devel-

opment know-how to local, district, and regional development groups.

The Public Works Committee amended this title so that technical assistance may include the undertaking of training programs, as well as studies. The committee also took into consideration the fact that some areas would be handicapped by the lack of funds for project design and advanced planning. It also noted that the administration's proposed bill did not provide for a specific authorization for a research program. In light of these considerations the committee recommended that the authorization for title III be raised from \$20 to \$25 million, which moneys would be used to help finance the research and information sections as well as the section on technical assistance.

Past programs, such as ARA and APW, went only part of the way in attempting to help areas solve their economic development problems and certain complaints we have heard about these programs were made mainly because they were not strong enough and broad enough to do an adequate overall job.

S. 1648 goes far to fill the gaps that prevented certain programs from being as effective as they might have been.

I look forward to seeing real inroads made on area unemployment and underemployment through this measure. I see a great impact being made on both regional economies and the national economy through the implementation of this bill.

I urge the Senate to act favorably on this important measure.

Mr. DOUGLAS. Mr. President, I want to compliment the able chairman of the Public Works Committee for the very effective presentation he has made of the Public Works and Economic Development Act of 1965. I have carefully reviewed the record of the hearings and the report filed by the Committee on Public Works and I believe every member of that committee has done an outstanding job in bringing this piece of vital legislation to the floor.

The Senator from Michigan was kind enough to request the views of the Banking and Currency Committee on titles II and IV of the bill. These titles deal with the loan programs and the criteria for designating eligible areas and are similar in scope to the original Area Redevelopment Act which was approved by the Banking and Currency Committee and the Congress in 1961. I believe our committees achieved an unusual degree of cooperation on this bill and I would hope the practice of consulting with other committees receives wider use. The Senator from Michigan who has joined with me in cosponsoring this bill has made an important contribution not only to the bill but to the practices and procedures by which the Senate conducts its business.

THE ORIGINAL AREA REDEVELOPMENT ACT

Economic stagnation in the midst of general prosperity has long been a paradox in our society. The rapid shifts in 20th century technology have left many communities and regions grappling with the cruel facts of economic hardship.

Perhaps a present-day Adam Smith would argue that the citizens of these regions should cheerfully accept the discipline of the "invisible hand" and live out their remaining years in abject but silent poverty. Any attempt to interfere in the natural workings of the economy, according to this ancient theory, would only lead to the inefficient allocation of industrial capital.

But a modern nation can no longer afford such a callous solution, for the longrun, the growth of our vast and complex economy depends upon the health of all its regions and communities.

This ancient prescription—which reminds me of the similar practice of treating patients by bleeding them to death—also ignores the sizable investment depressed communities have already made in basic public facilities such as schools, roads, hospitals, and the like. This investment, or social capital, would go to waste if we permitted our depressed communities to decline indefinitely. At the same time, new and duplicating facilities would have to be constructed elsewhere to accommodate the residents who have been forced to move.

Thus, a crude policy of laissez faire does not lead to economic efficiency, it promotes inefficiency and waste. While such a policy is concerned with the profit and loss statements of corporations, it ignores the balance sheet of the community at large. It is futile to apply such a narrow accounting standard to the complex problems of a modern economy.

For many years some argued that those who find themselves in an economically distressed area should pack their bags and move to another city where jobs were supposed to be more plentiful.

But how are those other towns and cities to provide the housing, the social and municipal services, the retraining and financial assistance needed to launch these individuals upon a new and productive career? We may as well attempt to meet and solve the problem where it is rather than trying to shift the whole burden to our overcrowded and underfinanced cities.

For all of these reasons I have therefore advocated a Federal program of assistance to economically distressed communities and areas ever since 1955 when the Joint Economic Committee issued a report on the subject. It took 6 years of long and tedious work to enact an economic development bill. The effort was temporarily set back by two vetoes by President Eisenhower, but finally, in May of 1961, success was realized when President Kennedy signed into law the Area Redevelopment Act of 1961. I am proud to have been the sponsor of this bill and to have played a part in securing its passage.

The original Area Redevelopment Act was basically a loan program. It authorized \$100 million in loans to communities for public works designed to improve a community's economic potential;

It authorized \$100 million in loans to businesses expanding into areas of chronic unemployment;

And it authorized \$100 million in loans to firms expanding into areas of underemployment and persistent low income.

In addition, \$75 million in grants was authorized for public works projects that promised to enhance the communities economic base.

And finally, the act authorized an annual appropriation of \$14.5 million for retraining workers in depressed areas and \$4.5 million for providing such areas with technical assistance.

ACCOMPLISHMENTS OF THE AREA REDEVELOPMENT ACT

In many respects, the Area Redevelopment Act was an experimental program. It did not have the funds or resources to conduct a massive assault upon all the problems of depressed areas. But it made a valuable start and within the limitations of the act, it achieved notable results.

Mr. President, based upon the Area Redevelopment Act's experience, the net cost of creating a new job is about \$800. The net cost includes all expenses not recovered, such as the grant portion of the program, technical assistance, losses on loans, and the like. I think this is a remarkable testament to the value of the program. For \$800 we obtain a productive taxpaying worker who is an asset and not a liability to his community. For \$800 we can restore a sense of dignity and purpose to a man who might otherwise be forced to live out his remaining years in sustained and demoralizing idleness. If this is all we achieved, the \$800 would be well spent—but there is more. The Federal Government is no longer burdened with welfare payments or unemployment compensation benefits. Instead, the Government collects several hundred dollars a year in income taxes from the worker and his employer. It is clear that within a year or two, we will recapture our entire \$800 investment. After that the returns are pure profit to the Nation.

Very few business firms are able to recoup their investment within a year or two.

Another substantial though largely unheralded achievement of Area Redevelopment Act is the effect of the program upon local planning. Before a community is eligible for funds, it must develop an overall economic development program. For many areas, and particularly the smaller communities, this represents the first time community leaders have gotten together to examine their common problems, and settle upon a course of action. One Tennessee paper commented:

Even if our county never received one penny of loans or grant money from ARA, I am convinced that by starting our overall economic development program, we have benefited—benefited in a concentration of interest that has led to a great deal of local initiative that might otherwise have taken years to get started.

OFFSHOOTS OF THE AREA REDEVELOPMENT ACT PROGRAM

In addition to these accomplishments, the Area Redevelopment Act was also the pioneer and forerunner of many

other Federal programs designed to foster local and regional economic growth.

For example, the Area Redevelopment Act contained a modest program for training unemployed workers. The start made under the Area Redevelopment Act led to the passage of the Manpower Development and Training Act of 1962. This act has achieved broad, bipartisan support and has been a notable success. Training has been approved for nearly 320,000 trainees. The program was extended and strengthened in the current session of Congress.

Second, the original Area Redevelopment Act contained a provision to stimulate economic development by constructing needed public works. The experience gained under this provision led to the Accelerated Public Works Act 1 year later. This act provided nearly \$900 million to speed construction of essential public works in labor surplus areas. Although the funds for this program are nearly exhausted, a sizable backlog of essential public works still remains.

Third, we have recently enacted the Appalachian program—a program to help generate economic development on a regional basis. ARA's own experience has confirmed the need for this type of regional aid, for ARA soon found that the lack of modern public facilities was a major obstacle to the orderly economic development of any area. Because the ARA program alone did not have the authority or funds to do the job adequately, the States in the Appalachian region, where the lack of public facilities and the adequate transportation was most apparent, banded together to urge the formation of the President's Appalachian regional commission. It was the work of this commission which ultimately led to the passage of the recent Appalachia Act as a means of providing these basic needs. Other bills to aid regions have since been proposed in anticipation of similar programs in the future for other regions with severe economic problems. This bill offers benefits on a regional basis without country-by-county restrictions.

IMPROVEMENTS IN THE PROGRAM

The present bill combines the best features of the original Area Redevelopment Act, the Accelerated Public Works Act, and the Appalachian Regional Development Act. It also contains several notable improvements over the earlier ARA program.

Under the present bill, depressed areas can combine into economic development districts or into even larger regional groupings. These larger areas would then prepare a comprehensive plan to improve the entire economy. Under this approach, it would be possible to assist the more economically viable sections of the region on the assumption that a growing employment center will contribute to the growth of the entire region. In effect, it encourages the Appalachian method for other large regions plagued by chronic unemployment such as the Upper Great Lakes or southern Illinois. I might add that many of the citizens of southern Illinois pioneered in the multi-

county approach under the original ARA program, although the single-county criteria contained in the original act did not include incentives for action on a regional basis.

The new bill also makes it easier for severely depressed communities to participate in the program. Under the original Area Redevelopment Act, communities had to put up 10 percent of the cash for a business loan which could not be repaid before the Federal portion. This often proved to be a stumbling block in raising the needed funds. The new proposal reduces the percentage to 5 percent and authorizes concurrent repayment. The Secretary of Commerce can even waive the 5 percent local contribution in extreme cases.

Also, the new bill authorizes financing on a scale more nearly equal to the task. For example, the original Area Redevelopment Act authorized \$300 million in business and public facility loans over a 4-year period or an average of \$75 million per year. The proposed bill authorizes \$170 million per year, or more than double the original amount.

TITLE II OF THE BILL

Before I conclude, Mr. President, I would like to briefly describe sections II and IV of the bill since I chaired a Banking and Currency Subcommittee which held an informal review of this portion of the bill. Title II provides the Secretary of Commerce with the authority to make \$170 million a year in loans or guarantees. There are three principal programs under this \$170 million authorization:

First, the Secretary could make loans to communities for public works type projects designed to enhance a community's economic base. The projects would have to be directly related to economic development and could include waterworks and water lines, sewers, industrial parks, police and fire stations, research centers, tourism facilities, industrial streets and roads, and other works as well. The interest rate for these loans would be at 3½ percent under present borrowing costs. The rate is tied to the Federal borrowing cost less one-half of 1 percent.

Second, the Secretary can make loans to business firms expanding into depressed areas. The Federal share is limited to 65 percent and the local community must put up 5 percent, although this may be waived in extreme cases. Under present borrowing costs the interest charged on these loans would be 4½ percent. This program has proven to be most successful under the Area Redevelopment Act although some communities had trouble meeting their share of the loan which, as I mentioned previously, was 10 percent. The new act will thus be a substantial improvement and will not deny assistance to the very communities that need it the most.

Third, the Secretary can guarantee working capital loans made to firms expanding into depressed areas. Private banks would continue to supply the loans for this purpose, but the Government would insure their repayment. Experience under the Area Redevelopment Administration's program often indicated

that a shortage of working capital was a major stumbling block in building new industry. Some banks were unable to supply the needed credit because of the assumed risk. This provision, therefore, will be of substantial assistance to firms attempting to get started in depressed areas.

In addition to these three programs in title II, for which the Secretary could allocate \$170 million, section 202 of the bill contains a method for promoting economic development in depressed areas, hitherto unused in this country, although it has been used effectively in Europe. In effect, it is an interest rate reduction payment of 2 percent on the total cost of new plant and equipment for non-Government borrowers expanding into depressed communities. Many firms have no particular difficulty in borrowing money, hence the direct loan program of ARA was not especially appealing. However, with an interest rate subsidy, these firms would have an incentive to expand into a depressed area.

The bill provides authority to enter into contracts of up to \$5 million per year in interest rate subsidies; however, this amount would encourage \$250 million of private investment in depressed areas. So, for very little expenditure, a tremendous amount of leverage and of new investment is achieved.

TITLE IV

Title IV of the bill deals with the criteria by which depressed areas will be declared eligible or ineligible for financial assistance. Basically, the earlier unemployment criteria contained in section 5(a) of the Area Redevelopment Act is retained. That is, an area would have to experience unemployment substantially above the national average to qualify. In addition, areas with median incomes below 40 percent of the national average would qualify.

There are several improvements in the designation portion of the act which should result in better administration.

First, as I mentioned a while ago, areas can combine to form larger multicounty districts. When this is done, certain development centers in the district would be eligible for assistance if they would promote the overall growth of the area, even though they could not qualify on their own. As an incentive to induce economic development on a wider scale, the section authorizes an additional \$50 million yearly for such multicounty areas.

Second, the proposed bill would permit the termination of areas on the basis of annual rather than monthly statistics. Under the original act an area's continued eligibility would depend upon monthly employment statistics. The resulting fluctuations and in-again, out-again designations made it difficult to proceed on an even basis.

Third, the bill has language which will permit a depressed area to retain its eligibility despite an increase in employment if the Secretary determines such an increase is not likely to be permanent. In other words, if a community achieves a temporary high level of unemployment due to a one-time construction project, it could retain its eligibility. The Sena-

tor from Minnesota is to be given the credit for this noteworthy improvement.

Fourth, the bill permits assistance to areas which may not qualify at the moment but will soon do so in the future due to an impending base closing, plant relocation, or other economic disaster. Such areas could not be designated under existing law until it became clear that it would suffer or had suffered an employment loss of such magnitude that its unemployment rate exceeded the national average by 100 percent for a full year. However, it is just as important to prevent these areas from becoming depressed as it is to improve those areas already depressed.

The proposed bill would permit Federal assistance as soon as it can be established that the requisite unemployment level would probably be reached within 3 years without such assistance.

Mr. President, I am proud to be the sponsor of this important legislation along with Senator McNAMARA. Our economy has reached an alltime high, and each month sees another record broken. And yet despite this progress, many communities have been left behind and have been isolated from the general prosperity experienced by the rest of the country.

One out of every five Americans lives in an area of poor economic opportunity. One out of every four American counties has serious economic problems.

To the citizen of such an area, the meaning of economic distress is made a part of his everyday life. It means no job and what is even worse, no immediate prospect of a job. Those of us who can recall the great depression which started in 1929 will remember the debilitating sense of hopelessness and despair which was common across the country. Those out of work and walking the street felt degraded and dehumanized—like a wornout piece of machinery which had served a useful purpose and was then cast out upon a scrap heap.

Today, we have managed to solve some of the greater problems of our economy, but the haunting sense of helplessness and despair which is felt by the unemployed still exists in our land. We have succeeded in removing and restricting it to some of the smaller towns and isolated regions of America. But it still exists. Poverty and want are still a way of life for all too many Americans.

It is time we launched an all-out attack upon the paradox of want in the midst of abundance. The war on poverty attempts to rescue individuals from the vicious cycle of poverty which is often transmitted from generation to generation. The bill before us today, the Public Works and Economic Development Act of 1965, is an effective complement to the war on poverty. It attempts to provide the economic resources, and the jobs needed to rescue these Americans from a life of misery and want.

And so let us renew the commitment we made in the Full Employment Act of 1946 to assure that every American who wants to work can do so. Let us pass this bill and bring not only work, but a meaningful life to the people who live in depressed areas. Let us give every

American the chance to live and work in his community without being dependent upon handouts or charity.

Mr. HARRIS. Mr. President, as a co-sponsor of the measure, I would like to express my endorsement of the Public Works and Economic Development Act, now under consideration, as reported by the Senate Public Works Committee under the able chairmanship of the distinguished Senator from Michigan [Mr. McNAMARA]. This skillfully designed bill, much improved by the committee, will enable the economically distressed areas of this Nation to obtain much needed assistance in attacking the underlying causes of poverty, unemployment, and lack of opportunity.

I would especially like to commend to the Senate the machinery contained in this bill for attacking unemployment and economic distress on a regional, multi-State basis. Under the provisions of title V of the act, multi-State, regional development commissions can be established to determine the causes of depressed economies and to make recommendations to the various agencies of the Federal Government and to State and local governments and to private individuals and organizations, for utilizing their funds and resources to attack the conditions contributing to economic distress.

The Ozarks region, encompassing parts of eastern Oklahoma, western Arkansas, and southern Missouri, is one such region suffering from chronic underdevelopment, and I am happy to say that the committee in considering the regional aspect to the bill under title V recognized the need for regional action in this area. As I pointed out in my position as temporary chairman of the hearing considering this region, its problems are almost as great as its potential. It will take a unified effort on the part of private enterprise and local, State, and Federal agencies if these problems are to be overcome and this potential realized.

We must marshal all of these forces, and we must have funds to do comprehensive planning. The time to start this task is now, today, because we are now on the last lap of the vast \$1.2 million Arkansas River project which will bring barge traffic and lower freight rates to the Ozarks region by 1970.

The Ozarks region is a land of opportunity. It is a beautiful and scenic area, but it is hampered by outdated highways and inadequate transportation facilities. It is rich in natural resources, but, because of high freight rates and other factors, these have not been fully developed. It is populated by hardy, hard-working people, but, because of lack of jobs, many of its citizens live in poverty. Therefore, Mr. President, I am especially happy to report that the committee, in its careful deliberations on the Public Works and Economic Development Act, has recognized the needs of this region, and has recommended to the Senate the passage of this bill which will open the door to economic development and equal growth opportunity for this tristate Ozarks region, too long partially isolated from the mainstream of American progress.

Mr. President, I think the Senate will vote on many legislative matters before it again has the opportunity to enact legislation with nobler purposes than those contained in the Public Works and Economic Development Act of 1965.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. McNAMARA. I yield.

Mr. HOLLAND. What is the amount of the authorized appropriation included in the bill?

Mr. McNAMARA. \$665 million annually.

Mr. HOLLAND. I should like to ask the Senator whether the bill is a second area redevelopment bill on a little larger scale?

Mr. McNAMARA. No; the program embodied in the bill is a combination of the best aspects of the ARA, APW, and Appalachian program. It applies to underdeveloped areas in the country, or areas similar to those embraced in the Appalachian bill. The same aid available under ARA and APW.

Mr. HOLLAND. Is the \$650 million the entire annual authorization included in the bill?

Mr. McNAMARA. Yes; the figure I stated is the annual authorization.

Mr. HOLLAND. How many years does the bill cover?

Mr. McNAMARA. Five years on title I; indefinitely on the remaining titles.

Mr. HOLLAND. As to the portion of the bill covered by the \$650 million annual authorization, how many years are covered?

Mr. McNAMARA. Four hundred million dollars of the six hundred sixty-five million dollars is limited to a 5-year period, the remainder is indefinite.

Mr. HOLLAND. Two billion dollars in that period?

Mr. McNAMARA. The amount is broken down on page 19 of the report. Part of the authorization is limited to 5 years, that is \$2 billion, the rest is indefinite.

Mr. HOLLAND. What is the entire amount authorized by the bill, and over what period of time?

Mr. McNAMARA. Six hundred sixty-five million dollars annually.

Mr. HOLLAND. Over how many years?

Mr. McNAMARA. Title I, over 5 years; the remainder is indefinite. Titles II and III were handled by the subcommittee of which the Senator from Illinois [Mr. DOUGLAS] is the chairman.

Mr. HOLLAND. Mr. President, the Senate is entitled to know what is the entire authorization covered by the bill.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. HOLLAND. I yield, although I do not have the floor.

Mr. McNAMARA. I yield to the Senator from Illinois.

Mr. DOUGLAS. As the Senator from Michigan has said, the authorization for public works facilities under title I is \$400 million a year for 5 years. The remaining figure of \$265 million a year is of indefinite duration.

However, I point out that these are merely authorizations; they will have to be passed on by the appropriate subcom-

mittees of the Committee on Appropriations and by the Committee on Appropriations itself.

Mr. HOLLAND. Am I correct in my present understanding that the bill would authorize appropriations of \$2 billion within the next 5 years under one title, and appropriations of \$265 million a year indefinitely under other titles?

Mr. DOUGLAS. Yes; but the money would not be automatically appropriated or spent; it would have to be approved by the Committee on Appropriations. This is purely an authorization bill. The distinguished Senator from Florida is a member of the Committee on Appropriations and will have ample opportunity to review this program.

Mr. HOLLAND. All I can say is that to have a bill of this amazing size and this great length, 64 pages, brought up at a time like this, when few Senators are in the Chamber, with the Senate preparing to adjourn, without Senators having had an opportunity to see the report and examine it is, in my judgment questionable procedure. I hope that no Senator will insist on a voice vote on this measure.

Mr. DIRKSEN. I will insist on a ye-a-and-nay vote. I could not allow this vast sum of money to be authorized by the Senate without further discussion.

Mr. President, I ask for the yeas and nays on the passage of the bill.

The yeas and nays were ordered.

PERSONAL STATEMENT BY SENATOR CLARK

Mr. CLARK. Mr. President, will the Senator from Michigan yield?

Mr. McNAMARA. I yield.

Mr. CLARK. Earlier today, I came close to missing an important ye-a-and-nay vote. I should like to express publicly to my friends on both sides of the aisle my gratification for their assistance in making it possible for me to be present and to record my vote before the result was announced. I am deeply grateful to all of them.

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

The Senate resumed the consideration of the bill (S. 1648) to provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

Mr. ELLENDER. Mr. President, will the Senator from Michigan yield?

Mr. McNAMARA. I yield.

Mr. ELLENDER. Did I correctly understand the Senator to say that a certain title of the bill was to do for certain parts of the country what the Appalachian bill will do for the Appalachian region?

Mr. McNAMARA. The Senator is correct.

Mr. ELLENDER. Does the bill indicate what areas of the country would be covered?

Mr. McNAMARA. No. The bill establishes the criteria under which an

area would be eligible for regional assistance and provides for a study.

Mr. ELLENDER. Would those studies be made throughout the country?

Mr. DOUGLAS. Oh, yes, but of course in those regions eligible under the bill's provisions.

Mr. ELLENDER. At whose request?

Mr. DOUGLAS. Under titles I and II the public works would be built and the loans for business and public facilities would be made in communities and areas which suffer from high and persistent unemployment, where the percentage of unemployment is vastly in excess of the national average. If over the preceding 3 years the unemployment was 50 percent more than the national average, that area would qualify. If it were over 100 percent, or double the national average for 1 year, it would qualify. Also areas which suffer severe underemployment and low income would be designated.

But the aid would be confined to those areas. In the rural areas, the difficulty is not so much unemployment, but underemployment and the resulting low income levels. Therefore counties where the average income was less than 40 percent of the national average would be eligible for assistance under this new program.

A great many counties in the State of the distinguished Senator from Louisiana would be eligible under the low-income test. It is intended to reach the poor counties of the country, where people have irregular employment.

Mr. ELLENDER. The amount authorized for that purpose is \$265 million a year?

Mr. DOUGLAS. There is authorized in title II \$170 million for loans for public works facilities and for industrial and commercial loans. Also there are guarantees for working capital loans and there is an annual subsidy of 2 percentage points which would help induce private investment of \$250 million a year.

Mr. ELLENDER. Would the Senator from Illinois be able to tell us what connection, if any, this program has with the accelerated public works program?

Mr. DOUGLAS. The bill really inherits the accelerated public works program and area redevelopment program.

Mr. ELLENDER. So it is a combination of both?

Mr. DOUGLAS. That is correct.

Mr. DOMINICK. Mr. President, will the Senator from Michigan yield?

Mr. McNAMARA. I yield.

Mr. DOMINICK. Will the Area Redevelopment Administration, the Appalachia program, and all the others be phased out with passage of the bill, or will they remain in effect, superimposed upon this bill?

Mr. McNAMARA. The Area Redevelopment Act would expire; the Appalachia program would continue.

Mr. DOMINICK. Is the Appalachia program included in the bill?

Mr. McNAMARA. No, but it is coordinated with this bill.

Mr. DOMINICK. So this bill is superimposed upon the Appalachia program?

Mr. McNAMARA. It is apart from it.

Mr. DOMINICK. Does it spread the Appalachia program over the country?

Mr. McNAMARA. In certain areas of the country that may be eligible. To be eligible, restrictions are spelled out. They are tighter than in the Appalachia program.

Mr. DOMINICK. How much subsidized interest does the bill contain?

Mr. DOUGLAS. Five million dollars a year, increasing to \$10 million in the next year and \$15 million in the third year. Since there is a 2-percent interest subsidy, this would make possible an investment of \$250 million a year. This provision is designed to induce sound firms, of large and medium size, to go into an area. This would, in effect, substitute private financing with an interest rate subsidy for direct Government financing of industrial and commercial facilities. This kind of program has been widely used on the continent of Europe, and has been successful. We believe it has application in this country.

Mr. DOMINICK. What does the Senator mean by his statement that strong firms would go into a place and receive a subsidized interest rate?

Mr. DOUGLAS. Our primary aim—I feel certain that the Senator from Colorado would not differ with it—is not to subsidize firms so much as to bring sound firms into somewhat decayed areas so as to provide employment and production. It is really an attempt to have private industry move in and do the job.

Mr. DOMINICK. Do I correctly understand that it is intended to have different interest rates for different firms in various parts of the country?

Mr. DOUGLAS. No; the interest rate would be set up the private lenders, but there would be a deduction of 2 percent from that interest rate to be paid by the Government.

Mr. DOMINICK. They would be different firms, selected firms?

Mr. DOUGLAS. No firm would get a greater subsidy for interest payments than any other firm. Naturally, the number of capital investments subsidized would depend upon private lenders and there would be a \$250 ceiling on the amount that could be subsidized in any 1 year.

Mr. DOMINICK. It is entirely possible, though, that the capital investment program could have one company come into one area and receive a subsidized interest rate, and another company in competition with that company go into another depressed area and not receive it. Is that correct?

Mr. DOUGLAS. I suppose that theoretically that is possible. However, practically, I do not believe that it is probable.

Mr. DOMINICK. Why is it not practically possible?

Mr. DOUGLAS. There is a provision that capital investments are not to be made in industries in which there is overinvestment.

Mr. DOMINICK. What about the administrative expenses? I note that there is some provision in the report—which I frankly never saw until 3 minutes ago—that administrative expenses are not open ended.

Mr. DOUGLAS. They are to be met out of the appropriation for the Department of Commerce.

Mr. DOMINICK. This is all administered under the Department of Commerce?

Mr. DOUGLAS. That is correct. It would be subject to the control of the Committee on Appropriations dealing with that subject.

Mr. DOMINICK. Is there any indication in the report—which I have not had an opportunity to see—as to how many counties in the country would be included within this program?

Mr. DOUGLAS. There is no specific mention of number of counties. The standards for designation are set forth clearly in title IV of the bill. They are similar to the standards in the Area Redevelopment Act program. However, the new standards are, as the Senator from Michigan has said, more severe in this act than they were in the original 1961 Area Redevelopment Act.

As I have said, the rural counties are eligible when the average income is less than 40 percent of the national average income. The intent is to provide for the counties in which the farmers and rural residents are extremely poor.

Mr. DOMINICK. Eligible for what, if I might ask?

Mr. DOUGLAS. Eligible for public works, eligible for business loans—eligible for all of the aids under this act.

Mr. DOMINICK. I share the feeling of the Senator from Florida that it is late in the day to take up a bill of this magnitude which most of us know nothing about.

Mr. McNAMARA. Mr. President, these reports have been available in the Chamber for some time. I believe that there has been sufficient notice that the bill was to be brought up. I do not decide when these matters are brought out. The Policy Committee decides those matters.

Mr. DOUGLAS. The Senator from Colorado is a very able member of the Committee on Banking and Currency.

Mr. DOMINICK. I am not on it any longer.

Mr. DOUGLAS. We are sorry to have lost the Senator from Colorado.

Mr. DOMINICK. I am sorry not to be on the committee.

Mr. DOUGLAS. The report on S. 1648 was made on the 14th of May. It has been lying on the desk for 10 days. It has been on the calendar for some time. The report was put on the calendar on May 14.

Mr. YARBOROUGH. Mr. President, will the Senator yield?

Mr. McNAMARA. I yield.

The PRESIDING OFFICER (Mr. HARRIS in the chair). The Senator from Texas is recognized.

Mr. YARBOROUGH. Mr. President, I commend the distinguished Senator from Michigan [Mr. McNAMARA] for his conduct of the hearings on this subject.

I have been examining the report. I have been very much interested because the Area Redevelopment Act, Senate bill No. 1 of the 87th Congress in 1961, has been, I believe, one of the most beneficial acts passed by Congress in the field

of economics in the history of our Nation, so far as my State is concerned. While the Area Redevelopment Act is being phased out, the pending measure would continue some phases, and particularly loans and grants to small towns which would have been denied such assistance.

Those towns would be able to build waterworks and sewer systems. Some have already been built. There have been some hepatitis cases in small towns in Texas which were without any sewerage. The bill has enabled those towns to obtain a sewage disposal system. I feel that, with as much vision as went into the No. 1 recovery act of the Kennedy administration in 1961, this measure would carry forward a number of the best features of the Area Redevelopment Act.

The major portion of the money would be used for the public and would not enter into the economics of it. The private business figure shown here, \$400 million annually, is exclusively for public works and grants. That is the major portion.

I thank all those who have advanced this project, primarily the senior Senator from Illinois [Mr. DOUGLAS], who has helped to carry the project through with assistance in the field of public loans and grants. I know of small towns and subdivisions which are badly in need of water and sewerage facilities. The applications for loans and grants have been lying there. The bill would provide that those towns would be considered on a proper application for the period of 1 year. This bill means the difference between whether one town is going to die or live on and be a part of the viable economy.

I hope that the Senate will consider that this is one bill which, instead of providing money to go into one big profit missile or space contract, enables the people in smaller cities and towns to share in the economy and build their towns to the point that they will be able to pay taxes and assist in building up their entire economy.

Mr. HOLLAND. Mr. President, will the Senator yield for a question?

Mr. McNAMARA. I yield.

Mr. HOLLAND. My understanding is that the community facilities administration is now existing, functioning, and able to take care of the specific kind of loans and needs mentioned by the Senator from Texas. Am I correct?

Mr. McNAMARA. The Senator from Florida is correct so far as loans are concerned. However, this bill would go beyond loans.

Mr. HOLLAND. The Community Facilities Administration also makes grants, does it not?

Mr. McNAMARA. No. The Community Facilities Administration does not make grants.

I yield to the distinguished Senator from Kentucky, who is a cosponsor of the bill. He has labored long and hard, not only on this problem, but also on Appalachia and similar problems.

Mr. COOPER. Mr. President, I know that many questions have been asked on the floor about the purpose and the pro-

visions of the bill. I believe that I can explain briefly what is in the bill.

The bill came before the Committee on Public Works some weeks ago. There were long and comprehensive hearings. At the end of the hearings, the bill was modified, and, I believe I am correct in saying, the bill received the unanimous vote of the committee, including Democrats and Republicans.

What is contained in the bill? I believe that the bill embodies two programs with which we are familiar. The first section, which would authorize \$400 million annually for a period of 5 years, is actually an extension of the accelerated public works bill.

At the end of the 2-year period which was authorized and funded for the administrative public works program, it is correct that some \$2 billion of applications from areas which have been classified as depressed areas were on file and had not been funded or approved.

This \$400 million a year, or whatever amount the Appropriations Committee approved, would be to fund the accelerated public works projects. That is my judgment of the bill.

The second section of the bill, which the Senator from Illinois has explained, is, I believe, an extension of the Area Redevelopment Act. It is the program under which loans are made to businesses and in some cases to communities, to construct what are called facilities which indirectly assist in the location of industry.

So I would have Senators remember that the second section is fundamentally an extension of Area Redevelopment Act with emphasis on loans for encouragement, and not relocation, of industry in these depressed areas.

The third section is a new concept which is based somewhat on the Appalachia concept. Senators will remember at the time the Appalachian bill was passed a good number of Senators, including the Senators from Arkansas [Mr. McCLELLAN and Mr. FULBRIGHT], the Senators from Oklahoma, the Senators from New York, the Senators from New England, the Senators from Minnesota, all said some sort of economic development program should be established for groups of States that had similar problems and needs.

So the last two provisions of the bill would provide funds for study by the States which might consider their needs and problems similar to an attempt to develop, if they desire to do so, a program which might be similar to the Appalachia program.

So when we subtract the \$400 million authorization for the public works program, there is left, as the Senator from Illinois [Mr. DOUGLAS] and the Senator from Michigan [Mr. McNAMARA] have said, some \$265 million authorized for the two programs, extension of Area Redevelopment Act and a study program as to the propriety of various States moving together to establish a State-Federal program for the solution of common economic problems.

Mr. MUSKIE and Mr. HRUSKA addressed the Chair.

Mr. COOPER. I promised to yield first to the Senator from Maine [Mr. MUSKIE].

Mr. MUSKIE. The Senator has given an excellent thumbnail sketch of the bill and purposes, covering the so-called extension of the accelerated public works program. In this bill the projects are provided for in a reasonable and rational way to encourage the economic development process. Criteria are much tighter under this bill than under the accelerated public works program.

Mr. COOPER. That is right the accelerated public works program is considered to be an emergency program. The accelerated public works provides for grants in an amount up to 50 percent. In some cases the grants go to two-thirds in the accelerated public works program.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. COOPER. I yield.

Mr. ELLENDER. As I recall the accelerated public works program bills, the authorization was for \$950 million.

Mr. COOPER. That is correct.

Mr. ELLENDER. This program is for \$2 billion to cover a period of 5 years.

Mr. COOPER. That is correct.

Mr. ELLENDER. Could the Senator tell us how much of this amount to be appropriated every year would go for grants instead of loans?

Mr. COOPER. Under the first section, the entire \$400 million would go for grants, but they must be matched by the local municipalities or subdivisions.

Mr. ELLENDER. None would be loans?

Mr. COOPER. Under the first section they would be grants, but they would have to be matched.

Mr. ELLENDER. What is the maximum amount to be provided by way of grants out of the total cost of the program?

Mr. COOPER. If the \$400 million is authorized and if appropriations of \$400 million were approved, it would mean each year \$400 million would be available for grants. The actual amount, however, to be available would be determined by the Appropriations Committee.

Mr. ELLENDER. What would be the contribution made by the local communities?

Mr. COOPER. 50 percent.

Mr. ELLENDER. Is it fixed at that amount, or is it graduated? Under the old programs, as I recall, grants were based on the capability of the locality to furnish its own funds. If the community was able to put up 20 or 25 percent, up to 50 percent, the Government matched it.

Mr. COOPER. That is correct. Under the old program, the Administrator of the accelerated public works program made decisions as to the amount of the grants, which ranged from 50 percent to 66⅔ percent. Under this bill the Administration would have that discretion, except that he could give grants up to 80 percent.

Mr. ELLENDER. Up to 80 percent?

Mr. COOPER. Yes.

Mr. MUSKIE. Mr. President, will the Senator yield on that question?

Mr. COOPER. I yield.

Mr. MUSKIE. There are two types of grants. One would cover grants not now covered under existing Federal programs. As to those, the Federal Government will put up anywhere up to 50 percent. As to grants which supplement existing programs, for example, Hill-Burton hospital aid program, this bill would provide for grants to supplement grants for which projects might be eligible under existing programs.

Mr. ELLENDER. Does the Senator mean under the total bill, or the accelerated public works program?

Mr. MUSKIE. Yes; the total Federal contribution, including the grants under this program and the grants under the current program, cannot exceed 80 percent.

Mr. COOPER. The same determination would be required of the Administrator. He would have to find that the municipality or the recipient could not provide the 50 percent. In that event, the Administrator would have discretion to increase the grant up to 80 percent.

Mr. ELLENDER. As I understand the Hill-Burton Act, the Government can pay up to 80 percent. Has that been changed?

Mr. McNAMARA. It has not been changed.

Mr. ELLENDER. What is the maximum the Government can contribute toward construction under the Hill-Burton Act?

Mr. MUSKIE. It can go up to 80 percent.

Mr. ELLENDER. I thought so.

Mr. MUSKIE. But whenever the Federal grant in some other program is as high as 80 percent, it would not be eligible for any assistance under this program. If a Federal grant under some other program were less than 80 percent, this program could be used, with supplementary grants up to 80 percent.

Mr. ELLENDER. What would prompt the Federal Government under the Hill-Burton Act to make a contribution of as much as 80 percent? Would it not be based also on the capability of the location where construction will take place to contribute its share, as well as well as the need?

Mr. MUSKIE. Actually, as I understand it, the Federal contribution under the Hill-Burton program would vary, depending upon the kind of facility being built. If it is a general hospital, under the Hill-Burton program, I believe the maximum grant then applies, but under special kinds of facilities, the Federal contribution would vary. In addition, States depend upon the number of projects available in their States for the Hill-Burton program will vary in percentages depending upon how many projects and priority the State assigns to them. So that I do not believe we can use a flat across-the-board percentage as descriptive of the Hill-Burton program.

Mr. ELLENDER. What prompted the committee to make it possible to supplement moneys under the Hill-Burton Act to assist in the construction of hospitals?

Mr. MUSKIE. We did not concentrate on hospitals—

Mr. ELLENDER. No, I know that, but it is possible, is it not?

Mr. MUSKIE. It is possible.

Mr. ELLENDER. It is possible for a municipality, let us say, or a community, to obtain money from both the Hill-Burton as well as the accelerated public works?

Mr. MUSKIE. I can explain the theory to the Senator, in this way—

Mr. ELLENDER. I am wondering why it was done. Why do we not relegate this to public works other than hospitals? We have a special program already in operation. It is working well, I understand.

Mr. MUSKIE. First of all, the provision is the same as in the Appalachia bill which the Senate approved a short while ago, so that the principle, we thought, that since it was applicable to the undeveloped counties in Appalachia, which was approved by the Senate, it could also be applicable to other areas of the country in like circumstances.

The theory behind it is that once an area or community begins to go down hill economically, the resources available to it for taking advantage of its existing Federal programs are less than if it is a normal community not deteriorating economically. It is the theory that those communities then should get this extra boost permitted under the formula approved under the Appalachia bill.

Mr. ELLENDER. Yet the Hill-Burton Act as now written already provides contributions by the Government of up to 80 percent of the construction cost.

Mr. MUSKIE. I do not know what the percentage is.

Mr. ELLENDER. That is my recollection of it, but—

Mr. MUSKIE. But, in the event there is an 80 percent grant under Hill-Burton, not 1 nickel will be available under this program.

Mr. McNAMARA. The total Federal grant cannot exceed 80 percent no matter what the program is.

Mr. YARBOROUGH. Mr. President, will the Senator from Kentucky yield for a question?

Mr. COOPER. I am glad to yield to the Senator from Texas.

Mr. YARBOROUGH. I should like to ask the Senator from Kentucky what is the maximum amount of percentage of money the Federal Government grants now for the construction of an interstate highway?

Mr. COOPER. Ninety percent.

Mr. YARBOROUGH. Ninety percent, then the maximum that could be granted under this bill for any public project is 10 percent less than being granted by the billions of dollars to build highways; is that not correct?

Mr. COOPER. The Senator is correct.

Mr. YARBOROUGH. I thank the Senator from Kentucky.

Mr. COOPER. I believe that the questions the Senator from Michigan [Mr. McNAMARA] and the Senator from Maine [Mr. MUSKIE] have brought out clearly the provisions of this first section. As the Senator from Maine has pointed out

those grants, which are made to a municipality or an area which the Administrator determines, will have a definite effect upon increasing the industrial and employment opportunities of that particular municipality or area, whether it be grants for facilities or land. But if in making that determination it is found that the community needs certain facilities such as sewage and water facilities, and other facilities, and the project is worthwhile, then we would be unable, if the community could not meet its 50 percent share, to make supplementary grants up to 80 percent. I believe that is correct.

Mr. DOUGLAS. Mr. President, will the Senator from Kentucky yield?

Mr. COOPER. I yield.

Mr. DOUGLAS. Is it not true that in the foreign aid bill we provide grants and loans for what the people in the State Department call "the infrastructure"; namely, public facilities which are necessary in order to help production in that particular locality or area and this is to provide the same opportunities for depressed areas in this country that we now provide under foreign aid for other nations; is that not correct?

Mr. COOPER. I believe that the word "infrastructure" is appropriate.

Mr. DOUGLAS. It is a complicated word.

Mr. COOPER. It is the same phrase used in the military programs. The infrastructure in France is to build roads and airports.

Mr. AIKEN. Mr. President, these commissions would not be substitutes for interstate compacts, would they?

Mr. MUSKIE. No, they would not be a substitute.

Mr. AIKEN. It would be the Federal chairman who would have the final say?

Mr. MUSKIE. That would be the Federal cochairman, and also the State cochairman.

Mr. AIKEN. The Federal cochairman would have to approve it. In other words, three separate States could not go on a tangent, without approval of the Federal chairman?

Mr. MUSKIE. On voting, approval is required of the Federal cochairman and also a majority of the States, or if there are only two State cochairmen, then one of them.

Mr. AIKEN. Yes. What would they be authorized to do? Make recommendations only?

Mr. MUSKIE. Yes; that is all the regional commissions can do; namely, develop programs and make recommendations for legislative authorization.

Mr. AIKEN. No authority whatsoever for making assessments on the States?

Mr. MUSKIE. The Senator is correct.

Mr. AIKEN. It is these States that qualify under the criteria listed on page 33—that is, the rate of unemployment substantially above the national rate, the median family income below the national income, housing, et cetera.

Mr. MUSKIE. Yes. Eight criteria.

Mr. AIKEN. Those eight criteria—I am sorry I have not read this before. I read it only hurriedly now.

Mr. MUSKIE. These criteria are similar to that applied to the Appalachia group.

Mr. AIKEN. The expenses of these commissions are to be paid, how?

Mr. MUSKIE. By the Federal—

Mr. AIKEN. The Federal Government?

Mr. MUSKIE. The Federal Government, for the first 2 years and then the cost is divided equally between the Federal Government and the States with the States deciding the division among themselves.

Mr. AIKEN. They are not intended in any way, these commissions, to take the place of interstate compacts?

Mr. MUSKIE. No. Absolutely not.

Mr. AIKEN. Then there is nothing in here which exempts any number of States who desire to form an agreement, association, or compact on their own, which does not meet the criteria here? They would be required to get Federal approval?

Mr. MUSKIE. This does not prohibit it. In addition, the States are not eligible under the criteria, there is authorization for a study.

The PRESIDING OFFICER. The Senate will be in order. The Senator will proceed.

Mr. AIKEN. I was just wondering, we apparently have a shortage of labor in this area and I hope that it continues for awhile.

Mr. DOUGLAS. Mr. President, there has been some discussion apparently as to what type of programs would be eligible for grants under section 101 as well as under section 201. There is a rather full set of illustrations on page 9 and the top of page 10 of the report. If the Senator from Maine will permit me I should like to read those passages.

Mr. MUSKIE. The Senator from Vermont has the floor.

Mr. AIKEN. I wanted to ask, in order to be sure, if a group of States entered into an agreement which does not fully comply with the conditions here—and this is not an agreement anyway—this is a commission—if they entered into an agreement, there is nothing in this bill which would exempt them from the requirement that they obtain approval of Congress?

Mr. MUSKIE. Absolutely not.

Mr. HRUSKA. Mr. President, will the Senator yield?

Mr. MUSKIE. The Senator from Vermont has the floor, and the Senator from Illinois is seeking recognition.

Mr. HRUSKA. I should like to ask a question of the Senator from Maine.

The PRESIDING OFFICER. Does the Senator from Maine yield to the Senator from Nebraska?

Mr. MUSKIE. I yield.

Mr. HRUSKA. Title I is the one which is comparable to the Accelerated Public Works Act. Is that the way it is interpreted?

Mr. MUSKIE. Yes; that is an extension and modification of the Public Works Act.

Mr. HRUSKA. In concept and in theory.

Mr. MUSKIE. Yes.

Mr. HRUSKA. Title II is interpreted as the Appalachia Act?

Mr. MUSKIE. No. It is more accurate to say that it is an extension of the Area Redevelopment Act.

Mr. HRUSKA. In the Area Redevelopment Act there is a limitation on the annual appropriation, as I understand.

Mr. MUSKIE. There was an authorization under that act of \$455 million for 4 years.

Mr. HRUSKA. It is stated in subsection (c) that the authorization for the appropriation is indefinite in term. Is that a departure from the previous concept of the Area Redevelopment Act? I believe it to be.

Mr. MUSKIE. The Area Redevelopment Act was limited to 4 years so that we could have some experience under it, to test it and to review it again in 4 years, to determine whether it was worth continuing. I believe it was a 4-year authorization.

Mr. HRUSKA. Inasmuch as this is indefinite, it will not come back to Congress for review.

Mr. MUSKIE. It will be reviewed for appropriations each year.

Mr. HRUSKA. That is not what I am talking about. I am talking about the authorization.

Mr. MUSKIE. That is correct. I point out that it is subject to the annual appropriation process. That is not the question the Senator has asked, of course.

Mr. HRUSKA. The whole program would not come before the Senate automatically for review and reassessment in the light of the experience that gathered in the meantime. Is that correct?

Mr. MUSKIE. There is no provision for it.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. DOUGLAS obtained the floor.

Mr. MANSFIELD. Mr. President, will the Senator from Illinois yield?

Mr. DOUGLAS. I yield, with the understanding that I do not lose my right to the floor.

UNANIMOUS-CONSENT AGREEMENT TO LIMIT DEBATE

Mr. MANSFIELD. Mr. President, I have not had an opportunity to consult with all the Members of the Senate, but I should like to propound a unanimous-consent request, and I hope the Senate will approve it. The hour is growing a little late. We have had a long, hard 2 days.

I ask unanimous consent that 1 hour of debate be allowed on any amendment to the bill, to be equally divided between the mover of the amendment and the majority leader or whomever he may designate, and that a vote on the passage of the bill occur at not later than 4 o'clock in the afternoon on Tuesday next, and that paragraph 3 of rule XII be waived.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. MOSS. Mr. President, reserving the right to object, I understand the problem that the majority leader is trying to resolve with his proposal. We have indeed had 2 long, hard days.

However, today we have sat here for 4 or 5 hours discussing the bill in a rather desultory manner in order to accommodate Senators who did not happen to be here, ready to vote.

Tomorrow morning I must leave the city. The bill is of great interest to me. I serve on the subcommittee and on the full committee before which the hearings were held. We have worked very hard on this bill. It is before us. The yeas and nays have been ordered on it. It seems to me we are changing directions at a very late hour merely because some Senators have come forward to say this did not accommodate their time.

Mr. MANSFIELD. If the Senator will yield, if there is any responsibility, it is mine, and I am not doing it to take care of any particular Senator. I am doing what I think is best in the position in which the Senate has placed me, to try to bring about an accommodation, which I believe is best suited to the occasion, and that is to vote not later than 4 p.m. on Tuesday next, not tomorrow.

The PRESIDING OFFICER. Is there objection?

Mr. JAVITS. Mr. President, reserving the right to object, I have an amendment to propose to the bill, which will deal with the Interstate Highway System. I am perfectly agreeable to have the unanimous consent request agreed to, but I would like to have it understood that the amendment I propose will not be objected to on the ground of germaneness.

Mr. MANSFIELD. I would not object to it.

Mr. JAVITS. In other words, that it might be excepted, as amendments usually are, from the germaneness provision.

Mr. DOUGLAS. Mr. President, may I ask if the unanimous-consent request of the majority leader includes any time on the bill itself or merely allows 1 hour on each amendment?

Mr. MANSFIELD. One hour on each amendment, the vote on the bill to be had not later than 4 o'clock p.m. on Tuesday next, with plenty of time in between, which could be considered time on the bill.

Mr. DOUGLAS. I hope that the request will be so modified as to indicate that a sufficient amount of time could be reserved for the bill itself. I do not know what the intention of the majority and minority leaders may be with respect to recessing or adjourning the Senate for the Memorial Day interval, but there should be ample opportunity given to discuss the bill as a whole.

Mr. MANSFIELD. Would 4 hours on the bill be adequate?

Mr. DOUGLAS. Yes.

Mr. MANSFIELD. I add that to the request, to allow 4 hours of debate on the bill.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. PROXMIRE. May I ask the distinguished majority leader when the time limitation would start?

Mr. MANSFIELD. Tomorrow.

Mr. JAVITS. Mr. President, I assume that the unanimous-consent agreement would include a provision that no Sena-

tor, because of the time for voting being set at 4 o'clock on Tuesday, would be cut off from offering an amendment.

Mr. MANSFIELD. Of course not.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. CLARK. Could the majority leader respond to a question asked by another Senator as to what the leadership intention is with respect to the Memorial Day recess?

Mr. MANSFIELD. May I have the request acted on first?

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. HOLLAND. What is the intention of the leadership with reference to the hour at which the session next Tuesday would begin?

Mr. MANSFIELD. At 12 o'clock noon.

Mr. HOLLAND. That would leave no time, except 4 hours on the bill.

Mr. MANSFIELD. Except that time would be available all day tomorrow.

Mr. HOLLAND. Then it is the intention of the leadership to have the agreement go into effect when we conclude the transaction of morning business tomorrow. Is that correct?

Mr. MANSFIELD. Yes.

Mr. HOLLAND. And extend throughout the day tomorrow.

Mr. MANSFIELD. Yes.

Mr. HOLLAND. I have no objection.

Mr. JAVITS. Is it understood, as a part of the unanimous-consent request, that the germaneness rule will not apply to the amendment I shall propose?

Mr. MANSFIELD. The Senator is correct.

Mr. HOLLAND. Reserving the right to object—and I shall not object—is it the intention of the leadership to have the votes come regularly at the end of each argument on the amendments tomorrow, or to have all the votes come next Tuesday at 4 o'clock?

Mr. MANSFIELD. It might be possible to have one or two votes tomorrow. However, after the hour of 2 o'clock tomorrow I should say that we ought to postpone votes to the following Tuesday.

Mr. HOLLAND. I shall be present tomorrow, but I know that many Senators are expecting to get away early in the day tomorrow. If there is to be any sizable number of amendments to be offered, there ought to be some understanding on that score.

Mr. MANSFIELD. I have endeavored to answer the Senator's questions.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request? The Chair hears none, and it is so ordered.

The unanimous-consent agreement, subsequently reduced to writing, is as follows:

UNANIMOUS-CONSENT AGREEMENT

Ordered, That, effective on Thursday, May 27, 1965, at the conclusion of routine morning business, during the further consideration of the bill (S. 1648) to provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions, debate on any amendment, motion, or appeal, except

a motion to lay on the table, shall be limited to 1 hour, to be equally divided and controlled by the mover of any such amendment or motion and the majority leader: *Provided*, That, in the event the majority leader is in favor of any such amendment or motion, the time in opposition thereto shall be controlled by the minority leader or some Senator designated by him, except the amendment of the Senator from New York [Mr. JAVITS].

Ordered further, That, on the question of the final passage of the said bill, debate shall be limited to 4 hours, to be equally divided and controlled, respectively, by the majority and minority leaders: *Provided*, That the said leaders, or either of them, may, from the time under their control on the passage of the said bill, allot additional time to any Senator during the consideration of any amendment, motion, or appeal.

Ordered further, That the Senate proceed to vote on final passage of the bill not later than 4 p.m. on Tuesday, June 1.

PROGRAM FOR SESSIONS OF THE SENATE OVER THE MEMORIAL DAY WEEKEND—ORDER FOR ADJOURNMENT UNTIL TOMORROW

Mr. MANSFIELD. I should like to answer the question of the Senator from Pennsylvania [Mr. CLARK]. Each Senator has received a notification that, so far as the Memorial Day holiday is concerned, it will extend from the conclusion of business tomorrow until noon on Tuesday, June 1. There will be a pro forma meeting on Friday.

At this time I ask unanimous consent that when the Senate completes its business today, it stand in adjournment until 12 o'clock noon tomorrow.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. I ask unanimous consent that when the Senate completes its business tomorrow it stand in adjournment until 9 o'clock on Friday morning, May 28, for the purpose of having a pro forma meeting; in other words, "in and out," without the transaction of any business.

The PRESIDING OFFICER. Without objection it is so ordered.

Mr. RANDOLPH. Mr. President, I have requested the distinguished majority leader to indicate that I have an amendment on which there is general agreement. It would strengthen the bill in that it would do away with any possibility of a plant being removed from one region to another. I feel that we could vote on the amendment tomorrow, and I hope that I shall be privileged to have the attention of the Senate in connection with the amendment.

Mr. MANSFIELD. I hope that the Senator is successful.

Mr. DIRKSEN. Mr. President, under those circumstances, I ask unanimous consent that the order for the yeas and nays be withdrawn.

The PRESIDING OFFICER. Is there objection?

Mr. HOLLAND. Mr. President, I object, unless the Senator is not trying to withdraw the yeas and nays for the final passage of the bill. Is he?

Mr. DIRKSEN. Oh, no. But there is no use of encumbering all the discussions with the yeas and nays at this time. A

request for the yeas and nays can be made at any time later.

Mr. HOLLAND. I have no objection if that is the intention of the minority leader.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered. The order for the yeas and nays is rescinded.

ORDER FOR ADJOURNMENT FROM FRIDAY UNTIL NOON ON TUESDAY, JUNE 1

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the pro-forma meeting on Friday next is concluded, the Senate stand in adjournment until 12 o'clock noon on Tuesday next.

The PRESIDING OFFICER. Without objection, it is so ordered.

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

The Senate resumed the consideration of the bill (S. 1648) to provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

Mr. DOUGLAS. Mr. President, first, I wish to thank the able chairman of the Public Works Committee, the distinguished senior Senator from Michigan [Mr. McNAMARA], for the fine work which he has done upon the bill.

I should like to make some supplementary remarks tonight on the bill as a whole so that we may proceed as speedily as possible tomorrow with amendments. I appreciate the marvelously cooperative work which the Senator from Michigan and the whole Public Works Committee have carried out. But I should like to point out some of the direct economic advantages which have come from the Area Redevelopment Act.

The careful studies which the Administrator of that act has made indicate that approximately 70,000 direct jobs have been created by that act. Assuming a multiplier of 1.65, which is the multiplier used by the U.S. Chamber of Commerce, that would mean a total of 46,000 additional jobs, or a grand total of 116,000 jobs created under the Area Redevelopment Act program. The group of businessmen and bankers on the northeast coast have estimated that a multiplier of 2 is better than the one now used of 1.65. If that is so, that would mean the direct and indirect creation of 140,000 jobs. But I shall not use that figure, but will use instead the conservative figure of 116,000 jobs.

Let us carry out some assumptions to see what has happened. The average earnings of the people placed in jobs under the Area Redevelopment Act program, would probably be around \$4,000 a year, which would be roughly \$80 a week. With 116,000 jobs created, that would mean a total increase in payroll of \$464 million. That is the increase in income

to individuals. This has operated to increase governmental revenues on a Federal, State, and local basis, and to decrease expenditures on a Federal, State, and local basis.

Now I should like to make some very conservative estimates of these savings.

First, as to the increase in income, if the average earnings are \$4,000, of which approximately \$1,200 would be taxable, or the amount in excess of \$2,800, the average Federal income tax would be about \$200 per person. Two hundred dollars multiplied by 116,000 would be equal to \$23 million a year. So, in all probability, there has been an increase of \$23 million a year in Federal income taxes. At the same time, there has been an increase in the Federal income tax paid by corporations each year and this has been assumed to be approximately \$30 million. So that the total increase in Federal revenues has been approximately \$53 million each year.

In addition, there has been an increase in State and local taxes of an undetermined amount, but a very real amount, because the people with more money in their pockets naturally buy more, subject to a sales tax and State income taxes, and this would increase State revenues. People would have more money to pay the taxes on their homes, and that would increase local revenues as well. But I am not counting that in.

It is safe to say that well over \$50 million a year would be paid in increased revenues to the Federal Government alone, not to mention State government and local government receipts.

This is most conservative. On the other hand, there would be a decrease in expenditures. Virtually all those people previously were unemployed. The vast majority were either on relief or were receiving unemployment compensation. I have made a most conservative estimate that at least 80,000 of the 116,000 were in receipt of unemployment compensation payments. The average benefits under unemployment compensation amount to approximately \$36 or \$37 a week, or \$1,800 a year. Therefore, there has been a saving in unemployment compensation, which I estimate as \$144 million a year; namely, 80,000 people multiplied by \$1,800 a year. One thousand eight hundred dollars means \$36 a week for 52 weeks.

In addition, there has been a saving on general assistance. Assuming that this also amounts to about \$800 a year, and assuming that 10,000 of these previously unemployed people were recipients of relief, that would mean a saving of \$8 million a year.

Thus we have a total of close to \$200 million a year in savings to Federal, State, and local governments.

I emphasize that the total amount loaned up to March 31, 1965, over 4 years, for industrial and commercial loans amounted to \$175 million. The public facility loans and grants as of that same date amounted to \$93 million. Then with allowance for technical assistance and training, the total costs as of March 31, 1965, were \$306 million. That was for a period of more than 4

years, whereas the savings to the Government alone would amount to approximately \$200 million a year.

Mr. PROXMIRE. Mr. President, will the Senator yield on that point?

Mr. DOUGLAS. I am glad to yield.

Mr. PROXMIRE. The figures which the distinguished Senator from Illinois has stated are extremely impressive. I wish to make sure that I understand how much additional was paid in income taxes.

Mr. DOUGLAS. We make an estimate that those who were employed and were previously unemployed received approximately \$80 a week, which is approximately \$26 below the average for manufacturing, or \$4,000 a year, and of that amount \$2,800 would be nontaxable; \$1,200 would be taxable. With a payment of about 16 percent tax rate, \$200 in Federal income tax would be paid per person, not received by the Federal Government previously, and that would amount \$23 million a year for the 116,000 persons.

Mr. PROXMIRE. So the amount paid in personal income taxes of \$23 million, added to the savings in unemployment compensation of \$144 million, added to the savings in relief costs—

Mr. DOUGLAS. Of \$8 million.

Mr. PROXMIRE. Of \$8 million, totals close to \$200 million a year.

Mr. DOUGLAS. Included in that should also be the fact that corporations and employers would be doing business there, and therefore the profits which they might make would be subject to taxation. We estimate that that would be about \$30 million a year. Then there would be State and local taxes, which we have not included.

Mr. PROXMIRE. I point out to the distinguished Senator from Illinois that the costs which he was talking about are very largely interest repayable loans.

Mr. DOUGLAS. That is correct.

Mr. PROXMIRE. They were not grants, but primarily loans.

Mr. DOUGLAS. That is correct.

Mr. PROXMIRE. These were loans repayable with interest. What is the record of ARA firms in paying back such loans?

Mr. DOUGLAS. I shall supply that for the RECORD. The losses in the first year were appreciably more than they would have been for bank loans, but the record has steadily improved.

Mr. PROXMIRE. The Secretary of Commerce testified before the Committee on Banking and Currency that the record of repayment on loans was most impressive, especially considering the circumstances under which the loans were made, and that he felt, as the Senator from Illinois has said, that the record is improving.

Mr. DOUGLAS. That is correct.

Mr. PROXMIRE. The figures which the Senator from Illinois has placed in the RECORD are eloquent testimony to the fact that this is an excellent investment. It is an investment that is paying for itself over a period of years, and paying for itself rapidly, first, because, as the Senator has pointed out, more taxes are paid; second, because relief and unem-

ployment compensation is less; third, because the loans that are made are very largely being repaid with interest, and are being repaid promptly. That is the kind of information that has not been brought out previously as to the effects of the ARA program.

Mr. DOUGLAS. The Senator is correct. Now I should like to supply the figures as to the delinquencies as of March 31, 1965. At that time, the loans disbursed amounted to \$96,500,000. Loans foreclosed amounted to \$808,000.

Mr. PROXMIRE. \$808,000 as compared with \$96 million—less than 1 percent.

Mr. DOUGLAS. Yes. Loans in foreclosure amounted to \$1,550,000, or total foreclosures of \$3,358,000—approximately 2½ percent.

In addition, \$9 million in loans were delinquent, although only a small part of this amount will result in losses. I think one can safely estimate that the vast majority of the loans, amounting to close to \$100 million, will be paid back. I do not believe that the losses will be appreciable for this type of program.

So on the basis of grants of \$93 million and losses of not more than \$10 million on loans, the total cost to the Government would not greatly exceed \$100 million, and the revenues of the Government should be improved by at least \$200 million a year.

Mr. PROXMIRE. So the return is 2 to 1.

Mr. DOUGLAS. Not only is the return 2 to 1; the gains are annual gains. The losses are total losses for the 4-year period.

Mr. PROXMIRE. So the ratio is 2 to 1 a year.

Mr. DOUGLAS. That is correct. The gains are really much more than the amount of money expended. The amount of money does not take into account the human part of the program, namely, the restoration of self-respect, the aid to the local communities in preventing them from dying, and the greater utilization of such structures as churches and schools and of telephone services, utility services, and the rest.

Mr. PROXMIRE. This is the most impressive feature of all. The very fact that additional people will pay taxes and there will be additional economic development is most encouraging for the country as a whole. These are the areas that are dying, that are extremely sick. These are the areas where the future is almost hopeless.

In addition to the statistical assistance that we can see, there is a very real, human opportunity for people to live in communities they know and love, communities where they are acceptable and have had their family ties; perhaps where their families have lived for generations. This is the kind of human assistance that cannot be measured in statistical terms, but is, nevertheless, immensely important.

When that is added to the monetary return to the Federal Government in a ratio of 2 to 1 a year, the record the ARA has developed is remarkable.

Mr. DOUGLAS. I think it justifies the

existence of the program. I have become a little fed up with the rather captious criticisms that have been made of it. It has been a marvelous human investment and a paying economic investment.

Mr. PROXMIRE. On that very score, is it not true that the arguments that have been made that this is merely borrowing employment from some other area of the country has little validity in the economy in which we are operating?

Most areas of the country are close to full employment. In the Wisconsin area, the heavily populated southeastern part has virtually no real unemployment. On the other hand, in the northern part of the State there is heavy unemployment. The fact that additional jobs can be provided without endangering in a significant way other parts of the country means that this program provides an overall gain in employment. It is not a question of borrowing jobs from one area against another as a matter of unfair or subsidized competition.

Mr. DOUGLAS. The Senator from Wisconsin is correct.

Mr. PROXMIRE. Mr. President, before the Senator from Illinois yields the floor, I should like to ask him one or two further questions, because he is the author of the bill.

Is it not true that this is a conservative refinement of the ARA and of the accelerated public works program in a real sense?

Mr. DOUGLAS. That is true. The standards are much stricter than they were in the original accelerated public works program.

Mr. PROXMIRE. It is my understanding that fewer counties would probably be able to qualify under the rural criteria. The other criteria were more lenient. Under this stricter, more conservative bill, which requires counties to have an income of less than 40 percent of the national average, fewer counties throughout the country—and I am positive fewer counties in Wisconsin—would be able to qualify.

Mr. DOUGLAS. To qualify, they would have to be areas of need.

Mr. PROXMIRE. Is it not true that grants must be tied to specific developments?

Mr. DOUGLAS. Yes; grants would be made on much stricter terms than under the accelerated public works program.

Mr. PROXMIRE. Accelerated public works were made for a much broader range of purposes. ARA also made grants up to 100 percent. This bill would make grants only up to 80 percent.

The accelerated public works program provided \$450 million a year for 2 years and ARA about \$75 million over 4 years, or \$19 million a year, for a total of about \$470 million if the two were combined. This bill provides \$400 million for public facility grants which is less.

Mr. DOUGLAS. That is correct.

Mr. PROXMIRE. Furthermore, ARA loans authorized by Public Law 87-27—the Area Redevelopment Act—were about \$300 million. While loans under this bill would be \$170 million annually,

they would be interest bearing and fully repayable.

Also, there is a change—the interest rebate factor—which involves overwhelmingly private enterprise money. This provision provides for a modest \$5 million a year investment by the Federal Government, but it will encourage \$250 million of investment funds, and they would be private enterprise funds.

Mr. DOUGLAS. Yes; a 2-percent interest subsidy would make possible the unlocking of \$250 million a year in capital investment. On a 10-year basis, that would be a total investment of \$2.5 billion.

Mr. PROXMIRE. The Senator from Illinois has performed an outstanding service in this field for many years. He has had to fight his way up the hill many times to have this program enacted.

First, what I like about the bill is that it is national in scope as compared with the Appalachia bill, which was confined to a limited area.

In the second place, it stresses private enterprise and private development. It does not provide for a gigantic federally controlled and directed public works program.

Mr. DOUGLAS. The Senator is correct.

Mr. PROXMIRE. I believe that the overwhelming involvement, the public decisions are made at the local level, the judgment and discipline of the marketplace at the local level, is at work here.

Mr. DOUGLAS. The Senator is correct.

Mr. PROXMIRE. Basic investment decisions will be left up to the private sector of our economy.

Mr. DOUGLAS. Primarily so. However, of course, there are grants for infrastructure or development facilities.

Mr. PROXMIRE. But the whole purpose of the grants is to create a climate which would be otherwise unattractive to private enterprise, attractive to private enterprise.

Mr. DOUGLAS. The purpose is to have the initiative and incentive and the planning come up from the bottom, from the local communities.

Mr. PROXMIRE. The opposition on the part of conservative people on the ground that this would interfere with private enterprise and would be some Government activity misses the point. The new jobs would be created by individual American enterprise—much of it corporate enterprise—and would be subject to all the disciplines and all the energizing and initiative factors involved in private individual enterprise.

Mr. DOUGLAS. I ask the Senator from Wisconsin, who has been one of the most valuable committee members and one of those who helped the most in forming the bill, if some of our best witnesses were bankers.

Mr. PROXMIRE. Yes. In fact, the Secretary of Commerce, who is one of the best known and one of the most highly successful businessmen in the national business community, has had a chance to study the measure carefully and has given it his unqualified support and endorsement.

Mr. GRUENING. Mr. President, I want to say briefly that I am very happy that S. 1648 is nearing passage in the Senate. It is a very important bill.

A great deal of credit is due to a number of my colleagues, whom I highly commend. Among others there are the senior Senator from Illinois [Mr. Douglas], the senior Senator from Michigan, the chairman of the Committee on Public Works [Mr. McNamara], and very particularly, the senior Senator from West Virginia [Mr. Randolph], who has never ceased to work for and urge this kind of legislation, from which useful projects will put people to work not merely at the site of the project but also in the factory, in transportation, and on the arteries in between.

I am very happy to have been one of the numerous cosponsors of this project, as was my colleague, the senior Senator from Alaska [Mr. Bartlett]. I point out that for a good many years I have urged the resumption of accelerated public works. I have previously introduced amendments and bills to bring this about.

This is a bill in a somewhat modified form which would not go quite as far as I should like to have it go, in view of the fact that our experience has shown that when the accelerated public works project was before us, the funds originally appropriated and authorized for this purpose, some \$880 million, quickly vanished for worthwhile expenditures, and at the time and subsequent to the expiration of those appropriations, some \$100 million of worthwhile projects, fully matched and ready to go, had to be abandoned. Many of those projects will be resumed now.

I believe that it is particularly gratifying, however, that the bill in its original form has now been amended. The original version of the bill did have an appropriation of \$250 million annually. That amount has now been increased to \$400 million.

I should say that I consider these sums to be not expenditures but investments in the finest sense of the word. Their use would create worthwhile needed projects, and would put people to work.

Much as I applauded the President's war on poverty, I felt then and feel now that it was not sufficiently implemented to do the job of putting the people to work and putting them to work now. Much of the war on poverty has not been a long-range project, then and now, particularly in view of the fact that we are at the height of a prosperity never before equaled in the history of our Nation and that we have continuous unemployment.

I also applaud the fact that the original version of the bill has been changed to include Alaska and Hawaii, which, in the original draft, were omitted because of the fact that they were not areas which were contiguous to the States. That has been changed by amendment.

I was glad to listen to the words of the Senator from Wisconsin [Mr. Proxmire], who has supported this legislation very ably and effectively.

I believe that this is an important step. I believe that this session of Congress will be noted for its fine and rapid

achievements. We have passed bills that will be of tremendous value. There are still many more such measures ahead.

I am confident that this Congress will go down as one of the most productive Congresses in history and that the moves that have been taken are largely and almost wholly in the public interest.

L.B.J. VIETNAM POLICY UNANIMOUSLY SUPPORTED BY ON-THE-SPOT EXPERTS

Mr. PROXMIRE. Mr. President, there are few more expert among the journalistic fraternity than Thomas B. Ross, correspondent of the Chicago Sun-Times.

Mr. Ross has covered the State Department and been a specialist for the State Department in foreign affairs.

Mr. Ross was sent recently by the Chicago Sun-Times to Vietnam. He has been there since May 1. On last Sunday, May 23, he filed what to me was a very interesting report on Vietnam.

I should like to quote from it briefly. Mr. Ross considers the reaction in Vietnam to our building up of troops and forces and launching air strikes in Vietnam, and states:

Nevertheless, in the virtually unanimous view of officials and observers here, there was no acceptable alternative to the major U.S. buildup which began in February along with launching of airstrikes on North Vietnam.

"The clock stood at 1 minute to midnight," a high-ranking official here observed, and the only other course of action was an abrupt and humiliating withdrawal.

That, in the judgment of every experienced observer this reporter has been able to contact in this area, would have led eventually to complete Communist Chinese domination of southeast Asia.

Mr. Ross is not a man who is ingrained with campaigning for military action. He is dispassionate, and an objective, competent reporter.

Allow me to repeat that last short sentence. It reads:

That, in the judgment of every experienced observer this reporter has been able to contact in this area, would have led eventually to complete Communist Chinese domination of southeast Asia.

Mr. Ross goes on to say:

Critics of President Johnson's Vietnam policy may abound in Washington and elsewhere in the United States, but they are all but impossible to find out here.

A Titoist solution may seem feasible on the American campus, but this reporter has been unable to locate a single resident American—soldier, diplomat, journalist, or scholar—who thought it was a possibility in the current climate of militant expansionism in Peiping.

Mr. President, I ask unanimous consent that the article published in the Chicago Sun-Times of Sunday, May 23, 1965, entitled "United States Courts a Showdown in Vietnam," written by Thomas B. Ross, be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD as follows:

The PRESIDING OFFICER. The amendments will be received, printed, and referred to the Committee on Finance; and, without objection, the amendments and accompanying explanations will be printed in the RECORD.

Amendment No. 214 is as follows:

On page 266, between lines 22 and 23—insert the following new section:

"PAYMENT OF COSTS OF REHABILITATION SERVICES FROM THE TRUST FUNDS

"SEC. —. Section 222 of the Social Security Act is amended by redesignating subsections (b) and (c) as subsections (c) and (d), respectively, and by inserting after subsection (a) the following new subsection:

"Costs of rehabilitation services from trust funds

"(b) (1) For the purpose of making vocational rehabilitation services more readily available to disabled individuals who are (A) entitled to disability insurance benefits under section 223, or (B) in a period of disability under section 216(i), or (C) entitled to child's insurance benefits under section 202(d) after having attained age 18 (and are under a disability), to the end that savings will result to the Trust Funds as a result of rehabilitating the maximum number of such individuals into productive activity, there are authorized to be transferred from the Trust Funds such sums as may be necessary to enable the Secretary to pay the costs of vocational rehabilitation services for such individuals and of so much of the expenditures for the administration of any State plan as is attributable to carrying out this subsection; except that the total amount so made available pursuant to this subsection in any fiscal year may not exceed 1 percent of the benefits under section 202(d) for children who have attained age 18 and are under a disability or under section 223, which were certified for payment in the preceding year. The selection of individuals (including the order in which they shall be selected) to receive such services shall be made in accordance with criteria formulated by the Secretary which are based upon the effect the provision of such services would have upon the Trust Funds.

"(2) In the case of each State which is willing to do so, such vocational rehabilitation services shall be furnished under a State plan for vocational rehabilitation services which—

"(A) has been approved under section 5 of the Vocational Rehabilitation Act.

"(B) provides that, to the extent funds provided under this subsection are adequate for the purpose, such services will be furnished, to any individual in the State who meets the criteria prescribed by the Secretary pursuant to paragraph (1), with reasonable promptness and in accordance with the order of selection determined under such criteria, and

"(C) provides that such services will be furnished to any individual without regard to (i) his citizenship or place of residence, (ii) his need for financial assistance except as provided in regulations of the Secretary in the case of maintenance during rehabilitation, or (iii) any order of selection followed under the State plan pursuant to section 5 (a) (4) of the Vocational Rehabilitation Act.

"(3) In the case of any State which does not have a plan which meets the requirements of paragraph (2), the Secretary may provide such services by agreement or contract with other public or private agencies, organizations, institutions, or individuals.

"(4) Payments under this subsection may be made in installments, and in advance or by way of reimbursement, with necessary adjustments on account of overpayments or underpayments.

"(5) Money paid from the Trust Funds under this subsection for purposes of pro-

viding services to individuals who are entitled to benefits under section 223 or who are within a period of disability under section 216(i) shall be charged to the Federal Disability Insurance Trust Fund, and all other money paid out from the Trust Funds under this subsection shall be charged to the Federal Old-Age and Survivors Insurance Trust Fund. The Secretary shall determine according to such methods and procedures as he may deem appropriate

"(A) the total cost of the services provided under this subsection, and

"(B) subject to the provisions of the preceding sentence, the amount of such cost which should be charged to each of such Trust funds.

"(6) For the purposes of this subsection the term "vocational rehabilitational services" shall have the meaning assigned to it in the Vocational Rehabilitation Act, except that such services may be limited in type, scope, or amount in accordance with regulations of the Secretary designed to achieve the purposes of this subsection."

The explanation accompanying amendment No. 214 is as follows:

EXPLANATION OF AMENDMENT NO. 214

One of the objectives of the social security disability program is to promote the rehabilitation of disability beneficiaries. The social security law includes a number of provisions designed to further this objective, among them one that declares it to be the policy of the Congress that applicants for disability benefits be referred to the State vocational rehabilitation agencies for vocational rehabilitation services, so that as many of them as possible may be restored to productive activity.

Arrangements under which applicants for disability benefits are referred to the State rehabilitation agencies have been helpful in leading to their rehabilitation, but there is more to the problem than getting people referred to the appropriate agency. The States, for example, give first priority to those disabled persons who show relatively good potential for rehabilitation. A person who is younger and whose disability is not as severe as that of one who is eligible for disability benefits under social security very often represents a better investment of rehabilitation resources than does the latter. Because, as a group, social security beneficiaries are given a relatively low priority by the State agencies, and because of limitations on funds and therefore on the extent of services that can be offered by the agencies, some beneficiaries who could profit from rehabilitation services do not get them.

A proposal similar to the one under discussion here has been recommended by both the 1948 and the 1965 Advisory Councils on Social Security. As pointed out by the 1965 Council: "The expenditure of social security funds is clearly justified so long as the savings from the amount of benefits that would otherwise have to be paid exceed, or at least equal, the money paid from the trust funds for rehabilitation costs. It is wasteful and shortsighted for the social security system to be paying benefits to disabled persons if a lesser expenditure of funds would assure their return to work."

The experience of certain insurance carriers in providing rehabilitation services for workers entitled to workmen's compensation tends to support the conclusion of the 1965 Advisory Council that enactment of the proposal would result in lower benefit costs under social security. Furthermore, any provision which would result in an increased number of disabled workers who are rehabilitated would benefit not only the individuals involved but also society in general. For the rehabilitated individual, the gain would not only be in increased income but also in the satisfaction flowing from his restoration to a useful economic role in society.

In order to help avoid the possibility of the legislation resulting simply in the substitution of Federal funds for State funds, as well as to avoid neglect of non-OASI beneficiaries whose rehabilitation is not financed wholly from Federal funds, the funds provided under the proposal would be allocated among the States in accordance with their ability to use the funds effectively and generally under the same rehabilitation plans now used by the States under the Vocational Rehabilitation Act. The success of the States would, of course, be subject to continuous evaluation.

Under the legislation there would be continuing evaluation of the effects of the rehabilitation expenditures and any needed adjustments made in selection criteria and administration so that the savings to the trust funds from the reduction in benefits paid out and the increased taxes paid on the earnings of people returned to work would equal or exceed the cost of the rehabilitation services.

On page 266, between lines 22 and 23—insert the following new section:

"FACILITATING DISABILITY DETERMINATIONS

"SEC. —. (a) Subsection (b) of section 221 of the Social Security Act is amended by inserting before the period at the end thereof, other than individuals referred to in subsection (g) (4):

"(b) Subsection (g) of such section 221 is amended to read as follows:

"(g) In the case of—

"(1) individuals in a State which has no agreement under subsection (b),

"(2) individuals outside the United States,

"(3) any class or classes of individuals not included in an agreement under subsection (b), and

"(4) any individual with respect to whom the Secretary, in accordance with regulations prescribed by him, finds that a determination of disability or of the day on which a disability ceased may be made (A) on the evidence furnished by or on behalf of such individual from sources of information as to examination and treatment which are designated by such individual, or (B) on the evidence of remunerative work activities performed by such individual,

the determinations referred to in subsection (a) shall be made by the Secretary in accordance with regulations prescribed by him."

"(c) The amendments made by subsections (a) and (b) shall take effect in any State which has an agreement with the Secretary under section 221 of such Act when the Secretary finds that the implementation of section 221(g) (4) of such Act can be effectuated with respect to individuals in such State without impeding the efficient administration of the disability insurance program of such Act in such State."

The explanation accompanying Senate amendment 215 is as follows:

EXPLANATION OF AMENDMENT NO. 215

Under present law, generally, disability determinations must be made by State agencies under agreements with the Secretary. Since, however, under a provision of this bill, disability benefits are to be provided after a shorter period than is required under present law, there will be a need to develop and adjudicate disability claims more rapidly than at present. Moreover, since determinations of eligibility for benefits will, under a provision of this bill, be made solely on the basis of total disability, i.e., without regard to whether the individual's disability can be expected to be of long-continued and indefinite duration or to result in death, some basic changes will need to be made both in the scope of development and in the adjudication of these claims. To assure prompt payment, initial evaluations should be made

at the earliest feasible time and with as little delay as possible. This can be accomplished by having certain clear-cut determinations made directly on the basis of readily available evidence by trained disability evaluation personnel of the Social Security Administration, while the more borderline and difficult cases would be sent to contracting State agencies for further development and evaluation. The contracting State agencies would undertake to obtain additional evidence as necessary, including the purchase of independent medical examinations and workups of applicants to determine functional capacity and vocational capabilities. In addition, in cases initially adjudicated by the State agencies the Secretary would be authorized to terminate entitlement to disability benefits without further State action in clear-cut cases of recovery.

The proposed change is based on past operating experience acquired under the program during those occasions when the volume of claims backlog in an individual State agency reached a level requiring emergency action to assure more prompt disposition of pending cases. In these situations a temporary agreement modification was effected with the State to permit determinations to be made by the Secretary instead of the State agency in cases where a decision could be reached on the basis of evidence presented by the applicant. This modified procedure has been used effectively in the past on a selected basis, where unusually heavy workloads have developed, to expedite the processing of claims. Under the proposed change, the Secretary will be authorized to make a determination of disability only if the information submitted by the sources that the individual states treated him or examined him (e.g., his attending physician, the hospital) is sufficient to make such determination. If any additional information is needed (e.g., an examination by a medical or vocational consultant designated by the Secretary) the case will have to go to the State agency.

This change would also permit benefits to be terminated promptly (after a trial work period where appropriate), without the need for State action, when evidence is received by the Secretary that a beneficiary has returned to gainful work.

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965—AMENDMENTS

AMENDMENT NO. 216

Mr. MOSS. Mr. President, there is great concern among units of local government—primarily cities, counties, and towns—that in the implementation of section 404 of title IV of this bill, their responsibility and authority will be undermined. Title IV deals with the establishment of economic development districts.

The fact is that the bill as drafted does not allow these local units to play their proper role in the establishment of these districts. This was discussed in committee. The bill was not amended, but language was written in the report as follows:

Before the Secretary approves the establishment of any economic development district as provided under section 403, which in most cases will consist of several counties, municipalities, or other political jurisdictions, steps should be taken to obtain concurrence of the appropriate local governmental authorities in the counties, municipalities, or other political jurisdictions when such jurisdictions are wholly within the proposed economic development district.

Merely writing language into the report is not satisfactory. The effectiveness of this approach has been questioned by the Advisory Commission on Intergovernmental Relations, and by other groups. They feel strongly that the bill should be amended to give units of general local government a preference as recipients of financial assistance under S. 1648, and where they are not the actual recipients, to give these units an opportunity to comment on any proposed development plan or application for financial assistance.

I, therefore, send to the desk a series of five amendments which I feel will strengthen the bill, and give local government units an opportunity to play the role they are equipped and entitled to play in the implementation of S. 1648.

Amendment No. 1 would require the Secretary of Commerce, pursuant to regulations established by him, to designate groups of elected officials of units of general government and, where appropriate, State officials, as economic planning and development groups in the absence of substantial reasons justifying the designation of some other body.

Amendment No. 2 would require that units of general local government have an opportunity to comment and make recommendations on any proposed economic development program submitted by an economic and planning development group where such unit of government was not represented thereon.

Amendments Nos. 3 and 4 would require the Secretary to extend financial assistance under titles I and II, respectively, to units of general local government in the absence of substantial reasons justifying a different recipient.

Amendment No. 5 contains a definition of "unit of general local government."

Mr. President, I have been a county official myself, and I understand the concern of officials serving at that level of government about the provisions of this bill. I have worked with city and town officials also, and I understand their dissatisfaction with the bill as brought to the floor. They should have full opportunity to express their views on the implementation of all phases of the programs authorized in this bill which in any way touch their jurisdictions. They should be able to state their preference as to recipients of financial assistance under the proposed act. These provisions should be written into the law—not just recommended in the language of the report.

The PRESIDING OFFICER. The amendment will be received, printed, and lie on the table.

PRINTING OF REPORT ON MODIFICATION OF JOHN REDMOND DAM AND RESERVOIR, GRAND (NEOSHO) RIVER, KANS. (S. DOC. NO. 27)

Mr. McNAMARA. Mr. President, I present a letter from the Secretary of the Army, transmitting a favorable report from the Chief of Engineers, Department of the Army, together with accompanying papers and illustrations, on a modification of the John Redmond Dam and Reservoir, Grand—Neosho—River, Kans., authorized by the Fish and Wildlife Coordination Act approved August 12, 1958.

I ask unanimous consent that the report be printed as a Senate document, with illustrations, and referred to the Committee on Public Works.

The PRESIDING OFFICER. Without objection, it is so ordered.

PRINTING OF REPORT ON MODIFICATION OF JOHN DAY LOCK AND DAM, COLUMBIA RIVER, WASH. AND OREG. (S. DOC. NO. 28)

Mr. McNAMARA. Mr. President, I present a letter from the Secretary of the Army, transmitting a favorable report dated August 28, 1963, from the Chief of Engineers, Department of the Army, together with accompanying papers and illustrations, on a modification of the John Day lock and dam, Columbia River, Wash. and Oreg., authorized by the Fish and Wildlife Coordination Act approved August 12, 1958.

I ask unanimous consent that the report be printed as a Senate document, with illustrations, and referred to the Committee on Public Works.

The PRESIDING OFFICER. Without objection, it is so ordered.

PRINTING OF INTERIM REPORT ON LAFAYETTE AND BIG PINE RESERVOIRS, WABASH RIVER BASIN, IND. (S. DOC. NO. 29)

Mr. McNAMARA. Mr. President, I present a letter from the Secretary of the Army, transmitting a favorable report dated April 13, 1965, from the Chief of Engineers, Department of the Army, together with accompanying papers and illustrations, on an interim report on Lafayette and Big Pine Reservoirs, Wabash River Basin, Ind., in partial response to resolutions of the Committee on Public Works of the U.S. Senate, adopted May 9, 1949, and May 6, 1958.

I ask unanimous consent that the report be printed as a Senate document, with illustrations, and referred to the Committee on Public Works.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDITIONAL COSPONSORS OF BILLS

Mr. SIMPSON. Mr. President, on March 4 I introduced for myself and Senators FANNIN, BENNETT, JORDAN of Idaho, YOUNG of North Dakota, ALLOTT, THURMOND, SCOTT, and DIRKSEN, S. 1387, which would authorize the payment to local governments of sums in lieu of taxes and other revenues lost by such governments by reason of certain actions on the part of the United States in connection with recreation.

By mistake, the name of Senator DOMINICK was omitted.

I ask unanimous consent to have him named as a cosponsor at the next printing of the bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

89TH CONGRESS
1ST SESSION

Calendar No. 179

S. 1648

IN THE SENATE OF THE UNITED STATES

MAY 26 (legislative day, MAY 24), 1965

Ordered to lie on the table and to be printed

AMENDMENTS

Intended to be proposed by Mr. Moss to S. 1648, a bill to provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions, viz:

1 On page 7, between lines 5 and 6, insert the following:

2 “(f) (1) In the extension of any financial assistance
3 pursuant to this title, the Secretary shall, in the absence of
4 substantial reasons to the contrary, provide such general
5 assistance to general units of local government acting singly
6 or jointly rather than to a private or public nonprofit
7 organization.

8 “(2) For the purpose of this Act the term ‘unit of

1 general local government' means any city, county, town,
2 parish, village, or other general-purpose political subdivision
3 of a State."

4 On page 18, between lines 5 and 6, insert the following:

5 "SEC. 204. In the extension of any financial assistance
6 pursuant to this title, the Secretary shall, in the absence of
7 substantial reasons to the contrary, provide such general
8 assistance to general units of local government acting singly
9 or jointly rather than to a private or public nonprofit orga-
10 nization or other association."

11 On page 29, between lines 8 and 9, insert the following:

12 "(E) The economic development program has been
13 submitted to the governing body of those units of general
14 local government partially or wholly located within the
15 proposed economic development district for their comments
16 and recommendations and that such comments and recom-
17 mendations have been considered by the planning and de-
18 velopment group prior to the formal submission of the eco-
19 nomic development program, except that the requirements
20 of this paragraph (E) shall not apply where the district
21 planning and development group certifies that (i) the pro-
22 posed program has lain before an appropriate unit of general
23 local government for a period of sixty days without com-
24 ment thereon being made by such general local government;

1 or (ii) where the unit of general local government is repre-
2 sented on the district planning and development group;”.

3 On page 32, between lines 17 and 18, insert the follow-
4 ing:

5 “(h) The Secretary shall by regulation prescribe that
6 in the absence of substantial reasons to the contrary, eco-
7 nomic planning and development groups shall be composed
8 of or responsible to elected officials of units of general local
9 government and, where appropriate, State officials, within
10 whose jurisdiction such group is authorized to plan an
11 economic development program.”

AMENDMENTS

Intended to be proposed by Mr. Moss to S. 1648, a bill to provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

May 26 (legislative day, May 24), 1965

Ordered to lie on the table and to be printed

Digest of CONGRESSIONAL PROCEEDINGS

OFFICE OF
BUDGET AND FINANCE

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OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

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HIGHLIGHTS: Senate debated public works and economic development bill. Sen. Bayh criticized disaster relief program including USDA policies. Sen. Pearson asked USDA increase in ceiling price at which CCC commodities can be sold. House committee reported bill to expand poverty program. House committee voted to report cigarette labeling bill.

SENATE

- PUBLIC WORKS; ECONOMIC DEVELOPMENT.** Continued debate on S. 1648, the proposed Public Works and Economic Development Act of 1965. Agreed to the Randolph amendment providing that financial assistance under the section on loans and guarantees shall not be extended to establishments relocating from one area to another, or to assist subcontractors whose purpose is to divest other contractors or subcontractors of contracts previously customarily performed by them; and the Hruska amendments to confine authorizations for certain annual appropriations to the fiscal year 1966 and each year thereafter ending June 30, 1970. Rejected, 25-39, an amendment by Sen. Hruska to eliminate language authorizing contractors to pay annually not over 10 years to private business amounts sufficient to reduce by two percentage points the interest paid by them on loans obtained from non-

Government sources not guaranteed by any Government agency. pp. 11486-96, 11529-30 96

2. REORGANIZATION. Both Houses received from the President Reorganization Plan No. 4, to abolish various statutory committees and arrange for their functions to be handled administratively, including the National Housing Council, National Advisory Council on International Monetary and Financial Problems, Board of the Foreign Service, Advisory Council on Group Insurance, Loan Policy Board of the Small Business Administration, and Bonneville Power Advisory Board (H. Doc. 194); to Government Operations Committees. pp. 11450-1, 11532-3
Both Houses received from the President Reorganization Plan No. 5, to abolish the divisional committees of the National Science Foundation and to empower the Director of the Foundation to delegate his functions (H. Doc. 195); to Government Operations Committees. pp. 11451-2, 11534
3. APPROPRIATIONS. H. R. 8370, the agricultural appropriation bill, was referred to the Appropriations Committee. p. 11452
4. DISASTER RELIEF. Received from the President a budget amendment of \$35,000,000 for disaster relief (S. Doc. 30); to Appropriations Committee. p. 11453
Sen. Bayh discussed the recent needs for disaster relief in Ind. and said the USDA policies on this matter have been inadequate. pp. 11467-8
5. RIVER BASINS. The Public Works Committee reported with amendments H. R. 6755, to authorize additional appropriations for projects in certain river basins for flood control, navigation, etc. (S. Rept. 266). p. 11456
Sen. Brewster spoke in favor of development and conservation of the Potomac River Basin and inserted an article on this subject. p. 11484
6. MONOPOLIES. The Judiciary Committee submitted its report, "Antitrust and Monopoly Activities, 1964" (S. Rept. 265). p. 11456
7. WILD RIVERS. Sen. Muskie submitted an amendment to S. 1446 (the wild rivers bill) to add State-designated wild river areas to the wild rivers system. pp. 11459-60
8. ELECTRIFICATION. Sen. Carlson inserted and commended a Kans. Corporation Commission resolution favoring S. 218, to remove jurisdiction from the Federal Power Commission for certain decisions regarding electrification. pp. 11460-1
9. CCC PRICES. Sen. Pearson requested that the Department "increase the ceiling price at which Commodity Credit Corporation agricultural products can be sold." p. 11465
10. ADMINISTRATIVE PROCEDURE. Sen. Ervin spoke in favor of legislation to provide for "revising and updating the Administrative Procedure Act." pp. 11477-9
11. CONSUMERS. Sen. Hart inserted legislative recommendations of the Mass. Consumer Association. pp. 11479-80
12. AGING. Passed as reported H. R. 3708, to help older persons through grants to States for community planning and services and for training, research, etc., through HEW. pp. 11503-4

and to beautify the Anacostia waterfront.

Certainly the Nation's Capital is the proper place for a naval museum. Not only is the Washington Navy Yard the site of our first naval installation, but it is only fitting that the proposed museum be in the same city as the Nation's great historic documents.

I welcome the opportunity to cosponsor this bill in the interest of preserving that historic site for future generations.

John McKelway, in the Evening Star's "The Rambler" column, has written an interesting article on the history of the yard. I join in Mr. McKelway's hope that the bill will receive favorable consideration, for it would not do to see the yard razed—leaving the ghost of its first commandant homeless.

I ask unanimous consent that the article, which appeared May 14, be inserted at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

THE RAMBLER: MISSED THE COMMODORE
(By John McKelway)

Tried to find the ghost down at the Washington Navy Yard with little success.

He has not been seen since the name of the yard was changed to the "Naval Gun Factory." It apparently upset him. And he may have been altogether forgotten when they changed the name again, to the "Naval Weapons Plant."

But today the original name has been restored, and the Rambler had an idea the commodore might be up and around again and willing to comment on the Bartlett bill.

The other day, Senator E. L. (BOB) BARTLETT, Democrat, of Alaska, introduced a bill to preserve certain areas of the Navy Yard once it is no longer needed for national defense purposes. The land apparently would pass to the Secretary of the Interior and he would come up with a plan, setting it aside as a historic site.

The work of the yard has diminished over the last 10 years, after a series of fights to "save the gun factory" and today it is a peaceful place, filled with a few marines and civilians, and possibly a great number of spies and a large collection of old cannons.

Gradually, various Government agencies have been setting up shop in the old factory buildings and BARTLETT may be worried the Commodity Credit Corporation, or some such agency, may have its eyes on—well, the commodore's old home.

One of the old buildings dates back to 1801 and the main gate and the commandant's home were built about 1804.

During the Rambler's visit, he noticed more parking places are available today, and no tough-looking security guards asked to see what credentials he had.

Some marines were drilling down near the Anacostia, and the Rambler watched them awhile before paying his first visit to the new U.S. Naval Historical Display Center. It is still being worked on but it does furnish an interesting introduction to naval history. It should get better.

Oddly enough, the most interesting building in the yard is one in the northwest corner, unmarked, its windows bricked up, surrounded by a fence.

The building belongs to the Central Intelligence Agency, and it is all very mysterious. Maybe they are holding the commodore in there for questioning, or something.

The commodore?

This was, and maybe still is, Commodore Thomas Tingey, first commandant of the Navy yard.

An Englishman, who had served some time in the British Navy, he later turned up in what Navy the United States had and distinguished himself. He was picked out to set up the yard in the new Washington.

The Rambler always has had an affection for the commodore. In the early days, Tingey discovered his civilian workmen, under a contract to build 50 gunboats, were spending too much time in surrounding grogshops during morning whisky breaks—a forerunner of today's coffee breaks.

The commodore purchased 100-barrel lots of whisky and had it served to the men on the job as "refreshments." Work progressed.

Commodore Tingey was to stay with the yard and see to its expansion for 29 years.

He apparently considered the yard his own, more or less, and he saw to its restoration after the British swept in and burned most of the buildings, 1814.

He died in 1829, in his home in the yard, and was buried in Congressional Cemetery. But in 1853, the daughter of the then commandant reported Commodore Tingey was frequently seen strolling around the house, or in some of the darker spots of the installation, dressed in a long-white night-shirt, gold-braided tophat, long pigtails and a spyglass under one arm.

The Rambler hopes the Bartlett bill will move. Commodore Tingey deserves no less. And the hopes of maybe catching a glimpse of him should assure a good turnout at the yard if it is ever set aside as a big museum of naval history.

Crowds might even fall off at the Smithsonian.

TRIBUTE TO SMALL BUSINESS
ADMINISTRATION

Mr. BYRD of West Virginia. Mr. President, the designation by President Lyndon B. Johnson of the week of May 23 through May 29 as National Small Business Week offers an excellent opportunity for recognition of the contribution which the Small Business Administration has made toward sustaining the strength of our Nation's economy.

On April 9, 1963, I spoke at some length here in the Senate on the interrelationship of free enterprise, small business, and Federal aid to small business. I pointed out the importance of adequate funding for the Small Business Administration, as an investment in the future of America, and that the Congress has long recognized that assistance to small business constitutes a contribution toward the success of the private enterprise system rather than an encroachment upon that system.

These facts are equally true today. It is equally true, also, that lipservice tribute to the value of small business in the American economy is simply not enough, for the number of firms doing business in the American economy is nearing the 5-million mark. Of the total number of those firms, over 95 percent are small. In fact, the great bulk of American business is made up of undeniably small enterprises—those without any paid employees other than the owners. Only one out of four businesses has more than three paid employees.

Each year thousands of firms are formed in the United States and begin operations, and thousands are discontinued. These actions are a result of natural forces generated by our American economy in its adaptation to chang-

ing demands for goods and services and to the changes in our Nation's position in the world economy.

Congress, in enacting the Small Business Act, recorded its conviction that a strong and prosperous small business community is a basic element in a free and competitive society.

The mission of the Small Business Administration is to aid, counsel, assist, and protect the small business community. That mission is of ever-increasing importance as our Nation moves into action on levels never previously explored in an effort to reach its full productive capacity, to reach a higher employment peak, and to insure a wider range of economic opportunity for all of our citizens.

As a member of the Senate Appropriations Committee, I was pleased to support the recent appropriation of \$100 million for additional capital for the Small Business Administration's revolving fund at the time the second supplemental appropriations bill for 1965 was before the committee for action. I am gratified at the favorable action by the Congress in appropriating this sum, for, as I have stated in the past, what the Small Business Administration needs is adequate resources to do the job which it was designed by Congress to perform. The returns to the Nation are marked in terms of increased employment, increased profits for small businesses, and, at the end of the cycle, increased tax revenues.

PROPOSED ALLEGHENY PARKWAY

Mr. BYRD of West Virginia. Mr. President, as the introducer of S. 6, a bill to establish the Allegheny Parkway in the States of West Virginia, Kentucky, and Maryland, and to authorize connecting parkway roads and trails to permit greater utilization of adjacent national forests and resources, I wish to place in the RECORD a newspaper article published in the Sunday Gazette-Mail, Charleston, W. Va.; State magazine on May 23, 1965.

Harpers Ferry National Historical Park is a scenic, fitting, and nationally significant area for inclusion in the proposed 620-mile parkway, conceived as a scenic highland route arising in Maryland, traversing the eastern panhandle of West Virginia and winding on through 360 miles of eye-appealing West Virginia hillsides southward through Kentucky to the Cumberland Gap at the Tennessee border.

This bill is under consideration at present in relation to the President's program which would allow West Virginia and other States to use one-third of their annual Federal aid for secondary farm-to-market roads for the development of scenic and recreational programs. The anticipated economic value from increased tourism to the areas contiguous to the parkway is well presented by this news item on Harpers Ferry.

I am hopeful that the President's program will be speedily adopted by the Congress, and that priority can be given to the beginning of engineering studies on the Allegheny Parkway.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

**THEIR HEARTS ARE IN THE HIGHLAND—
EASTERN PANHANDLE SEEKING TO LURE
HARPERS FERRY VISITORS INTO WEST VIRGINIA**
(By Ron Wilson and Walt Whittaker)

The Civil War and a long series of floods periodically have wrecked the business center of Harpers Ferry, the town made famous around the world by John Brown's raid.

But in the last 10 years a modern industry, tourism, has made the town named after Robert Harper more prosperous than ever before.

Located on the edge of West Virginia at the intersection of the Shenandoah and Potomac Rivers, strategic Harpers Ferry suffered from attacks and occupations by Yankee and rebel alike. Near the end of the war, as many as 60,000 Federal troops at one time occupied the town of 3,000.

As a tourist brochure describing the hamlet in the Civil War reads, "At the end of the war, Harpers Ferry was a ghost town with mills, armory, arsenal, and many other buildings destroyed. It was never fully to recover."

The floods, 26 of them since 1810, continually took their toll. Major catastrophes in 1936 and 1942 almost wiped out the lower part of the town.

Then, following the most recent flood in 1955, the National Park Service set the little town back on its feet with the establishment of the Harpers Ferry National Historical Park. Through Project 66 and a half million dollar budget, the park service hopes to recreate the original Harpers Ferry by next year.

And now the area, according to a motel operator, is "jumping" and is likely to keep right on prospering despite the recent closing of the Civil War Showcase.

The showcase, an exhibit of Civil War paraphernalia, closed this year when a principal owner was killed in an automobile accident. His estate, including the showcase, was sold at auction. The three-building exhibit occupies a strategic military position that became the scene of bloody fighting by both rebel and Union forces.

Joseph R. Prentice, head of the Harpers Ferry National Historical Park, suggests that the showcase was having economic problems. "The many things they did there," he explains, "had too big an overhead."

He also thinks many tourists would not stop to patronize the place because of the location of the entrance on a turn at the peak of a ridge.

"It was in a very dangerous place," he says. "A car had to cut across in front of oncoming traffic and enter a road, the destination of which he couldn't see."

Mrs. John Newcomer, co-owner with her husband of the Cliffside Motel in Harpers Ferry, says the showcase belongs to a group of businessmen in Frederick, Md.

She believes the men are trying to sell it to the State for use in the Job Corps.

"You see, the State must either furnish the grounds, or the Federal Government has to own them, before a Job Corps camp can be set up."

According to Mrs. Newcomer, the showcase had a good year in 1964. A constant stream of tourists still go down the quarter mile of dirt road to find it.

"It's a shame it's closed," she claims, "because it could have been built up into a really nice tourist attraction."

However, she does not believe the showcase closing will have much effect on the rising tide of tourists pouring into the area. Mrs. Newcomer, whose motel began in 1939 with 8 cabins and has grown into a profitable 32-cabin business, explains, "This area is what they call jumping. Over weekends it's impossible to find any rooms in this area."

But, sadly, the major part of tourists move south through the Shenandoah Valley rather than on into West Virginia.

Some business leaders, not too happy over tourists disregarding their area, met in Romney last year to form Potomac Highlands of West Virginia.

Through Potomac Highlands the businessmen—representing the State's 10 eastern counties—hope to attract the tourists drawn in by Harpers Ferry. They, hope, also to encourage other tourists to visit and spend money in their area.

To attract these tourists, Potomac Highlands has embarked on an ambitious campaign to advertise the section comprised of Jefferson, Berkeley, Morgan, Hampshire, Mineral, Hardy, Grant, Tucker, Pendleton, and Pocahontas Counties.

Part of the campaign is a 6-week advertising contract with a national magazine, now underway, and in metropolitan newspapers.

Potomac Highlands is printing about 200,000 brochures, listing three attractions, plus the history, of each county. The brochures will include articles describing the best places for hunting and fishing. They will be financed through membership dues. The State department of commerce will match \$3,800 for other advertising.

After a 2-month membership drive, Potomac Highlands has collected \$5,700 through membership fees and is planning an operating budget for the first year of \$18,000.

But the organization has its problems. According to George Stickler, area extension agent at Moorefield, who has been a guiding force behind it.

"Our biggest problem has been to get people to understand what we are trying to do. We are trying to get an organization off the ground that should have been gotten off the ground 20 years ago."

The organization has been criticized because it "hasn't done anything." But Stickler points out that tangible results will not begin to show until after the advertising campaign has gotten underway. It is expected to go into full swing early this summer.

Another problem could develop if an adequate replacement is not found for Stickler, who has accepted a job elsewhere and will leave in the summer.

Berkeley and Jefferson Counties already are members of the Shenandoah Valley, Inc., and some observers in the Harpers Ferry area believe these counties may not actively support Potomac Highlands. They note the tie of the area to the north-south flow of tourists and the existence of two of the State's three racetracks in Charles Town as evidence that they may not need Potomac Highlands.

Some, like Prentice, believe tourists will not move on into West Virginia because of the absence of a good east-west road through the area.

The Harpers Ferry Park head says, "West Virginia isn't getting the tourists it should because of its roads. They are winding and they aren't scenic."

He says Senator ROBERT BYRD is ahead of his time in proposing the Appalachian Scenic Highway to compete for tourists now going south. A major number of the 800,000 tourists coming each year to the Harpers Ferry Park, he says, are now going on south toward Skyline Drive and other areas more easily accessible by automobile.

Prentice explains that it is a "phenomenon of our time" that a tourist will drive for 2 or 3 hours to visit an attraction for 30 minutes. Because of this driving pattern of the tourist, he believes West Virginia will never get a major share of the tourists until it revamps its road system.

At the same time he points out what he feels to be the real economic future of West Virginia.

He says the large urban complex extending from Boston to Alexandria needs a periodic change of environment and that this need will become greater as the population increases. The need will also become greater as the workweek becomes shorter, giving the traveling public more leisure time to travel.

These urban people want to go, he says, 100 miles or more from their own area. And West Virginia is the only State ideally located for their needs.

But until the type of roads are built that will get tourists into and out of West Virginia rapidly, the great majority of them will continue to stop at Harpers Ferry, then move south, he believes.

Meanwhile, Harpers Ferry is glad that people are at least going as far into West Virginia as its area. With groups such as Potomac Highlands and better transportation facilities, perhaps tourists will go even farther.

THE PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

**PUBLIC WORKS AND ECONOMIC
DEVELOPMENT ACT OF 1965**

THE PRESIDING OFFICER. The Chair lays before the Senate the unfinished business, which is S. 1648.

The Senate resumed the consideration of the bill (S. 1648) to provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions and substantial and persistent unemployment and underemployment in economically distressed areas and regions.

**MODIFICATION OF UNANIMOUS-CONSENT
AGREEMENT**

MR. MANSFIELD. Mr. President, I ask unanimous consent that the hour set for the vote on Senate bill 1648 be changed from 4 o'clock p.m. to 5 o'clock p.m. on Tuesday, June 1, 1965.

THE PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The unanimous-consent agreement, subsequently reduced to writing, is as follows:

UNANIMOUS-CONSENT AGREEMENT

Ordered, That, effective on Thursday, May 27, 1965, at the conclusion of routine morning business, during the further consideration of the bill (S. 1648) to provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions, debate on any amendment, motion, or appeal, except a motion to lay on the table, shall be limited to 1 hour, to be equally divided and controlled by the mover of any such amendment or motion and the majority leader: *Provided*, That, in the event the majority leader is in favor of any such amendment or motion, the time in opposition thereto shall be controlled by the minority leader or some Senator designated by him: *Provided further*, That no amendment that is not germane to the provisions of the said bill except an amendment by the Senator from New York [Mr. JAVITS] shall be received.

Ordered further, That on the question of final passage of the said bill debate shall be limited to 4 hours, to be equally divided and controlled, respectively, by the majority and minority leaders: *Provided*, That the said leaders, or either of them, may, from the time under their control on the passage of the said

bill, allot additional time to any Senator during the consideration of any amendment, motion, or appeal.

Ordered further, That the Senate proceed to vote on final passage of the bill not later than 5 p.m. on Tuesday, June 1.

Mr. RANDOLPH. Mr. President, I offer an amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment of the Senator from West Virginia will be stated.

The LEGISLATIVE CLERK. On page 12, it is proposed to strike out lines 3 and 4 and insert in lieu thereof the following:

(1) Such financial assistance shall not be extended to assist establishments relocating from one area to another or to assist subcontractors whose purpose is to divest, or whose economic success is dependent upon divesting, other contractors or subcontractors of contracts theretofore customarily performed by them.

The PRESIDING OFFICER. How much time does the Senator from West Virginia yield to himself?

Mr. RANDOLPH. I yield myself 15 minutes.

The PRESIDING OFFICER. The Senator from West Virginia is recognized for 15 minutes.

Mr. RANDOLPH. The amendment which has been read to the Senate relates to a subject which has been discussed by me with the distinguished chairman of the committee, the Senator from Michigan [Mr. McNAMARA], and with other Members, both majority and minority members of the committee.

In effect, the amendment would tighten the provisions of the bill against the transference of jobs or job opportunities from one area to another when there is a possibility that work in the form of production contracts might be transferred as a result of assisting an employer in a designated area who intends to undertake a work contract being performed in another area.

The measure before the Senate is a vital piece of proposed legislation. It would clearly prohibit the relocation of production facilities which would result in the transfer of job opportunities. But it is my opinion that it does not specifically mention the possibility of the transfer of work contracts, which could also result in a relocation of job opportunities. Therefore, it is important that we provide a specific prohibition against that possibility.

My amendment must not be construed as one which would prohibit a benefiting company, either now or in years to come, from bidding for or taking on contract work as such. The amendment which I offer is intended solely to prevent aid to firms whose principal purpose in developing or improving their production capabilities is to obtain work contracts now or in the past consistently and customarily performed by other known firms. It is not intended to prohibit the assisted firm in the future from bidding on contracts which are now being performed by some other firm, but only to prevent the establishment or the expansion with Federal assistance of firms which are immediately and initially dependent on the pirating of such contracts.

Mr. President, we recall that not only in connection with the Appalachian Regional Development Act, but in other legislation before the Senate, charges have been made of pirating industry—that a plant in a certain State or an area of a State was brought into another State or an area of that State because certain inducements were offered in the location of the plant at its new site as against the location at the old site. We in Congress must be very careful that nothing is incorporated in this legislation which would be an incentive to or would influence in any degree those who would pirate a plant from one section of the country to another.

The various areas of the country are jealous of their economic status. In West Virginia, where we are attempting to attract new industry and to expand industries which are there, we are quite conscious of our responsibility to go out to other sections of the country and interest operators of various enterprises in bringing plants and/or factories into West Virginia. But West Virginians want that done as an expansion of job opportunities. We are not interested in pulling a plant from another State into the State of West Virginia at the expense of employment opportunities in other States. If it involves a voluntary action of the management, of course, of a company to relocate in a State, that is a question of economics and managerial judgment.

I wish it emphasized here today that the amendment is meant to tighten the provisions against the transference of jobs or job opportunities. For that reason I have offered the amendment, and I trust that there is unanimity within the leadership of our Committee on Public Works.

If I may have the attention of the capable chairman of our Committee on Public Works, I should like to have him comment on the position he takes with others on this question.

Mr. McNAMARA. Mr. President, will the Senator yield?

Mr. RANDOLPH. I am delighted to yield.

Mr. McNAMARA. Mr. President, the primary purpose of this measure is to create new jobs and not to merely shift jobs from one locale to another. We want a net gain in employment. I have had an opportunity to examine the amendment offered by the Senator from West Virginia [Mr. RANDOLPH], and have discussed it with others concerned with this problem.

We had discussion on this matter in the committee and our report provides some good guidelines in this connection. The discussion of this problem appears on page 13 of the report (S. Rept. No. 193).

The Senator's amendment would merely add further insurance that there will be no shifting of job opportunities in the operation of the program. I am concerned with this problem, as I know many other Members are. I am sure that the Senator's amendment is acceptable.

Mr. RANDOLPH. I know that the Senator from Michigan is zealous in his

efforts to provide a continuing favorable climate for the employment of people at plants in Michigan. I am sure that, if expressions on the subject were made by other Senators in the Chamber, we would see that they feel the same in relation to their States.

Mr. McNAMARA. Mr. President, I move that the amendment of the Senator from West Virginia be adopted.

The PRESIDING OFFICER. Does the Senator yield back the remainder of his time?

Mr. RANDOLPH. Mr. President, I yield back the remainder of my time.

Mr. McNAMARA. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from West Virginia.

The amendment was agreed to.

Mr. RANDOLPH. Mr. President, I move that the Senate reconsider the vote by which the amendment was agreed to.

Mr. McNAMARA. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. McNAMARA. Mr. President, I yield 2 minutes to the Senator from Alaska.

APPROPRIATIONS FOR THE DEPARTMENT OF THE INTERIOR

Mr. BARTLETT. Mr. President, I thank the Senator for yielding me time to speak on an unrelated subject.

Yesterday the Senate passed the bill making appropriations for the Department of the Interior. It was passed so swiftly that I did not have an opportunity to do that which I should do or feel remiss that I had not done. Although I speak for myself, I am confident that I express the feeling of all members of the Senate committee, and, indeed, all members of the full committee. I thank Paul Eaton, the professional staff member assigned to that subcommittee, for his invaluable assistance during consideration of the bill. He not only has total recall; he has immediate total recall. At all times he was most helpful and understanding, and the work of the committee would not have progressed as swiftly and as well as it did were it not for the services of Mr. Eaton.

I thank the Senator from Michigan.

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

The Senate resumed the consideration of the bill (S. 1648) to provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions and substantial and persistent unemployment and underemployment in economically distressed areas and regions.

Mr. McNAMARA. Mr. President, I yield 5 minutes on the bill to the Senator from West Virginia.

Mr. RANDOLPH. Mr. President, the Senate will vote next Tuesday on S. 1648. This action will be in fulfillment of a pledge given during our considera-

tion of the Appalachian Regional Development Act earlier this year. At that time, I associated myself with our esteemed majority leader, with the distinguished chairman of the Public Works Committee, the Senator from Michigan [Mr. McNAMARA], and with expressions from the administration, in support of early Senate action to bring relief to other economically deprived regions. Action will be consummated by this body and the pledge will be fulfilled. I commend the principal sponsors of this legislation, the diligent senior Senator from Michigan and the capable senior Senator from Illinois [Mr. DOUGLAS] who has for so long been in the forefront of economic development legislation. I salute the distinguished chairman of the Banking and Currency Committee, the Senator from Virginia [Mr. ROBERTSON], for his cooperation with the Public Works Committee and for his expeditious manner of treating titles II and IV in the committee of which he is chairman.

It is significant to emphasize and draw particular attention to the third of the purposes of the act enumerated on the first page of the committee report. This purpose is, and I quote, to "Provide loans to Government and non-Government nonprofit agencies in order to make available funds needed as the required local share for public works grants-in-aid programs and the local share of funds necessary for grants for facilities related to area economic development needs."

Mr. President, the provisions of title II of the pending measure would make available loan funds for municipalities or counties to meet their requirements for matching the grant funds provided under title I. Thus, if a town qualifies for a 60-percent or an 80-percent grant for construction of a sewage treatment or water treatment facility and cannot from other resources raise the necessary 40-percent or 20-percent matching funds, the community would be eligible for a loan under the provisions of title II. This is an extension of the practice which prevailed under the accelerated public works program.

The provisions of title I and II are particularly relevant to the needs of the State of West Virginia, which has very pressing requirements for water and sewage treatment facilities which cannot be fully met by the recently enacted Appalachian Regional Development Act. Senators will note the record of the hearings of the Committee on Public Works, in which, on pages 28 and 29, are listed the 100 areas of highest unemployment in the United States.

Ten of these—10 percent of the areas of highest unemployment—are counties in West Virginia, with unemployment rates in 1964 ranging from 12.2 percent in McDowell County to 20.2 percent in Clay County. West Virginians, therefore, have a vital interest in the enactment of this measure, and it was for this, among other reasons, that I introduced in committee the amendment which raised the authorization of grant funds under title I from \$250 million annually to \$400 million.

The Public Works and Economic Development Act of 1965 is a measure combining major elements of the area redevelopment and accelerated public works programs. The bill includes provisions to encourage the establishment of multi-state economic development regions and provides administrative and technical assistance funds to establish development commissions for other regions of the country similar to Appalachia and the Appalachian Regional Commission.

This legislative package, if passed by the Congress substantially as reported by our committee, admittedly would not be easy to administer. And, in its early stages, I can visualize local and State governments having difficulties in processing and clearing applications.

Even though, under the amendment I sponsored, the public works authorizations were raised from \$250 million a year to \$400 million annually for 5 years, I visualize that this phase of the program will be vastly oversubscribed with applications.

When the accelerated public works program ran out of funds and authorization for expenditures in December 1963, there were approximately \$710 million in unprocessed applications on file with accelerated public works regional and national units. Only about \$426 million worth of those unprocessed project applications were adjudged to be active, pending, eligible, and approvable under the criteria of eligibility and the regulations of the accelerated public works organization. It is estimated that under the criteria for eligibility and other provisions of the new Public Works and Economic Development Act not more than \$250 million of those accelerated public works project applications still on file would be active, eligible, and approvable.

So, I believe it is accurate to observe that the criteria for public facility grants are more restrictive under the new legislation than was the case under the Accelerated Public Works Act, but are slightly more liberal than were public facility grants under the Area Redevelopment Act.

Mr. McNAMARA. Mr. President, I yield 3 minutes to the distinguished Senator from Ohio.

Mr. YOUNG of Ohio. Mr. President, I am proud that I have voted for all the legislative proposals which created the Area Redevelopment Administration and the accelerated public works program. Both have been of immense value in providing jobs for unemployed men and women, strengthening our economy, and creating vitally needed improvements in communities throughout the Nation.

Both of these highly successful programs were enacted to help to deal with unemployment and the economic decline of certain areas of the Nation that accompanied changing economic patterns, automation, and modern technology that arose since World War II. In a sense, both were experimental. We have learned much since their original enactment, and the benefit of that experience is now embodied in the Public Works and Economic Development Act now before the Senate.

The fact is that amidst unprecedented

prosperity there is economic stagnation in many areas of the Nation. Many communities and regions have been unable to come to grips with changing economic conditions in this space age of change and challenge. We cannot afford to disregard this problem and consign these regions to perpetual economic deprivation. Not only would this be a callous solution; it would be a foolish waste of immense capital investments already made in these areas—schools, roads, hospitals and innumerable other public and private facilities. As a nation, we cannot permit these economic sores to fester on the generally healthy condition of our national economy.

The present bill combines the best features of the original Area Redevelopment Act, the accelerated Public Works Act and the Appalachia Regional Development Act. In addition, several improvements have been made over the earlier programs. In the bill under consideration distressed areas can combine into multicounty and multistate economic regions. Grants and loans can be utilized for broader geographical application and thus help depressed areas by linking them with more healthy areas. Also, it does not restrict these programs to county and local boundaries which no longer have any real economic meaning in this modern age.

This bill makes it easier for depressed economic areas to participate financially in the program. It also authorizes financing on a scale more nearly equal to the task. There are many other new items in the bill which would give our States and communities the tools with which they will be better equipped to fight economic stagnation and poverty.

Mr. President, there are some who would say this is a giveaway, that it is State socialism and a further manifestation of the welfare state. Such claim is absurd. The fact is that when we provide legislation of this kind, we are doing no less to strengthen our Nation than when we vote for appropriations for our armed services. Furthermore, this is no giveaway. As the distinguished senior Senator from Illinois [Mr. DOUGLAS] has so ably pointed out, the return in revenue and the saving in expenditures to Federal, local and State governments as a result of this legislation will more than pay for its cost. At the same time we will have created new capital improvements and have given millions of our people the opportunity to maintain a decent standard of living. More jobs mean more taxes for our good "Uncle" and for local and State governments. More jobs mean fewer people on the welfare rolls and receiving unemployment compensation. More jobs mean more profits for businessmen.

Mr. President, the bill will help to assure every American who wants to work the opportunity to do so. It is an extremely effective additional weapon in the war on poverty. It will aid in ending the haunting sense of helplessness and despair which is felt by the unwillingly unemployed men and women of our Nation. I am proud to be a cosponsor of this proposed beneficent legislation.

Mr. JAVITS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. McNAMARA. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. MONTROYA in the chair). Without objection, it is so ordered.

Mr. McNAMARA. Mr. President, I yield 10 minutes to the Senator from New York [Mr. JAVITS] under the bill.

Mr. JAVITS. Mr. President, two things in the bill trouble me. I shall deal first with one which I have already discussed with the Senator from Michigan [Mr. McNAMARA], who has treated me with his usual cooperative courtesy. That question involves a problem faced by New York and other States which inhere in the 41,000-mile limitation of the Interstate Highway System.

We are discussing the helping of areas which need redevelopment assistance. That is a problem with which I have the greatest sympathy, even though we in New York pay a large part of the taxes and frequently do not get back what we pay. I have been sympathetic with this problem and worked with the senior Senator from Illinois [Mr. DOUGLAS] and was a cosponsor of the original 1961 Area Redevelopment Administration Act. The Interstate Highway System is also an important illustration of what can be done to improve communities which need this kind of assistance.

I have been urging upon the Senator in charge of the bill the idea of including language in the bill which would require consideration of extending the 41,000-mile limitation.

An important issue involved is the issue of making up for the fact that, in New York, we built many roads which could qualify under the Interstate Highway System—notably the Thruway—before the interstate highway program went into effect. We have never received equivalent benefit from the Federal Interstate Highway System because we had the foresight to contract roads in advance of the time when the program went into effect.

In other States, including our State, the interstate mileage allocation is very restrictive, considering the needs for development. Even in a State like New York, which some claim is a wealthy State as these things go, there are 30-odd areas which could qualify for ARA assistance as and which might well be eligible for qualification under the bill. For example, I make reference to S. 1056, which I introduced together with the junior Senator from New York [Mr. KENNEDY], on February 9, 1965. That bill deals with extending the Interstate Highway System.

With that in view, and following my discussion with the distinguished Senator in charge of the bill, the Senator from Michigan, I desire to propound to him, if I may have his attention, two inquiries.

Is it the intent of the Committee on Public Works to follow up closely the making of a study by the Bureau of Public Roads, which I am advised has been or is being currently undertaken on the desirability of extending the Interstate Highway System?

Mr. McNAMARA. We shall follow it very closely. We have already discussed it quite recently. I shall make reference to that later in my remarks.

Mr. JAVITS. So, if I may characterize the answer of the Senator, we have every reason to expect that this will not remain a mere promise, but that such a study will be made, through the cooperation of the committee which will contact the Bureau within a measurable period of time to see that the study is being made.

Mr. McNAMARA. Studies are being constantly programmed. We occasionally receive requests from certain Senators for special attention to certain areas. If we were to receive such a request from the Senator, we would forward it to the Bureau.

Mr. JAVITS. And the committee would get behind the request?

Mr. McNAMARA. We would see that the study was made.

Mr. JAVITS. Very good. The other question is, Does the committee expect the Bureau of Public Roads to submit recommendations to it on the extension of the interstate highway program as the result of the program to which we have just referred?

Mr. McNAMARA. According to testimony the Senate Public Works Committee has received from the Bureau of Public Roads, the 41,000-mile Interstate Highway System scheduled to be completed in 1972, already is running \$5.8 billion short. Efforts are under way to meet these increases in highway costs so that the existing program can be completed approximately on schedule.

Any increase in the program before 1972 obviously would compound the financial problem.

But more specifically on the Senator's question, about the Bureau of Public Roads conducting a study of highway needs, I would like to point out that the Bureau needs no congressional authorization or instructions to conduct studies of this nature. The Bureau has ample authority to study these matters and is indeed studying them all the time.

I would like to direct the Senator's attention to hearings on cost estimates for completion of the Interstate Highway System which were held before the Subcommittee on Public Roads on March 30 and 31. I asked Mr. Rex Whitton, Federal Highway Administrator, whether his Bureau was looking forward to the day when the existing program would expire and whether it was making preparation for it. I read a section of the testimony beginning with Mr. Whitton's reply to that question:

Mr. WHITTON. We are making studies now to see what the continuing highway program ought to be. I would say we are directing our efforts toward a continuing program that we think will be necessary due

to the development of the country and the development of traffic and the development of industry. We see no immediate end to a highway improvement program.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. McNAMARA. Mr. President, I yield myself such additional time as it may require to complete the colloquy.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. McNAMARA. Let me quote further from the hearings:

The CHAIRMAN. Are you saying in those remarks that you are anticipating continuation?

Mr. WHITTON. We are anticipating a continuing highway program; yes, sir.

The CHAIRMAN. No question about continuing the highway program. The question is, How are we going to pay for it?

Mr. WHITTON. That is what the study will develop.

The CHAIRMAN. Then you are prepared in your plans and anticipations to face this termination in 1972?

Mr. WHITTON. Yes, sir. We are making a study, or hope to make it, we are starting it, at least, to determine what a continuing highway program should be, and how it ought to be financed.

Thus, the Senator from New York should readily see that the Bureau already has actively engaged in studying the country's highway needs.

There is a separate section established in the Bureau for the purpose of looking ahead and taking into consideration all these needs.

Mr. JAVITS. Mr. President, as the Senator has mentioned, if we want some thing for our particular section of the country, the committee will inquire into it.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. JAVITS. Mr. President, may I have an additional 5 minutes, or I take it out of my own time?

Mr. McNAMARA. The Senator may continue under the time allotted to me.

Mr. CARLSON. Mr. President, will the Senator from New York yield?

Mr. JAVITS. I yield.

Mr. CARLSON. I would like to stress the urgency of a study. The distinguished chairman has mentioned that this is under way. Since the Interstate System of Highways began, great progress has been made in the development of that system in the country. In our own State of Kansas, within a short time, a stretch of 400 miles across the entire State will be open for travel.

When the study to which reference has been made is undertaken, I hope thought will be given to this other phase of the problem. A substantial part of Highway No. 70, is a toll road. Persons using that road can use it free of tolls through Missouri, but once past the Kansas line they must pay a toll.

I am not suggesting today that something should be done to take care of that situation, but in the future I believe some provision should be made to make the cost of traveling the same throughout the country. I hope the study will also include that phase of the problem.

Mr. McNAMARA. The real problem is not the need for roads or requirements for them, but, How do we pay the bill? We are already well over \$5 billion in debt to complete the 41,000-mile system of highways. The Senate must consider how we are to pay for it. This is one of the most urgent considerations.

Mr. JAVITS. Mr. President, there is one other phase of this matter to which I should like to direct the attention of the chairman, and that is the so-called antipirating provisions of the bill, reference to which is contained mainly in the committee report, as to what the committee expects of the Secretary of Commerce in the administration of the bill.

I should like to read into the RECORD, because I think it is critically important to have this expression as a part of the legislative record as we pass this measure, which I hope will be passed, the prohibition against relocation, which appears at pages 13 and 14 of the report:

PROHIBITION AGAINST RELOCATION

The committee in discussing the general purpose of the act expressed its strong belief that no value is gained by shifting existing work from one area to another under this program. The grants and loans provided for in S. 1648 should be used to expand our job market. Thus the Secretary should make every effort to determine that assistance is not extended under this act so as to result in a transfer of work or a relocation of facilities. It has long been a recognized policy of the Government to preclude the use of Federal funds in any form for assisting the relocation of industries, or plants, or work from one locality to another, or for financing subcontractors who relocate for the purpose of transferring jobs previously performed in another area by other subcontractors or contractors.

The Secretary's task in administering this portion of the act will be difficult at best. The intention here is that economic development should not be used as a guise to obtain Federal assistance in order to obtain a competitive advantage that provides no general benefit to the Nation.

The Public Works and Economic Development Act of 1965 is not intended to authorize the use of Federal funds for grants, loans, guarantees, subsidies, purchases of indebtedness, or assistance of any kind for programs, projects, facilities, or purchases to be used by or for highly mobile, intensely competitive industries, such as the apparel or garment trades within the textile industry, in which substantial unemployment and abnormal unused plant capacity exists, and in which labor turnover is high and the prior possession of a specific skill or training is not typically a prerequisite for obtaining employment. The act is not intended to give a competitive advantage to one area over another where it would lead to industrial dislocation.

The committee makes it very clear that it does not expect that the bill will be used for the purpose of raiding business where it is now. The report expressly refers to the apparel or garment trades within the textile industry, in which substantial unemployment and abnormal unused plant capacity exist, and in which labor turnover is high, and the prior possession of a specific skill or training is not typically a prerequisite for obtaining employment, as being precisely an industry in which the antipirating policy should be followed.

I should like, if I may again engage the attention of the manager of the bill, to have from him a reaffirmation of this intention, particularly as this bill contains what I consider to be a very objectionable and unhappy provision, which I fought before, without success, providing for loans and guarantees to obtain machinery and equipment, as contained in line 25, page 10, and line 1, page 11, of the bill.

Unless it is coupled with a very strong policy declaration on our part that the bill shall not be used for pirating industry, notwithstanding the very eloquent statement contained in the committee's report, it could certainly be used for that purpose, considering the latitude granted under the section of the bill providing for loans and guarantees for machinery and equipment.

Mr. McNAMARA. I believe it is quite clear, as the Senator has said in his remarks, that it is definitely spelled out in the report. In addition, we have just now adopted an amendment to the bill, offered by the Senator from West Virginia [Mr. RANDOLPH], which emphasizes that and ties it down unquestionably.

The PRESIDING OFFICER. The additional time of the Senator has expired.

Mr. McNAMARA. I yield myself 1 more minute.

The PRESIDING OFFICER. Without objection, the Senator may proceed.

Mr. JAVITS. May I ask the manager of the bill to refer to the words of the bill, in lines 3 and 4 on page 12, which now read—as amended by the Randolph amendment:

Such financial assistance shall not be extended to assist establishments relocating from one area to another or to assist subcontractors whose purpose is to divest or whose economic success is dependent upon divesting other contractors or subcontractors of contracts theretofore customarily performed by them.

Are these words defined as to their intent by the recitals in the committee report on pages 13 and 14 under the heading "Prohibition Against Relocation"?

Mr. McNAMARA. That is the very purpose of this language.

Mr. JAVITS. I thank the Senator for his time and courtesy.

Mr. HRUSKA. Mr. President, I have amendment No. 1 at the desk, and I ask that it be considered at this time.

The PRESIDING OFFICER. The amendment offered by the Senator from Nebraska will be stated.

The LEGISLATIVE CLERK. It is proposed, on page 10, line 5, to change the period to a comma and to insert the following:

For the fiscal year ending June 30, 1966 and for each fiscal year thereafter through the fiscal year ending June 30, 1970.

Mr. HRUSKA. Mr. President, I yield myself 3 minutes.

The purpose of this amendment is to limit the authorization for title II to the same duration of time as title I.

I intend to submit another amendment a little later, amendment No. 3, which would impose a similar time limitation on the authorization for title III.

This limitation in time is already contained in title I. It is already contained

in the Appalachia measure, after which this bill is patterned.

The purpose of having the authorization expire periodically is so that the program as a whole will return to the Congress for later assessment, reappraisal, and reconsideration.

S. 689, which was introduced on January 26, 1965, and which is now pending in the Government Operations Committee, would establish that general policy in subsequent legislation.

I feel that it is sound policy; and for that reason that this amendment to title 2 is submitted.

I reserve the remainder of my time.

Mr. McNAMARA. Mr. President, will the Senator from Nebraska yield briefly?

Mr. HRUSKA. I yield.

Mr. McNAMARA. I have checked this with the distinguished Senator from Illinois [Mr. DOUGLAS] and as chairman of the subcommittee who handled this title he advises me that he has no objection. Therefore, Mr. President, I move adoption of the amendment.

The PRESIDING OFFICER (Mr. YOUNG of Ohio in the chair). Does the Senator from Nebraska yield back the remainder of his time?

Mr. HRUSKA. Mr. President, I yield back the remainder of my time.

Mr. McNAMARA. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Nebraska.

The amendment was agreed to.

AMENDMENT NO. 3

Mr. HRUSKA. Mr. President, I call up my amendment No. 3 and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The LEGISLATIVE CLERK. The Senator from Nebraska proposes the following amendment:

On page 22, line 13, change the period to a comma and insert the following: "for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1970."

Mr. HRUSKA. Mr. President, I yield myself 2 minutes.

The PRESIDING OFFICER. The Senator from Nebraska is recognized for 2 minutes.

Mr. HRUSKA. Mr. President, the purpose of amendment No. 3 is to achieve for title 3 what the amendment the Senate has just adopted will do for title 2. The same reasons and the same considerations apply thereto.

Mr. President, I reserve the remainder of my time.

Mr. MUSKIE. Mr. President, for the same reasons which have been indicated earlier, the chairmen of the two committees have no objection to acceptance of the amendment, and I ask that it be adopted.

Mr. President, I yield back the remainder of my time.

Mr. HRUSKA. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Nebraska.

The amendment was agreed to.

AMENDMENT NO. 2

Mr. HRUSKA. Mr. President, I call up my amendment No. 2 and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. The Senator from Nebraska proposes the following amendment:

On page 11, line 4, after the semicolon, insert the word "and".

On page 11, beginning with the semicolon on line 12, strike out all through the period on line 24.

Mr. HRUSKA. Mr. President, I yield myself 3 minutes.

The PRESIDING OFFICER. The Senator from Nebraska is recognized for 3 minutes.

Mr. HRUSKA. Mr. President, this is the provision which provides that the Secretary shall be authorized "to contract to pay, and to pay annually, for not more than ten years, to or on behalf of private business entities amounts sufficient to reduce by 2 percentage points the interest paid by such entities on loans which are obtained from non-Government sources, which are not guaranteed by any Government agency, which provide for annual amortization of principal, and the proceeds of which are used for purposes for which the Secretary is authorized to purchase evidences of indebtedness or make loans under this section: *Provided, however,* That subject to limitations in annual appropriation Acts, the annual cost of new contracts approved in any one year shall not exceed \$5,000,000."

Mr. President, we have had some experience under the Area Redevelopment Administration Act, in which subsidies for this type of business met with a sorry reception at the hands of communities where the subsidy of business was practiced.

All of us can sympathize most earnestly and sincerely with the establishment of businesses which will result in the formation of new jobs. But it comes with poor grace and a great deal of resentment to those businesses in a given area when they witness the formation of a competing business in their own area, which will have a subsidy from public funds. This is one form of subsidy. Assume a situation in which perhaps the newly founded business would find it necessary to borrow money at 6 percent. The Secretary would be authorized to pay the equivalent of 2 percent of that interest, thereby giving a net interest rate of 4 percent to the newly formed business.

Mr. President, consider the plight and feelings of the man who has put his own money on the line, who has established his own line of credit in a bank and must pay the 6 percent. It does not sit well with him to not only have a new direct line of competition with a man who is being subsidized, but that man is being subsidized in part by the taxes which he has to pay.

To use a homely illustration, a man making broom handles, for example, in the States of Nebraska or Missouri—

The PRESIDING OFFICER. The time of the Senator from Nebraska has expired.

Mr. HRUSKA. Mr. President, I yield myself 3 additional minutes.

The PRESIDING OFFICER. The Senator from Nebraska is recognized for 3 additional minutes.

Mr. HRUSKA. Mr. President, this man making broom handles has a little factory employing 12 or 14 persons. Along comes a man who would get the benefit of the provisions of the bill. The broom handle manufacturer finds himself paying 6 percent interest, whereas the new man will have a head start of 2 percent and so will pay only 4 percent.

It is that situation which I believe is unwarranted and certainly would work a greater hardship than any corresponding benefit which would be obtained.

If that business will not be able to make a go of it at the rate of 6 percent, it would not help any to have a reduction to a rate of 4 percent as in the hypothetical instance which was given.

There are other alternatives for handling the situation. It was pointed out in the supplemental views in the committee report that one way to handle the problem would be for the Federal Government to insure the loans made by private lending agencies. However, in the short time allowed for preparation of the bill, it was not possible to work out any proper reference in this regard. It could be done, and it would achieve the same purpose; namely, where credit would be guaranteed by the Government, each man could get a lower rate of interest. We would not get into the discriminatory subsidy which is provided under the present bill.

That language is found on page 37 of the committee report and I ask unanimous consent to have printed in the RECORD the text of that page, beginning with the words "section 202(b) (8)," in the fifth paragraph of that page and the two succeeding paragraphs.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

The GAO recommended that in section 202(b) (8), a fixed charge (subject to change with experience) should be added to the interest costs on the business loans to cover operating costs of the program. There was considerable support for the recommendation of a fixed charge in our committee.

Section 202(a) (3) of the bill provides authority for the Secretary to pay to or in behalf of private business entities, amounts sufficient to reduce by 2 percentage points, interest paid on loans obtained from non-governmental sources.

If the purpose of this section is to draw capital into areas which have economic possibilities which the administrators of the program are convinced will support long-term employment, a Federal insurance program to insure the loans made by private lending institutions would perform the same function at no cost to the Government. Such insurance could draw capital from central money markets to an area selected for assistance as has been demonstrated in the FHA program.

Mr. HRUSKA. Mr. President, I reserve the remainder of my time. It is my expectation to call for the yeas and nays on my amendment.

Mr. MUSKIE. Mr. President, this provision in the bill is designed as an experiment, the objective of which was well described in the testimony of the Secretary of Commerce before the Committee on Banking and Currency. I read his language on page 11 of the hearings before the subcommittee of the Committee on Banking and Currency:

In addition, the new interest rate rebate provision would provide a new means of bringing more stable and promising business enterprises, which are able to obtain private financing, into depressed areas.

What is proposed is not a subsidy for a business but an inducement for strong and stable businesses to move into an undeveloped area. It is geared not to any supposition as to what may be the need of business for assistance, but rather to what may be the needs of the area for assistance by strong and viable companies.

On page 15 of the same hearings there is found colloquy which I had with Secretary Connor on this point. I was interested, as I am sure all members of the committee are, in the validity of the device which is included in the bill.

I said this to the Secretary:

The rationale that you gave on page 5 of your testimony for this provision is that some incentive is absolutely essential to attract the sounder and more viable firms into the areas where new industry is most needed.

Now, no one can quarrel with that objective—certainly not I. It isn't going to help an undeveloped economic area to bring in weak economic units and weak industries to try to build it up. So I wonder if you could build up the record with further comment.

Is this one of the incentives which would indeed attract sounder and more viable firms? What are the reasons why sounder and more viable firms are not as likely to go into these undeveloped areas as we would like to see?

I quoted my question, because I believe my question reflects some of the same concern which the distinguished Senator from Nebraska has reflected in his comments. Secretary Connor's reply was:

Secretary CONNOR. Senator Muskie, a large national manufacturing organization, for example, in considering its expansion plans, has many alternative choices as to where it can locate one new plant and then another and so forth. And it is usual that as part of its planning activity it would be taking various sections of the country into consideration and making comparative judgments as to the relative advantages and disadvantages of locating new plants in many different sections.

Now, in one of these, shall we say, underdeveloped parts of the country, there are some obvious economic disadvantages for such a company locating its plant there. And in the competition with other communities or localities that have a greater infrastructure in depth, or better transportation facilities, or are in a physical location that is closer to the market, one of these redevelopment areas might well lost out in the competition unless there is some kind of added incentive.

The experience in several European countries, particularly Belgium and West Germany, is that if there is some public need for assisting and giving incentives for the location of new industries in locations where there are some problems such as higher rate of unemployment, than an incentive of this kind can be instrumental because a company in looking at the competitive advantages and

disadvantages can be attracted to an area where there is, say, a labor surplus and some other advantages that would be helpful in the long run, if it can get some incentive that would offset the immediate economic disadvantages of such an area. We think this is a good experiment to try. We, of course, are not sure of its success because it never has been tried, but after looking at the various types of incentives that would bring these stronger, large national corporations into these areas where their help is needed most, we think this has a reasonable good chance of success.

I then asked the Secretary whether there were other kinds of incentives that were considered to achieve the same objective. The Secretary's reply was:

Secretary CONNOR. Well, other kinds have been considered, Senator MUSKIE, but the ones considered would involve greater financial outlay by the Federal Government. We think that this leverage effect that we obtain from the use of the 2 percentage points with the company putting up its own money will do at least as effective a job as the others and at least cost to the Federal Government.

Senator MUSKIE. Did you test this out as an incentive—the objective I don't quarrel with, the purpose I don't quarrel with, the need I don't quarrel with, but I am wondering whether the incentive will work. Have you tested it in any way?

Secretary CONNOR. We have had discussions. Of course, something like this can be tested only in the facts of a particular situation by a company that is considering its location in one of these redevelopment areas in competition with an area where greater public services and facilities are available.

I have quoted from the hearing record because I think this makes the best case that can be made for this provision of the bill. It is an experiment worth trying.

The distinguished Senator from Nebraska has raised the alternative, which is included in the supplemental views of the minority, that of an insurance program. This does not meet the need which this device is designed to serve, because the companies we are discussing do not need credit insurance to obtain credit. We are talking about companies that can get credit on their own, because they would not qualify under the industrial loan provisions of the bill. There is no appeal to them under any of the other provisions of the bill, nor under the proposal the Senator from Nebraska has advanced.

The only device we have to deal with this particular problem is the one that is before us. It is the one which was considered with others, as the Secretary said, by the Department in preparing the legislation. This was the one involving the least cost to the Government and which, at the same time, would serve the objective.

The cost to the Government is reflected in the fact that if it works, an expenditure of \$5 million will generate \$250 million in private funds to stimulate their movement into these underdeveloped areas.

There has been a great deal of discussion about the claim that the Federal Government cannot create prosperity. I agree. The Federal Government can help stimulate the private sector to move into those areas.

After considering everything carefully, in the light of the argument presented to us by the Secretary, we also felt that it was an experiment worth trying. That is why we bring it to the Senate and urge its adoption.

Mr. PROXMIRE. Mr. President, will the Senator yield to me?

Mr. MUSKIE. I yield to the Senator from Wisconsin.

Mr. PROXMIRE. Is it not true also that Secretary Connor was able to give a specific example of how this idea has worked. I asked him whether it would work with a big corporation such as General Motors, and whether it would be an incentive to General Motors. He said:

Secretary CONNOR. You mentioned General Motors and in the public announcement they made about the location of one of their plants in Antwerp, Belgium, it was noted that one of the factors they took into consideration, although no indication it was the determining factor, nevertheless the location of the plant in Antwerp took into consideration this 2-percent incentive.

That statement by the Secretary is found at page 38 of the hearings before the subcommittee of the Committee on Banking and Currency.

This is something that has been tried by American corporations, as the Secretary said, in countries overseas.

Mr. MUSKIE. Yes. In addition, I point out also that the Secretary comes from the field of big business. In our discussions he spoke as a businessman operating a big company, and the question was raised with him whether in that capacity he thought this was a worthwhile incentive to try to attract a viable company. His answer was in the affirmative.

Mr. CARLSON. Mr. President, will the Senator yield?

Mr. MUSKIE. I yield.

Mr. CARLSON. I have a comment to make with reference to the Secretary's statement at page 15. I shall not read all of it, because the Senator has read it: "If it can get some incentive that would offset the immediate economic disadvantages of such an area."

I emphasize the word "immediate." That is the word that concerns me. Does this mean that the company will get a 2 percent subsidy for as long as it is operating, or is there a limitation?

Mr. MUSKIE. The limit is 10 years.

Mr. CARLSON. I thank the Senator.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. MUSKIE. I yield to the Senator from Illinois.

Mr. DOUGLAS. I am sorry that our good friend from Nebraska has disturbed the happy harmony which has characterized our proceedings up to this moment by striking a body blow at one of the essential features of the bill. The inducement of meeting 2 percent of the interest cost on investments in depressed areas is one of the most vital features of the bill. It would result in a potential maximum investment of private capital with a minimum of Government expenditure. The 2 percent interest inducement means that for an expenditure of \$2 million we can hope to induce \$100

million of private investment. The proposal would be authorized for 5 years at \$5 million a year. We believe \$5 million would induce \$250 million of investment. Carried out over 5 years, it would mean a potential investment of \$1.25 billion in depressed areas. This is really the most economical way to get a large volume of private capital to start producing and to employ people in areas where there is high and persistent unemployment.

Mr. BASS. Mr. President, will the Senator from Illinois yield to me?

Mr. DOUGLAS. I yield.

Mr. BASS. I should like to ask a question of the Senator in charge of the bill. I should like to find out if there is to be a vote on the pending amendment today, and, if so, at what time.

Mr. MUSKIE. We are pressing for as early a vote as we can.

Mr. MANSFIELD. In view of the commitment made yesterday, when we have the vote, it will be the last vote.

Mr. BASS. The commitment was that the Senator would try not to have any votes after 2 o'clock.

Mr. MANSFIELD. That is correct. There will be a little flexibility.

Mr. DOUGLAS. Mr. President, the second point I would like to make is that the proposal is designed to encourage investments made by private capital rather than by public expenditure. It would offer inducement for banks and other private lenders to extend loans to private industry which wishes to expand into areas of high and persistent unemployment or low income. This will be done entirely in the private sector.

There is good precedent for this procedure in the program which was carried out in the construction of post offices, originally by the Eisenhower administration, but continued under the Kennedy and Johnson administrations; namely, that instead of appropriating for the construction of post offices, a rental program was carried out which guarantees an income for a stated period of years. As a result, the building of post offices has been greatly speeded up. There may be some incidental disadvantages of the program, but it has certainly speeded up investments.

The next point I should like to make is that these inducements for loans will draw into depressed areas not merely marginal firms but well-established firms—firms with a good production record and a good earnings record. They will not be fly-by-night concerns in any way. The failure record should, therefore, be very low.

Finally, if we turn down the proposal, we shall be driven to the alternative of having to greatly increase public loans financed out of the Federal budget.

The Senator from Nebraska [Mr. HRUSKA] is a sincere defender of private enterprise. I am surprised that he should sponsor an amendment which would throw us more and more into the public sector by requiring Government loans rather than loans from private enterprise.

Mr. President, I ask unanimous consent that certain material on the foreign experience of West Germany and Bel-

gium, which is very favorable, be printed in the RECORD at the conclusion of my remarks, together with such incidental material as I have.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

EUROPEAN EXPERIENCE WITH THE INCENTIVE OF SUBSIDIZED INTEREST ON BANK LOANS TO INDUSTRY EXPANDING IN REDEVELOPMENT AREAS

The interest subsidy to bank loans has been used by Belgium, Luxembourg, and West Germany among European countries as a device to encourage expansion and modernization of industry in redevelopment areas. This incentive to private enterprise has been most intensively used by the Government of Belgium.

It should be noted, however, that interest subsidies in West Germany amount to 3 percent per year toward the normal amount of interest to be paid to the banks, and are extended for 3 years. In West Germany as in other Common Market countries, interest subsidies are part of a whole package of redevelopment measures and policies. Other credit measures also include direct low-interest loans and Federal guarantees for loans. The subsidy to banking institutions in Luxembourg in order that they may offer loans at lower interest rates is patterned after the Belgian act.

As in West Germany, Belgium makes use of variety of measures to achieve its economic growth and redevelopment objectives, but the assistance to private enterprise through a Government contribution to the rate of interest paid on bank loans is given greater emphasis here than in other countries. Belgium is unique in that it applies its incentives to economic expansion and establishment of new industries on a general, countrywide basis as well as for the development of certain designated areas. The 1959 acts had in mind a general toning up and modernization of Belgian and Belgian-located industry to make it more competitive internationally, and particularly in the Common Market. The differences between the general act and the regional act are mainly a matter of degree and restriction, with industry which expands in redevelopment areas receiving more liberal treatment. For example, the general act provides a Government contribution in the rate of interest of 2 percent under most conditions. The regional act, however, provides for a maximum of 4 percent contribution to interest rates on bank loans extended to industries expanding or modernizing in redevelopment areas. On top of this, additional help may be given in times of a national recession, when the minimum rate may be fixed at 1 percent. The interest subsidy may be extended to 8 years in development areas and up to 5 years under the general act.

How effective has the interest subsidy device been in Belgium—particularly in its effects on strengthening the economies of its redevelopment areas whose designation criteria are generally parallel to ours? Dr. L. C. Klaasen of the Netherlands Economic Institute has attempted an appraisal of the effectiveness of Belgian regional policy, but he points out two difficulties: (1) the additional advantages given by the regional act are not substantially greater than those available countrywide under the general act, and (2) the acts are of such recent date that no major structural changes can be expected from them as yet. However, the available data do indicate worthwhile results.

Certain data measure only the effects of both the general and regional programs in their entirety. Accordingly, the effects of the interest subsidy are inseparable from the other regional measures including Government guarantees of loans, direct Govern-

ment financing, industrial building program, and tax exemptions. It is interesting to note, however, that the areas of greatest unemployment in Belgium received relatively the greatest additional employment in industries receiving financial support under the general and regional acts.

Under the regional act, a total of 507 applicants were approved for low interest rates between the enactment of the law in July 1959, and October 1962 (an effective period of about 2 years). Of these, three-quarters (382) were located in the Flemish provinces and one-quarter (125) in the Walloon provinces. Capitalwise, of the total involved (\$128 million) 63 percent was invested in the Flemish and 37 percent in the Walloon provinces. The amount of capital per applicant, however, was much larger in Wallonia than in Flanders (\$380,000 against \$210,000). This latter fact is understandable in that Flanders not only has a higher unemployment rate than Wallonia, but is traditionally more agricultural and less industrial.

The conclusions indicated by the rather brief experience of the Belgian Government with subsidized interest rates on bank loans to industries locating in redevelopment areas may be summarized as follows: The incentive has been quite widely employed by Belgian industry. A total of 507 industries have used it to expand in eligible areas over a period of a little more than 2 years. In considering this volume of use, and without suggesting a direct relationship, it is helpful to remember that the United States has over 20 times the population of Belgium.

What other countries have programs with provisions similar to the 2-percent interest return proposed in EDA?

The redevelopment area programs of Western European countries contain a wide variety of incentives to encourage the location of new industry. These range from tax credits and accelerated amortization to outright capital grants. Two countries—Belgium and West Germany—extend interest rate subsidies somewhat similar to the EDA proposal.

The Belgian plan was aimed at both (1) modernizing Belgian industry better to compete in the Common Market, and (2) expanding industrial jobs in redevelopment areas. Accordingly, the government's contribution nationwide is 2 percent, and in distressed areas specific aid is given in the form of an additional contribution of 2 percent. Still further, during a period of recession, industry expansions (new or existing) in distressed areas are eligible for additional interest subsidy to a minimum of 1 percent. (In Belgium, the interest subsidy may be combined with Government guarantees for loans.) The period of interest support varies from 5 to 8 years.

In West Germany also, interest subsidies are extended for loans to industrial investments in redevelopment areas. They amount to 3 percent per year toward the normal amount of interest to be paid to the banks. The interest subsidy is extended for 3 years. (Beside the interest subsidy, other devices in West Germany include low-interest investment loans, short-term working capital loans, and Federal guarantees for loans.)

Mr. HRUSKA. Mr. President, I yield myself 3 minutes.

The PRESIDING OFFICER. The Senator from Nebraska is recognized for 3 minutes.

Mr. HRUSKA. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. HRUSKA. Mr. President, I presume the committee record is quite long. Perhaps it contains all the items which indicate a favorable experience in Western Europe with this type of program. I do not know that the conditions in West-

ern Europe are parallel to the economic, industrial, and labor conditions here. But I do note the answer of Secretary Connor on page 38. He said:

You mentioned General Motors and in the public announcement they made about the location of one of their plants in Antwerp, Belgium, it was noted that one of the factors they took into consideration, although no indication it was the determining factor, nevertheless the location of the plant in Antwerp took into consideration this 2-percent incentive.

That is a nebulous statement. The 2-percent subsidy was there, but there is no judgment or conclusion that it was that which caused them to locate the plant in Antwerp, Belgium.

Furthermore, try to transform the \$5 million annual authorization for this subsidy into a maximum of what it could produce if all of it were devoted to this 2-percent subsidy and coming out with a multibillion-dollar figure is wishful thinking in its greatest degree.

There is no showing that that result is likely to be achieved.

What about the man who might already be in the business of making broomsticks in the area? We would say to him, "We are glad you are here. You are furnishing jobs. You operate a regional industry. But we are going to bribe a great big corporation to come in here with new equipment and a new plant. We are going to pay that big corporation to be your competitor."

Mr. President, it is one thing to make new jobs; it is another thing to engage in practices of pirating industry by closing up a factory in one area for the purpose of establishing it in another, as could be done under the bill.

It is still a third thing to have a subsidy which would establish large corporations, plants, and businesses with that subsidy, and would drive out businesses going now in that area and in competition with that big corporation.

I believe that in the absence of a showing that it is something more than an experiment, and in view of the experience we have had under the Area Redevelopment Act—

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. HRUSKA. Mr. President, I yield myself 2 more minutes.

The PRESIDING OFFICER. The Senator from Nebraska is recognized for 2 more minutes.

Mr. HRUSKA. The preponderance of the evidence and the record shows that we would do well to stay away from the practice of subsidizing plants. It is a subject which is discretionary. Undoubtedly, it would result in a great deal of unsatisfaction and unhappiness. We may have a large firm qualify for a subsidy, but a medium-sized firm, a small firm, or one just starting business could not qualify. The smaller firms would not receive help.

I am for private enterprise, but not only for the big operator. There are some who advocate the advancement of the big companies, such as General Motors, but I believe that American industry is composed in larger degree of the sum of many smaller industries which, under these circumstances, would

not be favored and, in fact, would be harmed.

I yield back the remainder of my time.
Mr. MUSKIE. I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Nebraska. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD (after having voted in the negative). On this vote I have a pair with the Senator from Colorado [Mr. ALLOTT]. If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." Therefore, I withdraw my vote.

The rollcall was concluded.

Mr. LONG of Louisiana. I announce that the Senator from Nevada [Mr. BIBLE], the Senator from North Carolina [Mr. ERVIN], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Alabama [Mr. HILL], the Senator from Missouri [Mr. LONG], the Senator from Utah [Mr. MOSS], the Senator from Oregon [Mrs. NEUBERGER], the Senator from Rhode Island [Mr. PELL], the Senator from Connecticut [Mr. RIBICOFF], and the Senator from New Mexico [Mr. MONTOYA], are absent on official business.

I also announce that the Senator from Virginia [Mr. BYRD], the Senator from Nevada [Mr. CANNON], the Senator from Idaho [Mr. CHURCH], the Senator from Mississippi [Mr. EASTLAND], the Senator from Tennessee [Mr. GORE], the Senator from New York [Mr. KENNEDY], the Senator from Ohio [Mr. LAUSCHE], the Senator from South Dakota [Mr. MCGOVERN], the Senator from Minnesota [Mr. MONDALE], the Senator from South Carolina [Mr. RUSSELL], the Senator from Missouri [Mr. SYMINGTON], and the Senator from New Jersey [Mr. WILLIAMS], are necessarily absent.

I further announce that, if present and voting, the Senator from New York [Mr. KENNEDY], the Senator from Missouri [Mr. LONG], the Senator from South Dakota [Mr. MCGOVERN], the Senator from Minnesota [Mr. MONDALE], the Senator from Rhode Island [Mr. PELL], the Senator from Connecticut [Mr. RIBICOFF], and the Senator from New Mexico [Mr. MONTOYA], would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Kentucky [Mr. COOPER], the Senator from Idaho [Mr. JORDAN], and the Senator from North Dakota [Mr. YOUNG] are absent on official business.

The Senator from Hawaii [Mr. FONG], the Senator from Iowa [Mr. MILLER], the Senator from Kentucky [Mr. MORTON], the Senator from South Dakota [Mr. MUNDT], the Senator from California [Mr. MURPHY], the Senator from Massachusetts [Mr. SALTONSTALL], the Senator from Wyoming [Mr. SIMPSON], and the Senator from South Carolina [Mr. THURMOND] are necessarily absent.

The Senator from Vermont [Mr. AIKEN] and the Senator from Colorado [Mr. ALLOTT] are detained on official business.

The pair of the Senator from Colorado [Mr. ALLOTT] has been previously announced.

If present and voting, the Senator from Vermont [Mr. AIKEN], the Senator from Idaho [Mr. JORDAN], the Senator from Iowa [Mr. MILLER], the Senator from California [Mr. MURPHY], the Senator from Wyoming [Mr. SIMPSON], and the Senator from South Carolina [Mr. THURMOND] would each vote "yea."

Mr. DIRKSEN. Mr. President, I ask for the regular order.

The PRESIDING OFFICER (Mr. TYDINGS in the chair). The regular order is called for. On this vote, 25 Senators voted in the affirmative, 39 Senators in the negative. The amendment is not agreed to.

Mr. MANSFIELD. Mr. President, will the Chair withhold the announcement of the final vote for a moment?

The PRESIDING OFFICER. The result of the vote has already been announced.

Mr. MANSFIELD. I did not hear the announcement.

Mr. DIRKSEN. Mr. President, I withdraw my demand for the regular order.

Mr. MANSFIELD. The Senator from Vermont [Mr. AIKEN] has entered the Chamber. I ask unanimous consent that the order for the regular order be rescinded. I observe the Senator from Vermont in the Chamber.

The PRESIDING OFFICER. The Chair is advised that that is not in order; the vote must stand.

The result was announced—yeas 25, nays 39, as follows:

[No. 99 Leg.]

YEAS—25

Bennett	Hickenlooper	Russell, Ga.
Boggs	Holland	Scott
Carlson	Hruska	Stennis
Case	Javits	Talmadge
Cotton	Kuchel	Tower
Curtis	McClellan	Williams, Del.
Dirksen	Pearson	Young, Ohio
Dominick	Prouty	
Fannin	Robertson	

NAYS—39

Anderson	Hart	Metcalf
Bartlett	Hartke	Monroney
Bass	Hayden	Morse
Bayh	Inouye	Muskie
Brewster	Jackson	Nelson
Burdick	Jordan, N.C.	Pastore
Byrd, W. Va.	Kennedy, Mass.	Proxmire
Clark	Long, La.	Randolph
Dodd	Magnuson	Smathers
Douglas	McCarthy	Smith
Ellender	McGee	Sparkman
Gruening	McIntyre	Tydings
Harris	McNamara	Yarborough

NOT VOTING—36

Aiken	Hill	Mundt
Allott	Jordan, Idaho	Murphy
Bible	Kennedy, N.Y.	Neuberger
Byrd, Va.	Lausche	Pell
Cannon	Long, Mo.	Ribicoff
Church	Mansfield	Russell, S.C.
Cooper	McGovern	Saltonstall
Eastland	Miller	Simpson
Ervin	Mondale	Symington
Fong	Montoya	Thurmond
Fulbright	Morton	Williams, N.J.
Gore	Moss	Young, N. Dak.

So Mr. HRUSKA's amendment was rejected.

Mr. MUSKIE. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. RANDOLPH. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MUSKIE. Mr. President, a century ago Joshua Chamberlain, military hero of the War between the States, president of Bowdoin College and Governor of Maine expressed his philosophy of government in these words:

A government has something more to do than to govern, and to levy taxes to pay the governors. It is something more than a police to arrest evil and punish wrong. It must also encourage good, point out improvements, open roads of prosperity and infuse life into all right enterprises. It should combine the best minds of the State for all the high ends for which society is established and to which man aspires. That gives us much to do.

These eloquent words could today serve as a fitting preface for the Public Works and Economic Development Act of 1965 which we now consider. This act indeed—encourages good—points out and opens roads for economic improvement and enhanced prosperity—infuses life into right enterprises—and brings together the best minds of the State, at all levels of government and occupation to work together for all the high ends—economic and social to which man aspires.

This act is the logical culmination of the effects of significant economic and social forces which have acted upon our society over the past two decades. These forces, perhaps revolutionary in perspective, have improved the American standard of economic and social living and the pattern of national economic growth. These forces, too, have brought into focus the important truths that all Americans, in all places, throughout our land are entitled to an equality of opportunity—whether that opportunity be for justice, for political representation, for education, for health, for outdoor enjoyment, for the use of resources, or for economic enhancement.

Equality of opportunity for all men, I suggest, is the underlying theme of our major legislative efforts in this decade of the 1960's. For in this land of plenty, in the midst of our affluence, we are confronted with the paradox of unemployment, poverty, and misery—the products of unequal economic opportunity.

For some years, many States have recognized the uneven nature of economic operations and developments as functions of opportunity. In my own State, for example, we organized in 1955 the Department of Economic Development, to coordinate our industrial and recreational development programs. In 1957 this was followed by the Maine Industrial Building Authority, to guarantee industrial building loans. Both of these programs represent efforts by Government to provide the means—the opportunity—the catalyst—by and through which local communities can utilize local initiative and local resources to solve their economic problems. I am proud that both of these measures were enacted while I was Governor of Maine. Progress has been good in these State-oriented programs but a great need has remained. Thus it was both logical and necessary for the Federal Government to become

a partner with the States in this search for economic opportunity for all people. This came to pass in the Area Redevelopment Act of 1961 which I was pleased to cosponsor.

In its few years of operation, ARA has been of immense assistance to large areas which need help—help, I might add, not forced upon anyone—but requested, in partnership with local endeavor—viably used and still required. The record for Maine in this regard is worthy of brief comment and example.

ARA projects have been active in nine Maine counties. One of these is Aroostook County in the extreme northern tip of Maine. An area as large as Connecticut and Rhode Island combined, with a population of about 100,000 Aroostook is a largely underdeveloped area. It is rich in natural resources, but concentration in a single industry—potato farming—has made the county's economy subject to violent fluctuations of the potato market.

ARA has proven its promise and great potential for economic development by expanding economic opportunity in Aroostook County. ARA has approved \$11.5 million in industrial loans to industries in Aroostook. As a result of this 3,015 direct jobs have been created or projected for this area. The average cost per job is \$3,900 and the average annual total income resulting from this direct effort is over \$10 million.

Moreover, these loans have helped to diversify Aroostook's industrial base in wood products, potato processing, and the establishment of a broad-based sugarbeet industry of great potential to Maine's future economy.

About 1,200 jobs have been created elsewhere in Maine through ARA-assisted projects and more than 700 people have completed ARA training programs. The total impact in jobs is over 4,000 providing an annual income of more than \$14 million.

One of the more dramatic events in the life of ARA also happened in Maine. As a result of the shutdown of two textile mills in Lisbon Falls, Maine, during the summer-fall of 1964, this community was confronted with a sudden high rise unemployment situation affecting about 80 percent of its total work force of 1,150. To meet this crisis, President Johnson ordered a Federal task force to this community to assist them in their time of need. Out of this force of 10 or more Federal agencies, the main economic thrust, giving greatest relief to this chaotic situation, came from ARA in the form of a loan to a corporation which bought the largest of the two mills and reopened it at about 50 percent of its former work force.

Here indeed was opportunity created.

There are many more promising prospects in a variety of Maine industries. Pending at this time, but unfunded, because of the exhaustion of ARA funds are nearly \$6 million worth of these "opportunity" projects.

The passage of this bill, S. 1648, will assure the continued availability of opportunity to many Maine communities

and other areas throughout our land. As we consider its substantive content, I would urge all Members of this body to think of this bill in terms of opportunity—not handouts—of opportunity for the broad economic growth of the underdeveloped communities of our country; and—of opportunity for the impoverished family to hold their heads high and for a man, his wife, and their children to rise in stature among their peers through their own productive capacities.

For opportunity is precisely what this bill offers—just as opportunity is the essential hallmark of our American way of life.

The committee in its consideration of this bill focused considerable attention on those sections pertinent to regional and local planning and development action. Much will yet be said on these points, but briefly let me conclude my remarks with emphasis on the new "economic development district" and "development" center concepts.

We must remember, that in establishing a national regional economic development program we are dealing with different regions of the country. Each of these regions has a different economic and resource base, and each has a different need in terms of development programs. In many ways New England has the most cohesive and coordinated set of States in the union. But even here there are divisions. The States and their component parts are not all homogeneous in terms of economic and development program need. We forget this division at our peril.

That we have not forgotten this basic fact is evident. Section 403 provides for the encouragement of local area development through multicounty economic development districts by authorizing a 10-percent increase in development facility grants for projects in such districts and by emphasizing the need for coordinated district planning and programming.

In addition the bill also makes eligible for assistance development centers which are not distressed in themselves but where economic investment will contribute to the alleviation of high unemployment and low income in dependent surrounding areas.

These two elements of the bill are excellent commonsense clauses. They recognize the basic fact that you cannot build our national house of economic enhancement and stability from the roof

down but from the foundation up—and indeed from the individual grassroot bricks of that foundation.

We have had important experience with this concept in rural Aroostook County, Maine, where loans to community developments in centers such as Presque Isle could not stand alone but where economic stimulation was provided to surrounding low-income rural areas through the development of agricultural product processing facilities.

The other provisions of this bill are designed to work in harmony with the loan concept.

Title I of the bill, in a way, is an extension of the accelerated public works program which is out of funds. There is an important distinction though between this program and accelerated public works. The Accelerated Public Works Act was designed to help ease a general unemployment problem facing the Nation at the time it was passed. Funds for public works projects were made available to areas suffering the highest rates of unemployment.

Under S. 1648, the principal purpose is to increase the amount of Federal funds being expended both for general improvement of the physical structure of an area for specific improvements related to projected economic development. The idea is to assist the areas of need to improve and strengthen physical facilities, or infrastructure, so that they may be better able to support long-term economic development.

The criteria for the approval of public facility and development facility projects under S. 1648 are more restrictive than they were under accelerated public works because, as I have just noted, the principal test to be applied in this new bill is the contribution the project will make to the long-term well-being of an area; not as it was under accelerated public works, the temporary relief of unemployment.

Some of the kinds of public facility projects to be financed under titles I and II of this bill—title II provides for loans for these facilities—can be partially financed under existing programs and others cannot. I have a partial listing of these projects with a notation as to whether or not partial financing is available under other programs. Without objection, I would like to place this listing in the RECORD at this point.

There being no objection, the listing was ordered to be printed in the RECORD, as follows:

I. Public works and development facilities "directly" related to economic development

<i>Type of project</i>	<i>Existing grant-in-aid program</i>
Water works and water lines related to industrial and commercial development.	None.
Sanitary and storm sewers related to industrial and commercial development.	Do.
Industrial parks (land development and utilities).....	Do.
Police and fire stations related to industrial and commercial development.	Do.
Research centers related to industrial and commercial development.	Do.
Tourism facilities.....	Do.
Streets and roads related to industrial and commercial development.	50 percent from Bureau of Public Roads if on Federal aid highway system.
Waste treatment facilities relating to industrial and commercial development.	Up to 30 percent from PHS.
Area vocational schools.....	50 percent from Office of Education.
Airports.....	50 to 75 percent from F.A.A.
Watershed protection and flood prevention related to industrial or commercial development.	30 to 100 percent from Soil Conservation Service.

II. Public works and economic development facilities "indirectly" related to economic development (projects improving the "climate" of a community)

Type of project	Existing grant-in-aid program
Water works and water liens related to residential development..	None.
Sanitary and storm sewers primarily related to residential development.	Do.
Streets primarily related to residential development.....	50 percent from Bureau of Public Roads if on Federal-aid highway system.
Waste treatment facilities not related to industrial or commercial development.	Up to 30 percent from PHS.
Hospitals related to community or district economic development.	44 to 66 percent from PHS.

Mr. MUSKIE. Mr. President, even though some of these projects can be assisted through grants under existing programs the idea behind S. 1648 is to provide additional assistance to projects that are located in areas of economic distress.

In the majority of eligible areas grants of up to 50 percent will be available. In the hardest hit areas, supplemental grants of up to 30 percent will be made. In no case will a project be entitled to more than 80-percent grant assistance under the bill.

The supplemental grants, incidentally, can apply to those projects receiving a grant under this program as well as to projects receiving direct grants under other programs.

Let me give an example of how this works. If a community waste treatment facility were entitled to a 30-percent grant from the Public Health Service, an additional 20-percent direct grant could be made under S. 1648. If that facility were located in a severely distressed area it could apply for an additional 30 percent under the supplemental grant provision of title I. The total Federal money in that project then would be the maximum 80 percent.

On the other hand if an airport project were entitled to a 75-percent grant from the FAA, only an additional 5 percent could be granted under the Public Works and Economic Development Act. Never can the total be greater than 80 percent and only the hardest hit areas would be entitled to an amount greater than 50 percent.

Under title II of S. 1648 loans can be made for public facility and development facility projects, and loans and working capital guarantees can be made for promising industrial and commercial projects. There is also a provision that enables the Secretary of Commerce to contract to pay to, or on behalf of businesses, a portion of the interest costs which they incur in financing their expansions from private lending sources.

Much of this title reflects an extension of the better features and experiences of the area redevelopment program, which is about to phase out. It is a very important part of this act since it provides the only direct financial assistance for privately financed industrial and commercial enterprises. These are the facilities that provide the permanent employment we are seeking to create under this legislation.

Title III also represents an extension of the Area Redevelopment Act program and incorporates some of the excellent provisions for technical assistance, planning, and research we have in the Appalachian regional program.

Title IV sets forth the eligibility re-

quirements for the designation of redevelopment areas and development districts—groupings of counties and/or a labor market areas wishing to join together in an economic development effort. The criteria for area eligibility under S. 1648 follow quite closely the standards that were established for eligibility under the Area Redevelopment Act.

The provisions and standards for the establishment of multi-State regional are combined in title V. In this title is the recognition that the Appalachian regional experiment, even though just getting started, offers a means to deal with chronic depression problems extending across State lines. This title encourages and assist States in getting together to work jointly on common problems. An authorization of \$15 million annually, which I consider modest relative to the amount of work to be done, as authorized to help economic development regions in planning, in undertaking technical assistance programs, and to help finance their administrative expenses.

I want to congratulate the chairman of the Public Works Committee [Mr. McNAMARA] for the manner in which he has developed and moved this legislation. I also would like to compliment the ranking majority member of the Public Works Committee [Mr. RANDOLPH] and ranking minority member [Mr. COOPER], both of whom have made major contributions to making this a bill that will have great impact on improving our depressed areas.

I have had the unique experience of sitting on both of the committees which handled this bill. I would like to congratulate Senator DOUGLAS, the principal sponsor of S. 1648 and the father of the Area Redevelopment Act, whose work on the Banking and Currency Committee in considering this bill was most important. The chairman of the Banking and Currency Committee [Mr. ROBERTSON] also deserves congratulations for making it possible to move this bill so rapidly to the Senate.

Our Nation has evolved greatly from the Jeffersonian concepts of an agrarian social base. Today many of our greatest economic problems center in urban or rural areas. The basic premise of national economic dependence upon strong, viable, and individual local economies is still valid.

As strong as our local foundation is built so will our national economic house stand, today, tomorrow, and for years in the future. The emphasis provided in S. 1648 on this basic fact convinces me that this is strong, good legislation. I urge its enactment.

Mr. President, I yield 5 minutes to the Senator from Mississippi [Mr. STENNIS].

TRIBUTES TO SENATOR ROBERTSON OF VIRGINIA

Mr. STENNIS. Mr. President, I hold in my hand an editorial from the Richmond Times-Dispatch of May 23, 1965, entitled "ROBERTSON for Reelection."

This fine editorial refers to our colleague the Senator from Virginia [Mr. ROBERTSON]. I heartily endorse not only the timeliness of the editorial, but also its substance, and wish to add a few words.

From my experience with the Senator from Virginia, observing his record, I do not believe the Nation has a finer or more effective champion of our great free enterprise system in all of its best features, it being one of the foundation mudsills of our great system of Government.

I certainly hope he will offer for reelection. I am confident he will be reelected if he does.

Having served for many years in the House of Representatives, and as a member of the Ways and Means Committee and a member of the Senate Banking and Currency Committee, and for the last several years and presently as the chairman of that important committee, I believe he knows the economy of this country as well as does any other Member of Congress, and better than most of us. He knows it from the standpoint of his own State, and he knows it from a national viewpoint.

He has been a guardian of the Treasury and a champion of sound fiscal affairs during all those years. We look to him for guidance in that field.

Furthermore, he is full of energy and vigor, turning out an unusual amount of work week after week and year after year.

He has the respect and esteem as well as the dedication of every one of his fellow Members of the Senate. We appreciate him for his fine services, and, even more than that, for his staunch character. The editorial not only is a tribute which I feel for him, but I believe it expresses that of all the people and of his colleagues.

I ask unanimous consent that the editorial be printed in the RECORD at this point.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

[From the Richmond Times-Dispatch, May 23, 1965]

ROBERTSON FOR REELECTION

A WILLIS ROBERTSON's third full term as U.S. Senator from Virginia expires next year. The Times-Dispatch herewith urges him to offer at that time for another term.

Senator ROBERTSON is vigorous and alert, both physically and mentally. He is one of the most knowledgeable and articulate men in the Senate. His mind is clear and his physique excellent. He is the same crack shot and expert fly-fisherman that he was 40 years ago.

During his service in the Senate of almost 20 years, he has built up much seniority, and he is one of that body's most influential Members. It would take any successor a long time to acquire the influence and knowledge which he commands. Before going to the Senate, he served in the House for 14 years.

ing. I believe that it will continue and will require additional authorization.

Mr. President, I move the adoption of the conference report.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

Mr. STENNIS. Mr. President, I move that the vote by which the conference report was agreed to be reconsidered.

Mr. ELLENDER. Mr. President, I move that the motion to reconsider be laid on the table.

The motion to lay on the table was agreed to.

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

The Senate resumed the consideration of the bill (S. 1648) to provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

Mr. YARBOROUGH. Mr. President, the Public Works and Economic Development Act of 1965 is an integral part of the broad-scale effort which the American people have determined should be made to deal with the great changes that are taking place in America today as a result of the increasing complexity, sophistication, and maturity of our society. Consequently, we are moving forward on many fronts: education, medical care for the elderly, water and air pollution, the war on poverty—the list could go on for pages.

Through this Economic Development Act, Congress is saying to all the people of America that it is the view of their elected representatives that no community or town, no matter how small, shall be allowed to fall victim to a changing technology, to be left in the backwash of the advance into new frontiers of social and economic development. Each community or region, if it desires to help itself, will receive assistance in this direction from the Federal Government, acting in cooperation with the States. Grants and loans for public works and development facilities, loans for the purchase or development of land and facilities for industrial or commercial usage, the guarantee of certain loans, partial payment of interest charges on certain loans, technical assistance, research, and information will be available to areas which meet the certification requirements of low income or high unemployment.

It is my fervent hope that the eligibility requirements will be such as to afford assistance to those many small communities partially dependent upon industry but primarily agricultural in nature, whose unemployment rate is kept low because of outmigration. I believe that these communities will be aided through the low-income provision. I shall watch the administration of the act closely with this in mind.

In a recent letter from Mr. Henry C. Sullivan, chairman of the Collingsworth County Overall Economic Development Planning Board, it was pointed out that the chairman of the Texas Industrial Commission, Mr. Harry W. Clark, expects that if present trends continue, the roughly 800 small communities in Texas will be reduced to 600 by the early 1970's. I hope that this does not happen so long as I am a Member of the U.S. Senate. This bill is the way to see that such a grim destiny does not come to pass. It would provide grants and loans for waterworks and sewage disposal systems, the surest guarantee of survival of small towns.

I believe that the carefully reasoned eligibility requirements worked out by the committee should be given a chance to work.

I am particularly pleased that the ARA approach is being retained in this bill. ARA, in the few short years of its existence, has meant a great deal to my State. As of January 31, 1965, a total of 134 projects involving almost \$10 million have been approved for Texas, creating over 3,200 new jobs. Through waterworks, public buildings, or other grants, whole towns have been revitalized. Through industrial loans, new industries have lifted smaller cities from depression to rapid growth.

With the passage of this bill, we provide for this Nation another of the building blocks to a Great Society in which all regions of the country share the fruits of economic progress and not the despair of being left behind on the great adventure upon which we are all embarked.

Mr. President, I ask unanimous consent to have printed in the RECORD a letter from the mayor of Brady, Tex., Mr. John Rudder, dated May 10, 1965, as well as a résumé from pages 61 to 63 of the hearings on the Public Works and Economic Development Act, 1965, which shows how an eligible area obtains benefits under the proposed Public Works and Economic Development Act of 1965.

We receive many inquiries from constituents saying that they cannot find out how the act will work, and this summary of 31 points will give them that information.

There being no objection, the letter and summary were ordered to be printed in the RECORD, as follows:

[A letter from the mayor of Brady, Tex.]

CHAMBER OF COMMERCE,
Brady, Tex., May 10, 1965.

Senator RALPH W. YARBOROUGH,
U.S. Senate,
Washington, D.C.

DEAR SENATOR YARBOROUGH: Knowing that you are always interested in what the people back home think of various Government programs, we want to let you know what the ARA program has meant to the economy of McCulloch County.

On May 14 and 15, 1961, Mr. B. C. Broad, manager of McCulloch Electric Cooperative, and Mr. George Purcell, manager of the Brady Chamber of Commerce, attended a Rural Area Development Conference in Washington, D.C., where the ARA program was outlined. However, at that early date we were not eligible to participate in the program. In the latter part of 1961 we were

made eligible on the basis that our unemployment had been above the national level for 3 years.

We called a meeting of every segment of our economy. We all agreed that we had lost 24 percent of our population in the past 10 years. What we needed was to provide work or part-time work for our small farmers and ranchers so they could remain on the farm. This group formed a county building program and developed our own OEDP. In this plan we not only found out what we needed but made a long-range plan to solve the problems. The various State agencies approved this OEDP program and it was also approved in Washington, D.C., by the ARA.

Some of our people had started a local industry in Brady. This industry had great promise but had run into financial trouble. The Small Business Administration was about to foreclose. We formed an industrial foundation and approached Spencer Safford Loadcraft, Inc., of Augusta, Kans., to make application for an ARA loan to purchase the property and take over the existing industry. We personally raised our 10 percent and a local savings and loan made a loan for 20 percent and ARA approved a loan for 65 percent. Total amount of this loan was a little over \$300,000. After 1 year this company had 350 people working, however, at present the employment is down some due to a lack of contracts.

The city of Brady had just voted bonds for about \$1½ million to build a lake. Our sewer system was about to be condemned by the health department and was inadequate to handle the load. Our water distribution system had to be improved and enlarged. We were granted two grants under the Public Works Acceleration Act for about \$350,000. We also secured two good small industries which were financed by personal capital.

Today the population of Brady is about 1,000 more than it was in 1961. We have a new modern motel, a new restaurant, and a new apartment house. These were financed by private capital. We have made over \$600,000 improvements in our school system and two of our rural communities have drilled water wells and put in water systems.

The city of Brady has developed a long-range plan for the city. We feel that none of this would have been accomplished had the ARA program not sparked us and gave us some help both financial and technical.

Part of the ARA program was not practical for us but when we worked out our own OEDP it was practical because it was a program developed by our people for our people and the help we got through the ARA made it possible for us to develop a working program.

We are asked many times why we were for the ARA program. Our answer is that we are for it because it has helped our county which had to do something or we would have continued to lose population.

We have faith that the money loaned to our industry will be paid back 100 percent and the grants we received made it possible for us to vote a like sum in bonds to build a new modern sewer and water system. Without the 50-percent grant we could not have done this job.

We would like to see the good parts of the ARA program continued as it has proven it has merit and will help any rural community not only to exist but put them in a position to add a lot to the welfare and economy of our Nation.

We want to thank you and your staff for your help and thank our Government for having faith in our community.

Sincerely,

JOHN RUDDER, Mayor.

BRIEF STEP-BY-STEP RÉSUMÉ OF HOW AN ELIGIBLE AREA GETS BENEFITS UNDER THE PROPOSED PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

(Tentative and subject to changes in the act and revised administrative requirements)

1. If the area had previously been eligible under the Area Redevelopment Act and had an approved overall economic development program (OEDP) under that act, it will be eligible to submit projects for approval immediately.

2. Pending projects under the Area Redevelopment Act will automatically be reviewed by EDA and reactivated without further action on the part of the community.

3. Pending projects under the Accelerated Public Works Act will have to be resubmitted.

4. If an area had not previously been eligible under the Area Redevelopment Act, it will be necessary for the area to prepare an OEDP and submit it to the Administrator for Economic Development for approval. Assistance will be available from EDA upon request.

TITLE I—GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES

5. Public Works and development facilities projects may be submitted by any community, governmental organization, or private nonprofit organization from an eligible area.

6. Projects should be submitted to EDA on forms which will be made available.

7. EDA will publish a book indicating which areas are eligible for 80-percent grants, which for 70-percent grants, which for 60-percent grants, and which for 50-percent grants. Communities will be able to guide themselves accordingly.

8. When an applicant wishes to apply for supplementary grant for a project for which the basic grant is coming from another agency, the applicant will fill out a supplemental form to EDA at the same time the project is submitted to the other agency. Announcements of approval will be made simultaneously with the announcements of approval from the other agencies. Funds will be transferred to the other agencies in the amount of the supplementary grant.

9. Applicants will be required to justify all projects on the grounds that the projects will either directly or indirectly tend to improve the opportunities for the successful establishment or expansion of industrial or commercial facilities; or will assist in the creation of additional long-term employment opportunities; or will substantially further the objectives of the Economic Opportunity Act of 1964. Applicants will also have to demonstrate that the project will fulfill a pressing need of the area and that it is consistent with an approved OEDP.

10. Where a supplementary grant is requested the applicant will have to certify that funds are not available locally for the required community share without a supplementary grant.

TITLE II—OTHER FINANCIAL ASSISTANCE

11. Application for loans for public works and development facilities will be handled on the same basis as grants and will require the same justification.

12. Application for business loans may be from public or private borrowers and should be made directly to EDA on appropriate forms provided.

13. Applications for guarantee of working capital loans will be made a part of the application for the business loan as appropriate.

14. Applications for interest rate subsidies will be made directly to EDA by the borrower on appropriate form which will be available from EDA.

15. Applications for loan guarantees or interest rate subsidies will be required to exercise a certification of nonrelocation on appropriate EDA form.

TITLE III—TECHNICAL ASSISTANCE, RESEARCH, AND INFORMATION

16. Communities requiring technical assistance in carrying out their economic development programs will make application directly to EDA in accordance with published instructions similar to those now available for the Area Redevelopment Act program.

17. States, district organizations, and communities wishing grants-in-aid for economic planning staff and administrative expenses shall submit requests directly to EDA on appropriate forms to be made available. Detailed budgets and justifications will be required.

18. Eligibility of areas eligible under the Area Redevelopment Act on the date the new bill is enacted will automatically be considered eligible for benefits under the new act. Specific instructions will be given to these communities at a later date on the maintenance of their eligibility.

19. Those areas which will become eligible under the new act which have not heretofore been eligible under the Area Redevelopment Act will receive a communication from EDA explaining how to prepare an OEDP and to qualify for designation under the new act.

20. When the new area has submitted an OEDP and it has been approved it will become eligible for benefits under the new act.

21. EDA and State officials will work together to establish tentative boundary lines for districts under part B of title IV.

22. State and EDA representatives will work with representatives of local communities to establish district development organizations.

23. When district development organizations are established, requests for grants-in-aid will be submitted to EDA on appropriate forms to be provided.

24. When these grants are approved the district organization will arrange to prepare their district development plan and submit it for approval.

25. One year after the date of enactment of the act or whenever the district development plan is approved, whichever comes later, the district will become eligible for benefits under part B of title IV. These will be administered in the same manner as projects submitted under title I and title II.

TITLE V—REGIONAL ACTION PLANNING COMMISSIONS

26. The Secretary of Commerce will, upon enactment of the bill, notify Governors of the provisions of title V regarding regional action planning commissions.

27. Representatives of the Governors and EDA will meet informally to agree upon preliminary general boundary lines for regions.

28. After this agreement the Governors will submit a formal request for recognition of the region, and a temporary budget for initial operation, accompanying this request with appropriate justification in terms with the purposes of the act.

29. After review and/or modification, the Secretary will approve the establishment of the regional planning commission and its initial budget and the President will name the Federal cochairman.

30. The Governors will name their representatives to the regional planning commission; the commission will organize itself and submit a detailed annual budget.

31. The Secretary will approve the budget and make the funds available for the commission to organize itself.

Mr. YARBOROUGH. Mr. President, I yield the floor.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADJOURNMENT UNTIL 9 A.M. TOMORROW

Mr. ELLENDER. Mr. President, I move, pursuant to the order of May 26, 1965, that the Senate adjourn until 9 o'clock tomorrow morning.

The motion was agreed to; and (at 3 o'clock and 49 minutes p.m.) the Senate, under the order of May 26, 1965, adjourned until tomorrow, Friday, May 28, 1965, at 9 o'clock a.m.

CONFIRMATIONS

Executive nominations confirmed by the Senate May 27, 1965:

IN THE AIR FORCE

The nominations beginning John C. Aarni, Jr., to be second lieutenant, and ending Furman E. Thomas, to be second lieutenant, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on April 23, 1965.

IN THE ARMY

The nominations beginning Thomas R. Dooley, to be captain, and ending Raymond A. Sanders, to be second lieutenant, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on May 19, 1965.

IN THE NAVY AND MARINE CORPS

The nominations beginning James L. Abbott III, to be ensign in the Navy, and ending Timothy J. Vogel, to be ensign in the Navy, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on May 5, 1965.

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE

Washington, D. C. 20250

Official Business Postage and Fees Paid
U. S. Department of Agriculture

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

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For actions of June 1, 1965
89th-1st; No. 98

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HIGHLIGHTS: Senate passed public-works economic-development bill. Senate committee voted to report International Wheat Agreement. Sen. Pearson asked solution of freight-car shortage to transport new wheat crop, etc. Rep. Redlin expressed concern over "suggested importation" to Canada of livestock from foot-and-mouth disease countries. Rep. Talcott criticized farm labor situation. Rep. Philbin commended USDA's efforts to eliminate surpluses and questioned some provisions of farm bill.

SENATE

1. PUBLIC WORKS; ECONOMIC DEVELOPMENT. Passed, 71-12, with amendments S. 1648, the proposed Public Works and Economic Development Act of 1965. Agreed to the Moss amendment providing that unless there is substantial reason to the contrary the extension of financial aid pursuant to title I (grants for public works and development facilities) and title II (other financial assistance) shall be to State political subdivisions rather than to a private or public nonprofit organization. Rejected, 31-53, the Cooper amendment to reduce from \$400 million to \$325 million the authorization for fiscal year 1966 and each year thereafter through 1970. pp. 11692, 11720-55

2. WHEAT. The "Daily Digest" states that the Foreign Relations Committee "approved protocol for the extension of the International Wheat Agreement of 1962." p.

3. FORESTRY. Concurred in the House amendment to S. 435, to extend the boundaries of the Kaniksu National Forest, Idaho. This bill will now be sent to the President. pp. 11756-7
4. DAYLIGHT SAVING. The Commerce Committee reported with amendments S. 1404, to establish uniform dates throughout the U. S. for commencing and ending daylight saving time in those States and local jurisdictions where it is observed (S. Rept. 268). p. 11683
5. TRANSPORTATION. Sen. Pearson asked that the freight-car shortage be solved, mentioning especially the need to transport the new wheat crop, and inserted an article on this subject. pp. 11708-9
6. ELECTRIFICATION. Received from REA a report on a loan to the East River Electric Power Cooperative, Inc., of Madison, S. Dak. p. 11680
7. DAIRY PRICE SUPPORTS. Received from the Comptroller General a report on "additional costs incurred under the dairy products price-support program by purchasing butter outside the general areas of production." pp. 11680-1
with amendment
8. VETERANS' BENEFITS. The Labor and Public Welfare Committee reported/S. 9, to give cold war veterans educational and home-loan benefits similar to those for World War II veterans (S. Rept. 269). p. 11683
9. PERSONNEL; EXPENDITURES. Sen. Byrd, Va., inserted a report on Federal employment and pay from the Joint Committee on Reduction of Nonessential Federal Expenditures. pp. 11684-8
10. FOREIGN AID. Sen. Gruening inserted and discussed several proposed amendments to S. 1837, the foreign aid authorization bill. pp. 11690-2
Both Houses received the President's message recommending aid for Southeast Asia (H. Doc. 196); to Senate Foreign Relations Committee and House Committee of Whole. pp. 11768-9, 11663-4
11. FOREIGN CURRENCIES. Sen. Byrd, Va., inserted a report from the Treasury on "Utilization of U. S. Government Foreign Currency Balances" pp. 11712-14

HOUSE

12. EXPORT CONTROL. The Banking and Currency Committee reported with amendment H. R. 7105, to continue the Export Control Act (H. Rept. 434). p. 11676
13. TAXATION. The Rules Committee reported a resolution for the consideration of H. R. 8371, to reduce excise taxes. p. 11676
Rep. Curtis inserted excerpts from the executive session of the Ways and Means Committee on the subject of excise tax reduction. pp. 11641-5
Received a Mass. Legislature memorial "relative to the retention of Federal excise taxes and to distribute the proceeds thereof to the individual States in the proportion of amounts collected from each individual State." p. 11677
14. PUBLIC DEBT. The Ways and Means Committee reported without amendment H.R. 8464 to provide for a temporary increase in the public debt limit set forth in section 21 of the Second Liberty Bond Act (H. Rept. 438). p. 11676

the other body, continues the practice of annual reviews of the program and of annual authorizations.

This amendment would continue that practice. As I shall show in later remarks, the sole purpose of this change to 2-year authorizations is to limit congressional review of the program. It can serve no other use.

There being no objection, the amendment was ordered to be printed in the RECORD, as follows:

On page 3, strike out lines 3 to 12, inclusive.

On page 3, line 13, strike out "(b) Amend section 205" and insert in lieu thereof the following:

"SEC. 102. Section 205 of the Foreign Assistance Act of 1961, as amended."

On page 3, line 14, after the comma insert "is amended".

On page 4, strike out lines 12 to 17, inclusive, and insert in lieu thereof the following: "by striking out '1965' and '\$215,000,000' and substituting '1966' and '\$210,000,000', respectively."

On page 4, strike out lines 22 to 25, inclusive, and insert in lieu thereof the following:

"(2) Amend subsection (c) by striking out '1965, \$18,000,000' and substituting '1966, \$7,000,000'."

On page 5, line 19, strike out "1968" and insert in lieu thereof "1967".

On page 8, line 19, strike out "1968" and insert in lieu thereof "1967".

On page 8, beginning with line 20, strike out through line 2 on page 9.

On page 9, line 4, strike out "Sec. 106" and insert in lieu thereof "Sec. 105".

On page 9, strike out lines 6 to 13, inclusive, and insert in lieu thereof the following: "is amended by striking out 'and \$85,000,000 in fiscal year 1965' and substituting ' \$85,000,000 in fiscal year 1965, and \$70,000,000 in fiscal year 1966'."

On page 9, line 16, strike out "Sec. 107" and insert in lieu thereof "Sec. 106".

On page 10, lines 6 and 7, strike out "each of the fiscal years 1966 and 1967" and insert in lieu thereof "the fiscal year 1966".

On page 10, line 11, strike out "Sec. 108" and insert in lieu thereof "Sec. 107".

On page 10, strike out lines 13 to 19, inclusive, and insert in lieu thereof the following: "amended by striking out '1965' and '\$405,000,000' and substituting '1966' and '\$350,000,000', respectively."

On page 10, line 21, strike out "Sec. 109" and insert in lieu thereof "Sec. 108".

On page 10, line 24, beginning with the word "each" strike out through line 2 on page 11 and insert in lieu thereof the following: "the fiscal year 1966, not to exceed \$50,000,000."

On page 11, line 12, strike out "each of the fiscal years 1966 and 1967" and insert in lieu thereof "fiscal year 1966".

On page 11, line 13, strike out ", which".

On page 11, line 14, strike out "in each such fiscal year, which sums".

On page 14, line 10, strike out "years 1966 and 1967" and insert in lieu thereof "year 1966".

On page 14, lines 12 and 13, strike out "each of the fiscal years 1966 and 1967" and insert in lieu thereof "the fiscal year 1966".

On page 14, line 19, strike out "years 1966 and 1967" and insert in lieu thereof "year 1966".

On page 14, strike out lines 20 and 21.

On page 18, line 22, strike out "June 30, 1967" and insert in lieu thereof "December 31, 1966".

On page 21, line 1, beginning with the word "inserting" strike out through "1967" in line 2 and insert in lieu thereof the following:

"substituting 'for the fiscal year 1966 not to exceed \$55,240,000'."

Mr. GRUENING. Mr. President, my second amendment—No. 221—which I ask to be printed at this point in my remarks, relates to the declaration contained in S. 1837, as reported, that it is the policy of the Congress that an increasing portion of assistance be distributed on a multilateral basis. This again, as I shall point out at a later time, is an attempt to diminish congressional control over the foreign aid program.

There being no objection, the amendment was ordered to be printed in the RECORD, as follows:

On page 2, lines 11–13, delete the following words: "United States and other free world nations place an increasing portion of their assistance programs on a multilateral basis and the."

Mr. GRUENING. Mr. President, my third amendment—No. 222—which I ask to be printed at this point in my remarks, relates to foreign economic assistance to Indonesia. This too I shall explain at greater length in the days ahead. However, anyone who has followed the press reports from Indonesia is well aware of the fact that the country has scorned our aid. If that be so, there is good reason for a congressional prohibition against any further aid to that country.

There being no objection, the amendment was ordered to be printed in the RECORD, as follows:

On page 18, between lines 18 and 19, insert the following:

(2) Amend subsection (j) to read as follows:

"(j) No assistance shall be furnished under this Act, and no sales shall be made under Title I of the Agricultural Trade Development and Assistance Act of 1954, as amended, to Indonesia. No other provision of this Act shall be construed to authorize the President to waive the provisions of this subsection."

On page 18, line 19, strike out "(2)" and substitute "(3)".

Mr. GRUENING. Mr. President, my fourth amendment—No. 223—which I ask to be printed at this point in my remarks, relates to further economic assistance to the United Arab Republic. My amendment would ban such aid unconditionally. I have spoken often on this subject. I shall speak on it again at length when I call up my amendment. The present Foreign Assistance Act bans foreign economic assistance to nations which practice or threaten aggression against nations aided by the United States. There can be no doubt—judged by its actions against Cyprus, Libya, Saudi Arabia, Israel, and the Congo—that the United Arab Republic is acting as the aggressor in those areas. However, there does not seem to be any disposition on the part of the administration to cut off economic aid to the United Arab Republic, despite the fact that it is our aid which enables that country to continue its aggression. Therefore, my amendment would constitute an absolute bar to any further aid to the United Arab Republic.

There being no objection, the amendment was ordered to be printed in the RECORD as follows:

On page 18, after line 22, insert the following:

(3) Add the following new subsection: "(n) No assistance shall be furnished under this Act, and no sales shall be made under Title I of the Agricultural Trade Development and Assistance Act of 1954, as amended, to the United Arab Republic. No other provision of this Act shall be construed to authorize the President to waive the provisions of this subsection."

Mr. GRUENING. Mr. President, my fifth amendment—No. 224—which I ask to be printed at this point in my remarks, relates to the authority which would be given by the bill as reported to the President to shift up to 20 percent of the amount made available for the Development Loan Fund to the International Development Association, the International Bank for Reconstruction and Development, and the International Finance Corporation. This again is an attempt to remove congressional control over the foreign aid program. For example, the adoption of this provision would remove the transferred funds from the restrictions of the Hickenlooper amendment governing the expropriation of U.S. owned industries. On this provision I shall also talk at length when the amendment is called up.

There being no objection, the amendment was ordered to be printed in the RECORD, as follows:

On pages 3 and 4, delete subsection (b).

Mr. GRUENING. Mr. President, my sixth and final amendment relates to interest charges on development loans. My amendment—No. 225—which I ask to be printed at this point in my remarks, would change the minimum interest rates from 1 percent for the first 10 years to 2½ percent and from 2½ percent thereafter to the cost of money thereafter. I have repeatedly pointed out on the floor of the Senate that the present minimum interest rates amount to an indirect grant rather than the much publicized loans which they purportedly are. On this point I shall also speak at length when I call up my amendment.

There being no objection, the amendment was ordered to be printed in the RECORD, as follows:

Between lines 4 and 5 on page 4 add the following new subsection:

(c) Amend section 201(d) which relates to interest rates, as follows:

(1) Strike out "2½ per centum per annum" and insert in lieu thereof: "the rate arrived at by adding one-quarter of 1 per centum per annum to the rate which the Secretary of the Treasury determines to be equal to the average annual interest rate on all interest-bearing obligations of the United States then forming a part of the public debt as computed at the end of the fiscal year next preceding the date the application for the loan is approved and by adjusting the result so obtained to the nearest one-eighth of 1 per centum";

(2) Strike out "1 per centum" and insert in lieu thereof: "2½ per centum."

So that section 201(d) would read as follows:

"Funds made available for this title shall not be loaned or reloaned at rates of interest excessive or unreasonable for the borrower and in no event shall such funds (except funds loaned under section 205 and funds which prior to the date of enactment of the

Foreign Assistance Act of 1964 were authorized or committed to be loaned upon terms which do not meet the minimum terms set forth herein) be loaned at a rate of interest arrived at by adding one-quarter of 1 per centum per annum to the rate which the Secretary of the Treasury determines to be equal to the average annual interest rate on all interest-bearing obligations of the United States then forming a part of the public debt as computed at the end of the fiscal year next preceding the date the application for the loan is approved and by adjusting the result so obtained to the nearest one-eighth of 1 per centum commencing not later than ten years following the date on which the funds are initially made available under the loan, during which ten-year period the rate of interest shall not be lower than 2½ per centum per annum, nor higher than the applicable legal rate of interest of the country in which the loan is made."

The PRESIDING OFFICER. The amendments will be received, printed, and will lie on the table.

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965—AMENDMENT (AMENDMENT NO. 226)

Mr. HICKENLOOPER (for Mr. MILLER) submitted an amendment, intended to be proposed by them, jointly, to the bill (S. 1648) to provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment, and underemployment in economically distressed areas and regions, which was ordered to lie on the table and to be printed, and to be printed in the RECORD, as follows:

On page 25, line 13, insert the following: add a new subsection (6) as follows:

"(6) those additional areas in which the Secretary determines, after consultation with the Secretary of Agriculture,

(A) agriculture is the major industry,

(B) there has been a substantial decrease (or continuing marked decrease) in the number of persons engaged in agriculture as a major source of their income or livelihood,

(C) there is a substantial migration out of the area of such persons, and

(D) such migration has caused or is contributing to a condition of substantial and persistent unemployment or underemployment in other areas."

ADDITIONAL COSPONSOR OF BILL

Mr. CASE. Mr. President, I ask unanimous consent that, at its next printing, the name of the junior Senator from Maryland [Mr. TYDINGS] be added as a cosponsor of the bill (S. 1877) to promote public confidence in the integrity of Congress and the executive branch, which I introduced on May 3, 1965.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDITIONAL COSPONSORS OF BILLS

Under authority of the orders of the Senate, as indicated below, the following names have been added as additional cosponsors for the following bills:

Authority of May 13, 1965:

S. 1969. A bill to amend the Land and Water Conservation Fund Act of 1965 with respect to entrance, admission, and other

recreation user fees and charges authorized thereunder: Mr. BARTLETT, Mr. COOPER, Mr. DOMINICK, Mr. ERVIN, Mr. FULBRIGHT, Mr. HARTKE, Mr. INOUE, Mr. JORDAN of North Carolina, Mr. MCCLELLAN, Mr. MCGEE, Mr. METCALF, Mr. MONDALE, Mr. MONTOYA, Mr. MORSE, Mr. MUNDT, and Mr. THURMOND.

Authority of May 18, 1965:

S. 1985. A bill to authorize hearings and judicial review in connection with applications for certificates to commence business by associations organized under the national banking laws, and for other purposes: Mr. ALLOTT, Mr. CURTIS, and Mr. THURMOND.

S. 1991. A bill to provide for the establishment of a program of Federal unemployment adjustment benefits, to provide for matching grants for excess benefit costs, to extend coverage, to establish Federal requirements with respect to unemployment compensation, to increase the wage base for the Federal unemployment tax, to increase the rate of the Federal unemployment tax and to provide for a Federal contribution, to establish a Federal adjustment account in the Unemployment Trust Fund, to change the annual certification date under the Federal Unemployment Tax Act, to provide for a research program and for a Special Advisory Commission, and for other purposes: Mr. CASE, Mr. BARTLETT, Mr. CLARK, Mr. DOUGLAS, Mr. HART, Mr. HARTKE, Mr. JAVITS, Mr. KENNEDY of New York, Mr. MCGEE, Mr. METCALF, Mr. MONDALE, Mr. MORSE, Mr. RANDOLPH, and Mr. WILLIAMS of New Jersey.

Authority of May 24, 1965:

S. 2019. A bill to establish an Auto Burial and Beautification Fund in the Treasury of the United States consisting of certain tax revenues derived under section 4061(a)(2) of the Internal Revenue Code of 1964 (relating to tax on passenger automobiles and trailers) to finance a program for the alleviation of blight along the Nation's highways and in open spaces caused by aged or wrecked motor vehicles which have been abandoned or relegated to scrap or salvage: Mr. CLARK, Mr. GRUENING, Mr. MCINTIRE, and Mr. NELSON.

FINANCIAL ASSISTANCE FOR STUDENTS IN POSTSECONDARY AND HIGHER EDUCATION—ADDITIONAL COSPONSORS OF AMENDMENT NO. 194

Under authority of the order of the Senate of May 19, 1965, the names of Mr. KENNEDY of Massachusetts, and Mr. PELL were added as additional cosponsors of amendment No. 194, intended to be proposed by Mr. MORSE (for himself and other Senators) to the bill (S. 600) to strengthen the educational resources of our colleges and universities and to provide financial assistance for students in postsecondary and higher education, submitted by Mr. MORSE (for himself and other Senators) on May 19, 1965.

NOTICE OF CONSIDERATION OF BANK MERGER ACT

Mr. ROBERTSON. Mr. President, the Subcommittee on Financial Institutions has now held 4 days of hearings on S. 1698, my bill to amend the Bank Merger Act, and we have heard from 12 witnesses. While we have heard from the Chairman of the Federal Reserve Board as our opening witness, in support of the bill, we have not heard from the Secretary of the Treasury, the Attorney General, or the Federal Deposit Insurance Corporation. On May 27, I wrote

identical letters to each of them, reading as follows:

The testimony of outside witnesses on my bank merger bill, S. 1698, has been concluded. Before we close the hearings, I am writing to say that if you desire to be heard on this bill, either Tuesday or Wednesday of next week, that privilege will be gladly afforded to you.

I have now received replies from them. I ask unanimous consent that these replies may be printed in the RECORD at the conclusion of my remarks. In view of these replies, there appears to be no need for further testimony, and I have scheduled an executive session of the Subcommittee on Financial Institutions for tomorrow morning at 10 o'clock to consider the bill.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

THE SECRETARY OF THE TREASURY,
Washington, D.C., May 28, 1965.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Thank you for your letter of May 27 stating that if I desire to be heard on the bank merger bill, S. 1698, either Tuesday or Wednesday of next week that the privilege will be afforded to me.

I have no present desire to be heard on this bill at this time but appreciate very much the opportunity you have kindly offered.

Sincerely yours,

HENRY H. FOWLER.

U.S. DEPARTMENT OF JUSTICE,
OFFICE OF THE DEPUTY
ATTORNEY GENERAL,
Washington, D.C., May 28, 1965.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency, U.S. Senate, Washington, D.C.

DEAR SENATOR: The Attorney General has asked me to acknowledge and thank you for your letter of May 27 according him the opportunity to appear before your committee on June 1 or 2 to testify on S. 1698.

Since the Attorney General will be unable to appear, we will submit a written report on the bill instead.

I trust this will be satisfactory.

Sincerely,

RAMSEY CLARK,
Deputy Attorney General.

FEDERAL DEPOSIT INSURANCE
CORPORATION,
Washington, D.C., May 28, 1965.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency, U.S. Senate, Washington, D.C.

DEAR SENATOR ROBERTSON: Thank you for your letter of May 27, 1965. I am very sorry that the schedule of your subcommittee and my prior commitments make it impossible for me to appear either Tuesday or Wednesday to testify respecting the bank merger bill, S. 1698.

I hope that events permit a further opportunity for me to appear before the subcommittee in the near future. I am sure that you know my personal views concerning the need for this legislation.

With kind personal regards,

Sincerely yours,

K. A. RANDALL,
Chairman.

ENROLLED BILL PRESENTED

The Secretary of the Senate reported that on today, June 1, 1965, he presented to the President of the United

This is the law as defined by the courts. Insofar as appears possible at this late date in applying the decisions and laws forbidding segregation by State or local law or administrative practices, it is plain commonsense.

The school districts of South Carolina and other States have agreed to comply with these laws and the courts are ready to step in again if they fail to do so. It is neither legal nor sensible to ask them, or the pupils and their parents, to do more.

THE NATIONAL COUNCIL OF CHURCHES

Mr. THURMOND. Mr. President, I call to the attention of other Senators an editorial entitled "NCC's Tax Exemption." The editorial was published recently in the Indianapolis Star.

This editorial raises a very pertinent question about the tax-exemption status of the NCC in view of the many political stands that have been taken by the council, including the approval of a resolution recommending withdrawal of armed services from South Vietnam.

I ask unanimous consent that the editorial be printed in the RECORD following these remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

NCC'S TAX EXEMPTION

The leadership of the National Council of Churches should stop hiding behind the argument that the council is a religious organization in its successful efforts to avoid paying taxes.

The council professes to represent some 38 million members of more than 30 Protestant and Eastern Orthodox churches. The council enjoys tax-exempt status. But organizations not obligated to pay taxes are also not expected to lobby for pending legislation or propagandize for political causes.

Among other movements endorsed by the council have been the recognition of Red China, elimination of right-to-work laws, repeal of the McCarran-Walter Immigration Act, and the barring of featherbed practices in labor. It also urged Congress to strike out the loyalty oath provision of the National Defense Act. Before the 1964 Civil Rights Act passed, the council lobbied in its favor.

In December 1960 the council accepted a report which said, "The fact that (Fidel) Castro took land without paying for it, that he is hostile to American capital, does not necessarily make him a Communist." The report did not add, as it might have by sheer logic, "but it necessarily makes him a thief." One would have thought that the council's governing board would have condemned Castro in the "thou shalt not steal" basis, if on no other grounds.

The council denies being either Red-tinged or the consistent patsy for Communists. It once actually called for immunity from criticism as if it were some sacred institution created by divine will of God. On February 26, 1959, the council's governing board proclaimed that it is the right of church groups "to discuss freely and to express judgments without exposure to attacks upon motive or integrity for daring to exercise the right to do so."

No one who believes in a society of free men can deny the council's right to "discuss freely and express judgments." But no one who believes in a free society can go along with the council's belief that its motives or judgments should be immune to attack. The judgments and motives of even the President of the United States are open to question and to criticism.

The councils most recent resolution put its 38 million members on record as being for withdrawal of U.S. troops from South Vietnam. This is, of course, exactly the same stand being taken by Mao Tse-tung as well as the Daily Worker, a New York Communist newspaper.

Whether the leadership truly represents its 38 million members is up to the membership to decide. But whether the council should continue to have tax exemption while it propagandizes for changes in the Nations laws, adding new burdens on our taxpayers, is a matter for the Internal Revenue Department to decide.

OUTSTANDING MEN IN THE DEPARTMENT OF JUSTICE

Mr. TYDINGS. Mr. President, the phrase "distinguished son of a distinguished father" has, perhaps, never been more aptly applied than it was in Ruth Montgomery's recent article on the Justice Department. It is a bright day, indeed, when such intelligent young men, inspired by parental public service, decide to serve their country. The Justice Department is properly proud of the fine names these young men bear, and of the excellent work for which they are well known.

I ask unanimous consent that Ruth Montgomery's article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the New York Journal American, May 16, 1965]

L.B.J. DEALS ACES TO JUSTICE DEPARTMENT (By Ruth Montgomery)

WASHINGTON.—A good many sons have followed famous fathers into distinguished public service since the days of the Adamases, but the Justice Department could well lay claim now to some kind of a record in that category.

Starting right at the top, Nicholas deB. Katzenbach, the U.S. Attorney General, is the son of an attorney general of the State of New Jersey, the late Edward L. Katzenbach. And four of his top aids similarly are sons of men who have made their marks on American history.

The four aids have something else in common—their fathers were long-time friends or colleagues of Lyndon Baines Johnson.

Deputy Attorney General Ramsey Clark turned an ice cream freezer for the neighborly Johnson as a lad, Assistant Attorney General Edwin L. Weisl, Jr.'s first recollection of the future President was sharing his bedroom with the rangy Texas at the age of five.

L.B.J. kept a friendly eye on another future Assistant Attorney General while Fred Vinson, Jr. copped eight letters in college sports.

Clark, Weisel, and Vinson were recently appointed to their posts by Johnson, who also elevated Katzenbach from Deputy Attorney General to Attorney General. The fifth member of this unusual group is Assistant Attorney General John W. Douglas, whose father, Senator PAUL DOUGLAS, of Illinois, served with Johnson in the Senate. The younger Douglas, a star Princeton athlete, World War II Navy veteran and Rhodes scholar, was a Kennedy appointee.

The fathers of the three Johnson appointees were not only friends of L.B.J. but distinguished in the law. Ramsey's father, Supreme Court Justice Tom Clark, was Attorney General under President Truman.

The late Fred Vinson, Sr., was Secretary of the Treasury when Truman appointed

him Chief Justice of the United States Edwin L. Weisl, Sr., of New York, L.B.J.'s longtime personal lawyer and adviser, served as assistant attorney and special assistant attorney general in Chicago during the late twenties, later on the War Manpower Board, and in 1957-59 as chief counsel for the Johnson Preparedness Committee, a senatorial group which performed such an outstanding job that it started L.B.J. toward the Vice Presidency. Weisl is now Democratic national committeeman for New York.

The younger Weisl recalls his first meeting with the future President this way: "I was about 5 years old when I saw a big Texan talking politics with my father in the living room of our New York apartment, and discovered that he was planning to sleep in my bedroom."

"He has the same man then as now. He never stopped talking politics and the national interest, even after he went to bed and the lights were out. He taught me all I know about politics."

Young Weisl worked as an assistant counsel to his father on the Preparedness Committee, after graduating from Yale, taking his law degree at Columbia, and serving a 2-year stint in the Navy as a lieutenant. He then went into private law practice in New York, and as a Democratic delegate twice voted for L.B.J. for President, in 1960 and 1964.

His only child, Angela, was born the day before President Kennedy's assassination. One of L.B.J.'s first acts after he returned to Washington as the heavily burdened new President was to telephone congratulations, send flowers, and write a letter to the 2-day-old baby.

The nominations of Weisl and Vinson as assistant attorney generals await Senate confirmation, but both are starting to work under interim appointments.

Ramsey Clark, the No. 2 man at Justice, is a tall Texan like the President, but considerably more laconic. After swearing in the 37-year-old man he has known for three decades, L.B.J. asked Ramsey's 11-year-old son whether he'd had any "best days" recently. Young Tom promptly replied that this was his best one.

It was an old family joke. Once, after spending the day at the Johnsons, the youngster told the then Vice President that it was his "second best day." The best, he added solemnly, was when his grandfather let him drive an electric cart around a golf course.

The President considers that it was among the country's "best" days when the bright sons of old friends were lured into public service.

INDEPENDENCE OF TUNISIA

Mr. TYDINGS. Mr. President, on this day, June 1, the North African state of Tunisia celebrates its national holiday. I think it appropriate that we recognize and acknowledge the progressive and pragmatic way in which this country, under the leadership of Habib Bourguiba, is creating its own solutions to the problems which it still faces.

President Bourguiba, the man who is largely responsible for the fact that Tunisia is today an independent state, has, for over three decades, now, been concerned with the welfare of his country. In 1934, he founded the Neo-Destour—New Constitution—Party, which was the primary vehicle for bringing about Tunisia's independence from France in 1956, and for the extensive series of reforms which have been carried out in Tunisia since that date.

President Bourguiba has stated that his goal is "to raise the level of man, increase production, insure its distribution in the most equitable manner, and—in a word—build a better society."

In line with this goal, he proposed and implemented a wide ranging series of reforms and programs for the development of nearly every facet of Tunisian life. Once again, the moderation and pragmatism of the Tunisian method of achieving results is evident: Discussion, accommodation with different viewpoints, and a realistic approach which lacks the coercion and the violence so often associated with progress in other lands.

In fact, pragmatism and moderation have become so characteristic of President Bourguiba's style that they have given birth to an "ism"—Bourguibism. "Bourguibism" is a realistic approach to political problems, a progressive pragmatism, a conscientious striving to prevent a confrontation with the opposition from becoming a permanent rupture. However, it should not be thought that this entails a weak will or a willingness to sacrifice principle.

President Bourguiba's attitude toward the independence of his country during World War II is a good example. Despite the fact that he had spent many years in French jails for his activities on behalf of Tunisia, Bourguiba ignored the Nazis, who sought his cooperation in North Africa in return for promises of future independence. First, he simply could not accept the ideological premises and the methods of the Nazis; second, he felt that real independence for Tunisia could be obtained only from a free France, once again ready to discuss rationally the gains for both sides which would be the result of such independence.

Now, in 1965, we see, once again the impeccable logic behind Bourguiba's thinking: if one were to cut oneself off completely from all discussion with one's opposition, no positive results could ever be anticipated. Rather, both sides would then sit alone; their grievances against each other would fester and grow in magnitude; and imaginary insults and complaints would take on the shape of reality. Bourguiba alone, among the Arab leaders, has been willing to state publicly that Arab and Israeli differences should be discussed in hope that the outcome could or would result in a rational solution. Clearly, without discussions, without debate, without contact, a peaceful settlement would be impossible.

I believe that many of our world's developing nations would do well to follow the example of President Bourguiba. One of the most painful, and yet obvious, lessons which the past has to offer is that a lack of reasonable discussion between opposing forces has caused more misunderstanding and bloodshed than was ever necessary. Keeping open a "dialog," as Bourguiba himself terms it, presents an alternative.

I therefore take this opportunity to congratulate the Tunisians on the occasion of their national holiday. I hope that under Habib Bourguiba, the remarkable progress which Tunisia has already made will continue, and that the prac-

tices and programs of Tunisia will become models for other nations to follow.

The PRESIDING OFFICER. Is there further morning business?

Mr. YOUNG of Ohio. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. HARRIS in the chair). Without objection, it is so ordered.

W. J. B. DANIEL

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of calendar No. 243, S. 304.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (S. 304) for the relief of W. J. B. Daniel.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the bill was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

S. 304

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to W. J. B. Daniel, of Pelahatchie, Mississippi, the sum of \$1,600. The payment of such sum shall be for actual medical expenses incurred by W. J. B. Daniel as a result of injuries received by W. J. B. Daniel during World War II while serving as a civilian radar technician with the United States Army Signal Corps: *Provided,* That no part of the amount appropriated in this Act in excess of 10 per centum thereof shall be paid or delivered to, or received by, any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this Act shall be guilty of a misdemeanor and upon conviction thereof shall be fined in a sum not exceeding \$1,000.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 253), explaining the purposes of the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

The purpose of this legislation is to authorize and direct the Secretary of the Treasury to pay to W. J. B. Daniel, of Pelahatchie, Miss., the sum of \$1,600, said amount representing actual medical expenses incurred by him as a result of injuries received during and as a result of World War II service as a civilian radar technician with the U.S. Army Signal Corps.

ORDER OF BUSINESS

Mr. BENNETT obtained the floor.

Mr. COOPER. Mr. President, how much time is allotted to the Senator from Utah?

The PRESIDING OFFICER. After the unfinished business is laid before the Senate, there will be approximately 3½ hours remaining on the bill, and 1 hour on each amendment that may be proposed.

Mr. MANSFIELD. Mr. President, will the Senator from Utah yield, without losing his right to the floor?

Mr. BENNETT. I yield.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, is there further morning business?

The PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the unfinished business be laid before the Senate.

The PRESIDING OFFICER. Is there objection? The Chair hears none. The Chair lays before the Senate the unfinished business.

The Senate resumed the consideration of the bill (S. 1648) to provide grants for public works and development facilities, other financial assistance, and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

Mr. BENNETT. Mr. President, I ask that the Senator in charge of the bill yield me 12 minutes on the bill.

Mr. COOPER. Mr. President, I yield 12 minutes to the distinguished Senator from Utah.

NEW NAME—SAME OLD BOONDOGGLE

Mr. BENNETT. Mr. President, the Senate is about to vote on S. 1648, the Public Works and Economic Development Act of 1965. Because of the time limitations, I shall not attempt to discuss specific segments of the bill or amendments suggested by the minority members of the Banking and Currency Committee on sections 2 and 4 which we considered.

This is another of those bills whose stated purpose none of us can oppose. The purpose is to reduce persistent local pockets of unemployment by using resources of the Federal Government to create local job opportunities that could not come into being without such help. How does the bill propose to do this? By continuing, under a new name, the program that has been operated for nearly 4 years now by the Area Redevelopment Administration within the Department of Commerce.

Before we face this decision and with 4 years of records to check, we should have been given a clear picture as to how well the old program has worked. But

since all local projects were labeled with a political billboard, I suppose that is too much to expect. The only measure of success on which we can check is found in the claim, made in the agency's March report, that the program had created 70,000 jobs and even this does not hold up under scrutiny.

As I understand it, if we were taking all the projects that actually got underway and total up all the job estimates that appeared on the original applications for those projects, we would get this 70,000 figure. However, when the Comptroller General made a sample check on 80 of these projects, he found the jobs were overstated by some 98 percent. In other words, if that were true for all projects, there would have been only about 35,000 jobs, or half of the 70,000 estimate.

CIVILIAN EMPLOYMENT DIFFERS

Have we any other employment figures against which to measure this accomplishment? Fortunately, we have the increase in civilian employment generated without this special Government help during those same 4 years. This figure is 3½ million jobs—100 times greater than the deflated ARA figure of 35,000.

Even 35,000 new jobs is an impressive accomplishment if they have really been created. But can we depend on this figure? Several questions remain unanswered. Are these 35,000 jobs permanent or only temporary? Are the companies supplying them operating successfully or are they still running in the red, paying out borrowed money for wages? When I have raised this question, I have been told that it is improper to give out such information about specific projects because it might damage them. This sounds to me like a significant admission that a very high proportion of all projects are in trouble—an impression that has been borne out by such specific information as I have been able to get on the outside.

There is another unanswered question which is of basic importance. In spite of all pious declarations against "pirating," how many, if any, of these jobs represent a net gain in employment, or how many of the 35,000 simply represent a transfer of activity and income from people already employed in the same industry? Of course, this goes on constantly between competitors in a free market, but these switches are not claimed as new jobs created.

UTAH EXAMPLE CITED

My doubts on this score have been confirmed, in part, by what has happened in my own State—and this experience has become for me the symbol of ARA in action. We have a coal mining area in Utah whose capacity is much greater than its market, and whose most efficient operators have not been able for years to provide full weeks of work for their miners. ARA provided funds to reopen two smaller mines that had dropped out of competition years ago. One of these apparently went through all its new Government capital without really getting into production and the account is being liquidated. I can only guess what is happening to the other one, or to other local situations where a new competitor,

sponsored and subsidized by Government comes into a community to divide rather than increase the existing market whether it be for lumber, recreation, or motel rooms.

What about these jobs? Are they really new and are they permanent?

Mr. President, I realize this bill will pass. It will be adopted because all of us support its stated purpose, and promise of more jobs in smaller, less industrialized communities, and because it fits into the sociopolitical framework of the Great Society. But it will continue to fail to reach this goal because some of its basic premises are unsound.

SLIGHT DIFFERENCES ONLY

It differs only slightly from the 1961 ARA bill. Some of the conditions and standards have actually been lowered to bring in more marginal applications with less chance for ultimate success. I am reminded of the old story of the man who claimed to lose money on every sale, but made up his loss by increasing his volume. Stripped to its essentials this bill proposes to solve the problem of local unemployment in only one way—by distributing Federal money through grants and loans and do it over broader areas, on easier terms, and with interest rates directly subsidized to a level that could go below the cost of money to the Government. Discussion of the bill also produced the concept that "social" considerations will be injected into the lender-borrower relationship.

Of course, this basic "social" credit idea is not new. But in this bill it means several things to me. It is an admission that many present loans are going bad and sponsors want to have an explanation ready when it will be needed. It is a tipoff to the borrower that the administration will not be a stern collector and that part of the burden of repayment can be avoided if he can have a list of "social" benefits handy.

But there is a new twist to social values in this program. The bill is offered as a means of protecting existing social capital. That is to say that if a small community already has paved streets, water systems, libraries and schools, not now being used to their optimum capacity due to a drop in population caused by lack of employment opportunity, the funds and forces of the Federal Government must be brought to bear to restore the population to its proper size, and thus protect its "social capital."

GUARANTEES OF GHOST TOWNS?

I wonder if anyone in ARA or any Government agency has thought that one through. Is the Great Society to be created by freezing the status quo and making every village like Henry Ford's Deerfield Village? Do we want Government guarantees against ghost towns?

Can a sound flourishing future be built on such a philosophy? Should we ignore the process that in 4 years created 100 times as many jobs as this one did? If easy money is the key to job creation, why have not the smart, successful American business executives rushed in to seize this golden opportunity? Could there possibly be other foundation stones on which to base a decision of where to locate a new enterprise? Even though the philosophy

of this bill ignores them, such factors as climate, water, and power supplies, accessibility to raw materials, labor supply, and to markets—and many other factors must be considered together and given proper weight. Access to private money is seldom denied to men or companies with records of proven judgment. How do such men look at the bait this bill holds out?

Listen to an excerpt from the testimony before the Banking and Currency subcommittee of a company president who has recently faced and made a plant location decision:

My personal business experience has provided me with a background concerning industrial plant location decisions and problems involving the relationships of these decisions to industrial development programs. At the moment, we are completing a study which will result in our building a sizable plant in Grand Island, Nebraska. Through a consulting firm, we have carefully studied the special inducements offered by the Area Redevelopment Administration and many individual localities across the country and have come to the conclusion that our decision should be based on unsubsidized economics rather than on special artificial inducements.

Mr. President, I am sure if we could check the actual performance of the program against the promise of its purpose, we would want to get much more information on its present success—or lack of it—before we extend and broaden it.

Fortunately, an expiration date has been included in the bill, and maybe by the time Congress votes on it again, I hope we will be able to have a clearer picture of its weaknesses. Because I see them clearly now, I must, as I did 4 years ago—vote "no" on this particular bill.

Mr. President, I ask unanimous consent to have printed in the RECORD a statement entitled "Area Redevelopment Administration Revisited—or the Quest for Truth in Spending," prepared by the staff of the Senate Republican policy committee.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

AREA REDEVELOPMENT ADMINISTRATION REVISITED—OR THE QUEST FOR TRUTH IN SPENDING

(Prepared by the staff of the Senate Republican policy committee; BOURKE B. HICKENLOOPER, chairman, Fred B. Rhodes, Jr., staff director, May 1965)

PREFACE

President Johnson, in his March 25, 1965, economic development message, announced the functions and powers of the Area Redevelopment Administration are being transferred to a successor organization to be created by the Secretary of Commerce.

In his panegyric to the glory that was ARA, Mr. Johnson looked to the bright side of things, observing:

"Our experience with various forms of assistance under ARA and the accelerated public works program has shown us ways to improve our techniques and our tools for providing economic growth."

Perhaps. But new agencies, like young twigs, must be so bent as to grow in the paths Congress intends. The following pages are a summary of four General Accounting Office reports on ARA's management of the accelerated public works program. They provide an object lesson on how to divert a program in directions quite

different from the intent of Congress when it passed the Public Works Acceleration Act. These GAO reports should be required reading for the new Economic Development Administrator and the new Secretary of Commerce.

The 1961 Area Redevelopment Act was the first of the Kennedy-Johnson pump-priming experiments, followed in 1962 by the second big one—the accelerated public works program. The Area Redevelopment Act was designed to give new direction to the economically stagnant sections of the country; accelerated public works was to provide the shoulder on which to lean until the depressed areas were moving again.

Original taxpayer investment in accelerated public works was \$900 million. To handle this money, the program was turned over to the Area Redevelopment Administration, which was given authority to formulate policies and promulgate regulations.

The idea behind accelerated public works was to provide immediate, if short-term, employment in areas of the country where existed a continuing hard core—approximately 6 percent or higher—of unemployment.

ARA and its adherents maintained a drum-fire of publicity requesting additional funds for both of its programs. As Congress squares away to consider fiscal 1966 appropriations, the achievements ARA publicists have claimed deserve closer scrutiny with an eye to learning lessons valuable in future handling of public works programs.

The General Accounting Office (GAO) has provided a partial review along these lines. In May, June, August, and October 1964, GAO issued a series of four unfavorable reports on ARA practices. Before summarizing the GAO reports, it might prove instructive to consider two private assessments of ARA, both issued after the first three GAO documents were made public.

In a September 11, 1964, editorial, the New York Times expressed great concern that Congress would not appropriate more funds for ARA. It admitted ARA had a problem: "It is not easy to devise workable criteria for loans and grants to revive economically depressed communities, since, by definition, if such communities could meet normal banking standards they would not need special Government help."

Opaque prose such as this in 1961 might have stopped the infant ARA in its tracks. But since that time, the ARA did not let prose of any kind, whether in law or editorial, interfere with its real mission: to spend the money. And basically, the New York Times agrees, when in effect it says Congress must prove its sincerity by giving ARA more money.

The Times cited impressive statistics. ARA, it said, had retrained 35,000 workers and helped create 110,000 new jobs. No mention of any GAO reports to the contrary.

This leads us to a second, earlier report—August 3, 1964—of a group called the National Public Advisory Committee on Area Redevelopment. (For the sake of brevity we will refer to this as the PAC report.)

Representative WRIGHT PATMAN, Democrat, of Texas, hailed the glowing PAC report as a careful and studied evaluation when he inserted the report in the September 15, 1964, CONGRESSIONAL RECORD, pages 21516-21520.

The committee proved that ARA had not promoted any prating of industry from one area to another. How? Merely by saying the law specifically forbids this sin. The committee also noted that ARA had been criticized for loans to new enterprises in fields already overcrowded and suffering from excess capacity, but added soothingly, "ARA has made strenuous efforts to correct this and to develop a definitive policy in this regard."

And if the conclusion here is in the great tradition of committee prose—"this was a

constructive development which needs continued attention"—it also is perhaps the only place in the whole report where the committee hints there is any problem which cannot be solved by larger appropriations from the old miser, Congress.

The committee was also more prudent than the Times as to the number of jobs generated by ARA: "It is estimated that when [the current projects] are in full operation, a total of some 110,000 jobs may be generated—66,500 jobs created directly, and an additional 43,500 indirectly." The committee explained that these estimates were made by "applicants [for loans, who] are expected, subject to a review by ARA, to make reasonable estimates of the number of permanent jobs that would be generated by such financial assistance."

All in all, the committee report found little wrong with ARA that more—much more—money would not correct. It mentioned no serious problems or mistakes.

This is puzzling, indeed, and raises the question as to who composed these congratulatory remarks. The ARA itself perhaps? For, as we mentioned earlier, those persistent watchdogs from the General Accounting Office had already attempted to put truth into the spending argument by issuing critical reports in May, June, and August of 1964. From the PAC report, one could not even find acknowledgement that there is such a watchdog agency as the General Accounting Office. The Times did carry brief notices of the GAO findings but the hard facts of reality did not carry over to the editorial page.

Undismayed by this lack of attention, the GAO issued thereafter another report critical of ARA in October 1964, and January 1965. It is time these reports be given careful attention.

The first four GAO findings concerned the ARA method of administering the accelerated public works program. By way of explanation, the accelerated public works program was designed to provide employment in hard core depressed areas by means of public works programs. The Community Facilities Administration (CFA) was the agency directing important parts of the program, subject at all times to control and policy decisions by the Area Redevelopment Administration.

HOW MANY JOBS HAS AREA REDEVELOPMENT ADMINISTRATION AND ACCELERATED PUBLIC WORKS PROGRAM GENERATED?

In May 1964 GAO completed an investigation of ARA's claims on the number of man-months and man-hours of on-site and off-site employment created by the accelerated public works program.¹ PAC's report had trumpeted, "These (APW) projects are expected by their sponsors to generate an estimated 220,000 man-hours of on-site and off-site employment."

Said GAO:

"We found that the ARA reports contained significant overstatements of jobs estimated to be created by accelerated public works projects approved by the Community Facilities Administration."

"We found also that the reports contained overstatements with respect to the number of actual man-months of work created by Community Facilities Administration approved projects already under construction."²

A GAO investigation of 190 projects revealed the Area Redevelopment Administration overstated the man-months of work to be created by 12,261, or about 128 percent.

¹ "Overstatement of Number of Jobs Created Under the Accelerated Public Works Program," report to the Congress of the United States by the Comptroller General of the United States, May 1964.

² Ibid., p. 1.

GAO found that the Area Redevelopment Administration had estimated 55,800 man-years of work for all projects approved as of November 1, 1963. If the same margin of exaggeration held for all public works projects as for those audited, GAO projected that the Area Redevelopment Administration would have exaggerated the work created by 31,000 man-years.

Let it be charged that GAO was indulging in mere speculation, this report revealed that on 497 separate projects under construction ARA had overstated man-months worked by 23,000, or about 83 percent. ARA had publicly reported 50,853 man-months worked, whereas GAO had discovered 27,845 actually worked. Again, based on performance, GAO projected that if the same margin of exaggeration held, ARA claims of 131,942 actual man-months worked on projects then under construction or completed were exaggerated by 60,000 man-months.

How to overestimate

The General Accounting Office found that ARA had continued to use original estimates either of applicants for funds or of the CFA with no attempt to check actual payroll records. If a project was listed as 60 percent completed, ARA reported actual on-site man-months of work to be 60 percent of the original estimate as to total man-months of work the project was supposed to generate.

"OVERESTIMATE"—MORE APPROPRIATIONS

The influence of such grossly erroneous claims is difficult to calculate, but the General Accounting Office points out at least one possibility:

"The data contained in the September 1, 1963, directory of approved APW projects was used extensively in ARA testimony before the House Public Works Committee in October 1963, to demonstrate the progress and accomplishments achieved under the Public Works Acceleration Act with respect to the creation of employment."

DID THE MOST DISTRESSED AREAS GET THE MONEY?

In its friendly report PAC said: "The program was aimed to mitigate national conditions of unemployment by helping provide temporary jobs in the areas that need them most."

An article by Rowland Evans and Robert Novak, appearing in the Washington Post for February 10, 1965, was less complimentary to ARA, but they assert that ARA Director William Batt and his aids "stick to the old formula that good money should flow to the poorest communities."

GAO agreed the intent of the Congress was to provide jobs in areas "which suffer from persistent and chronic unemployment." But GAO reviewed ARA's performance to determine whether or not the intent of Congress was obeyed by ARA. Three investigations cover this matter.

1. In its June 1964 report GAO said:

"Our review disclosed that about \$21 million in APW funds were obligated for 85 projects in areas which were no longer eligible at the time the agreement was consummated or which were due to become ineligible shortly thereafter."

This report pointed out that the Department of Labor determines the eligibility of such areas and when an employment situation has so improved as to render such areas ineligible. Formal announcement of the latter action is always preceded by an early warning system which says the situation is improving. Such warnings, however, seemed merely to stimulate ARA, for

³ Ibid., p. 13.

⁴ "Assistance Under the Public Works Acceleration Act to Areas No Longer Burdened by Substantial Unemployment," report to the Congress by the Comptroller General of the United States, June 1964, p. 6.

the GAO reported, "the procedure whereby ARA is informed by the Department of Labor of impending termination of area eligibility appears to have been used to expedite processing of grants to applicants in such areas."⁵

In one instance GAO found projects totaling \$250,000 were cleared 1 full year after the Department of Labor notified ARA an area was no longer eligible. Thus, by such gross maladministration, projects were pushed through in ineligible areas, while other areas with genuine chronic unemployment—truly depressed areas—found their applications could not be acted on because, according to ARA, funds were no longer available.

Base conjecture, perhaps, but this would appear to have been an excellent method to get larger and larger appropriations; process the borderline cases as fast as possible, exhaust the original appropriation, and use the backlog of unfilled applications from the hard core depressed areas as justification for more money.

So it is, the friendly PAC report (that "careful and studied evaluation") could conclude, "because of its limitation in funds, time, and purpose, the accelerated public works program has succeeded only partly in meeting the public facilities needs in the eligible communities."

2. In its August 1964 report GAO found that at least \$7.4 million had been approved by ARA for "projects in seemingly nondepressed areas."⁶ Four States whose employment situation was such as to not make them eligible for accelerated public works assistance according to criteria laid down by Congress and applied by the Department of Labor were given grants because ARA felt there should be at least one such project in every State of the Union regardless of how it measured up to depressed conditions elsewhere. Again this meant less money for the genuinely depressed areas.

3. In its October 1964 report, GAO found that \$26 million had been committed to areas after they had recovered from conditions of substantial and persistent unemployment.⁷

THE DETROIT STORY

The prize example in GAO's investigation is Detroit, Mich., where we learn:

"Through April 1, 1964, assistance of about \$44,700,000 under the Public Works Acceleration Act has been approved for the Detroit labor market area, although it appears that the area had recovered from its unemployment burdens at the time of the act was passed."⁸

By September 1962 Detroit's unemployment rate dropped below 6 percent and has continued to drop ever since.

We also learn that "exclusive of the State of Michigan, the Detroit area by itself had received approval for more accelerated public works assistance than 47 of the remaining 49 States."⁹

This included projects in such "pockets of poverty" as wealthy Grosse Pointe, Mich.

For reasons of its own, the U.S. Department of Labor would not finally delete the Detroit area from the list of areas of substantial and persistent unemployment until July 1963. Apparently ARA did not get the

message even then, for not until 7 months later, on February 20, 1964, did the Area Redevelopment Administration terminate the Detroit area's eligibility for Area Redevelopment Act or Accelerated Public Works assistance.

Thus, fully \$23,400,000 in projects was scheduled by ARA to start in October 1963 or later, although the Labor Department had declared the Detroit area as no longer eligible in July 1963.¹⁰

Yet even after the Detroit area was declared ineligible, the city remained eligible under an amendment to ARA regulations dated December 31, 1963, whereby municipalities with populations in 1960 of 250,000 or over could be designated redevelopment areas based on a correlation between the unemployment rate for cities as determined by the Bureau of the Census in 1960, and the area labor market unemployment rate in 1960.¹¹

Thus the money continued to flow under this gimmick. The Department of Labor advised ARA in June 1964 that the city of Detroit's unemployment rate was at an 8-year low—3.3 percent in the "area," 4.6 percent in the "city"—and questioned the advisability of continuing Detroit's eligibility. In July 1964 the Department of Labor notified ARA that Detroit's eligibility should be ended. Thereupon ARA saluted smartly, took a reading on the upcoming elections, and roared into action: it announced that if the unemployment drop continued, it would terminate the eligibility of Detroit "on about January 15, 1965."¹²

A SUMMING UP

These General Accounting Office investigation reports of June, August, and October, 1964 indicate that at the very minimum about \$50 million of Accelerated Public Works funds were allowed by Area Redevelopment Administration to be expended contrary to the intent of Congress in enacting the law. According to the watchdog GAO this meant:

"Numerous areas burdened by unemployment rates of 9 percent or more in February 1964, had applications for accelerated public works projects pending in June 1964. Many of these applications had been fully processed by CFA early in calendar year 1963. Accelerated public works grants to assist these needy areas apparently cannot be made because of insufficient funds."¹³

GAO cited as another specific example Wheeling, W. Va., which has suffered "an unemployment rate of between 6 percent and over 12 percent since September 1962." Said General Accounting Office:

"On June 18, 1964, CFA records showed that seven projects totaling \$3 million were pending for the Wheeling area. Some of these projects had been fully processed as early in the APW program as June 1963."¹⁴

West Virginia must certainly bear the dubious distinction of having been promised the most, most often, while delivered the least, most often.

One other point. The 1964-65 national debate topic for all colleges and universities was: "Resolved: That the Federal Government Should Establish a National Program of Public Works for the Unemployed." The timing of this national debate topic was especially significant in view of the enormous public works programs pushed by the Johnson administration. It is hoped that all these GAO reports were included in the recommended bibliography for college debate teams. An informed public is equally as important as an informed Congress on this leading question.

The PRESIDING OFFICER. Who yields time?

Mr. McNAMARA. Mr. President, I yield 4 minutes to the Senator from Arkansas.

Mr. FULBRIGHT. Mr. President, I wish to say a few words in support of the Public Works and Economic Development Act of 1965 of which I am pleased to be a cosponsor.

This legislation means a great deal to sections of my State and to other areas of the country which fail to share fully in the great prosperity our country now enjoys. I believe the tools which it provides for State and local governments, development groups, and private industry are appropriate to the tasks at hand. The bill before us builds on the experience we have gained in the relatively short period of time the Federal Government has been in the business of doing something for the underdeveloped areas of our country.

I would be less than honest if I said that my support for this legislation was not predicated on the substantial benefits which the State of Arkansas has derived from its legislative forerunners—the Area Redevelopment Act and the Public Works Acceleration Act. Primarily because of the initiative of local leaders in Arkansas, my State has profited from both these programs to an exceptional degree. Twenty-one ARA projects involving \$5,691,850 in public facility loans and grants and \$10,507,770 in industrial loans attest to this fact. The result is well over 4,500 new jobs for Arkansas people.

But the usefulness of the ARA program in Arkansas should not be gaged solely by statistics. These payrolls and their multiplied effect on local economies have brought new hope, new enthusiasm, and even greater initiative to many communities in Arkansas. The ink was hardly dry on the Area Redevelopment Act of 1961 when the first project—for the Nation as well as Arkansas—was approved. Through a combination loan and grant for an addition to the water system in Mountain Home, Ark., the Mar-Bax shirt factory was located in that community. Four years later the company employs in the neighborhood of 850 people and the city of Mountain Home has become one of the most successful communities of Arkansas. A large pharmaceutical factory has located in the community of its own initiative, without Federal assistance. Many other towns and cities in Arkansas have benefited from the ARA program and I mention Mountain Home merely because it is a classic example of the stimulating effect of proper Federal investments in local public facilities.

Most of the credit for these successes rests with the leaders in these towns and cities who have shown faith in the futures of their communities. I would like also to pay tribute to the ARA field coordinator in Arkansas, Mr. John Opitz, for the truly remarkable job he has done. Mr. Opitz has shown industry and imagination in working to build his native State and we are grateful to him for the tremendous amount he has accomplished.

⁵ Ibid., p. 7.

⁶ "Unauthorized Assistance to Seemingly Nondepressed Areas Under the Public Works Acceleration Act and the Area Redevelopment Act," report to the Congress by the Comptroller General of the United States, August 1964, p. 3.

⁷ "Accelerated Public Works Assistance Approved for Areas Under Consideration for Termination of Eligibility," report to the Congress by the Comptroller General of the United States, October 1964, p. 5.

⁸ Ibid., p. 9.

⁹ Ibid., p. 9.

¹⁰ Ibid., p. 15.

¹¹ Ibid., p. 13.

¹² Ibid., p. 13.

¹³ Ibid., pp. 23-24.

¹⁴ Ibid., p. 24.

Mr. President, there is no point in my reviewing in detail the provisions of this bill. This task has been admirably performed by the chairman of the Public Works Committee and the very able senior Senator from Illinois who is unquestionably the Senate's expert in this field. I think the Senate is indebted to both of them and the committees they represent for bringing to the floor a very good bill.

If our past experience in the field of economic development has taught us anything it is that there are no quick, simple, and effective solutions to the economic ills of the less developed areas of America. The bill before us largely deals with the physical aspects of economic growth—water and sewer facilities, roads, airports, industrial parks, and the like. Earlier this year the Congress passed the Elementary and Secondary Education Act of 1965 to more fully provide for the development of the most fundamental of economic resources—our people. The Hill-Burton program for hospital construction, the highway program, the Vocational Education Act and the Manpower Development and Training Act all contribute to the strength of our economy and each has special implications for sections which lack the revenues needed to provide the public services on which private investments depend.

By the enactment of the legislation before us the Congress can add another set of tools to the overall Federal-State-local effort to see that every able American has a skill to sell and a place to sell it.

I strongly support those provisions of this bill which generally modify and extend the ARA program. Several useful changes have been made. I am pleased that this legislation will permit the Secretary of Commerce to enlarge the Federal share of public facility grant projects to a Federal maximum of 80 percent of cost. If properly administered, as I am sure it will be, this provision will mean the difference between life and death for many small communities which did not share in the benefits of the accelerated public works and ARA programs because of their inability to come up with the local matching funds.

This bill provides a solution to one problem which inhibited the ARA program. On several Arkansas projects the companies planning a new plant or an expansion found themselves hard pressed for working capital. The ARA was precluded from making working capital loans. This new legislation will permit Federal guarantees of working capital loans to companies offering new employment in eligible areas. I strongly support this provision.

I am very pleased that title V of the bill authorizes the creation and funding of regional action planning commissions. When the Appalachian regional development bill was considered, I urged the Public Works Committee to include in it funds for further regional planning through Federal-State cooperation and particularly to provide for the creation of a development program for the Ozark mountain region of Arkansas, Oklahoma

and Missouri. Title V of the pending bill is the fulfillment of a commitment made at that time to satisfy this appeal in separate legislation.

When the pending bill was considered by the committee this year, I was privileged to testify on the prospects for an Ozark regional commission. Testimony was also received from Dr. John Peterson, of the University of Arkansas, and representatives of the States of Oklahoma and Missouri in support of this proposal. I believe the record clearly establishes the general economic condition of this region and provides a base from which a regional action planning commission can begin its work.

The bill does not specify the regions for which commissions will be organized. Rather authority is vested in the Secretary of Commerce to designate such regions in which economic growth can be fostered by this device and which meet the general criteria set forth in section 501. I believe this is a wise course. Those of us who have worked for the creation of an Ozarks commission have not tried to say that "this county is in" or "that county is out." These decisions should be left to the Governors and the Secretary—backed up by sound economic counsel at all levels.

Mr. President, I hope that once this bill is enacted the Secretary will move promptly to develop a regional commission for the Ozarks by the initiation of discussions with the Governors of the States involved. He will find complete cooperation at the State and local levels. It is appropriate to point out that the Arkansas and Oklahoma State Legislatures have both adopted resolutions supporting this concept.

Mr. President, the Public Works and Economic Development Act holds great promise for the Ozarks region, for Arkansas and for less than prosperous areas throughout the country. In truth, this bill is designed to bolster our overall economy which in the final analysis is no stronger than its weakest links. I hope the Senate will give this legislation a substantial vote of approval.

Mr. COOPER. Mr. President, I yield 2 minutes to the Senator from Colorado.

Mr. DOMINICK. Mr. President, I cannot support S. 1648, the so-called Public Works and Economic Development Act of 1965.

Under this proposed act, which we are told is patterned after the Appalachia program, the Department of Commerce would inherit and be directed to expand the ill-fated and much discredited area redevelopment and accelerated public works programs. If we have learned anything from our experience with area redevelopment and accelerated public works, we know that they simply have not worked. We have seen Government subsidized competition drive out legitimate business, inflated claims of creating new jobs which have never materialized, political juggling with public funds, vast numbers of highly paid Government officials running about the country accomplishing little, and a general waste of your tax money and mine.

Now it is proposed to regroup these two dubious programs under a different name, pattern them after the Appalachia program, which has not yet even tested its bureaucratic wings, expand the entire pottage.

ARA and APW were just a drop in the bucket compared to this proposed program. This bill would authorize the expenditure of \$2 billion over the next 5 years, just under title I alone. It also would authorize the expenditure of \$265 million per year indefinitely. Thus, the program will cost about \$3.5 billion over the first 5 years and after that it is anyone's guess. But even these figures do not accurately measure the entire cost of this program because the administrative expenses are not included in the bill. These expenses will be picked up by the Department of Commerce through the regular appropriation process. The Committee on Public Works in its report gives us an indication of its thinking on administration of the act on pages 18 and 19. There the committee proposes that the Department of Commerce create a new Assistant Secretary whose sole function would be to assist the Secretary in the administration of this act. The committee also said and I quote:

The committee further is concerned that sufficient supergrades be allotted for the conduct of this program. The committee did not specifically designate the number in the bill but it would be considered inadequate if less than 20 supergrades were assigned to the administration of this program.

This sounds like an open invitation for the administrators of this program to go into competition with the poverty program to see who can hire the most highly paid administrators.

Many of the defects of this bill have already been pointed out in the process of debate. However, a few of these certainly bear repetition and emphasis. For example, there is a provision in the bill authorizing loans with a 2-percent interest subsidy. As I pointed out in the debate, it is entirely possible that, under this provision, one company could come into a depressed area and receive a subsidized interest rate and another company in competition with that company go into another depressed area and not receive a subsidy.

Section 203 establishes an economic development revolving fund to be available for loan assistance under sections 201, 202, and 403. Our past experiences with revolving funds of this nature have been quite unsatisfactory. It has always served as a good coverup as to just how much is being spent on a particular program.

Unlike the Area Redevelopment Act, this bill sets up only an annual rather than monthly review of eligible areas. But the bill does not even mention when the first such annual review shall take place. There is a suggestion made in the committee report but this is certainly not binding on anyone. Nor does the bill provide for the termination of applications after an area becomes ineligible for assistance. This is certainly a loose way to write a law for such a gigantic program.

Mr. President, many of the points that I have covered have been the subjects of reports issued by the Comptroller General over the past several years. His informative and useful report on this bill is contained in the supplemental views at the end of the committee report. And yet the majority report of the Committee on Public Works dealt at great length with refuting or attempting to discredit the Comptroller General's recommendations. As we all know, the Comptroller General, as the head of the General Accounting Office, is an arm of Congress. He is often referred to as the "watchdog of Congress." But what good can a "congressional watchdog" accomplish if we insist on muzzling him at every turn?

Mr. President, this bill is simply a rehash on a grand scale of two of the most discredited programs ever turned out by Congress. The taxpayers of this country do not need and certainly do not deserve another program enlarging the same defects in two such failures.

Mr. McNAMARA. Mr. President, I yield 3 minutes to the Senator from New Mexico.

Mr. MONTROYA. Mr. President, we in New Mexico and in the United States have come a long way from the conditions which caused Anatole France to say that, "The law, in its majestic equality, forbids the rich as well as the poor to sleep under bridges, to beg in the streets, and to steal bread." But we have not yet come far enough. And the American dream of real individual dignity and real equality of opportunity would be closer to complete fulfillment upon S. 1648—the Public Works and Economic Development Act of 1965—becoming law.

This bill is of great importance to New Mexico, where drought, depressed commodity prices and unemployment have combined to render local communities unable to make the public improvements which are essential to the restoration of a healthy and viable economy.

S. 1648 combines the best features of the Area Redevelopment Act and the Accelerated Public Works Act which have proved their worth to New Mexico. In addition, this bill provides for regional development as outlined in legislation enacted this year for the Appalachian region.

Two constructive amendments were written into the bill before the Senate Public Works Committee acted.

One amendment will insure that five additional Indian reservations in New Mexico, as well as other smaller communities throughout the United States, will be eligible for economic aid under the act. Originally, the benefits were limited to areas of 1,500 or more population. That would have eliminated the Jemez, Jicarilla, Mescalero, Ramah, and Santo Domingo reservations in New Mexico. But, with the generous cooperation of my distinguished colleagues in the Senate Public Works Committee, I was successful in having the bill amended to lower the population figure to 1,000. This important amendment will bring these five reservations, and many other smaller communities elsewhere in the country, within the benefits of the law.

We were also successful in increasing the first year's funding from \$250 million to \$400 million for grants to help local governments construct essential public works.

In addition to the \$400 million which will be available for public works grants, the bill provides for \$170 million in loans to poverty stricken areas to assist in development of plants and facilities which will create employment.

Earlier this session, Senator Moss and I introduced an Appalachia-type bill to develop the Four Corners area of New Mexico, Utah, Arizona, and Colorado. S. 1648 replaces our bill by providing for larger scale regional development of all areas where economics and geography indicate that an interstate approach is a sound one.

The Four Corners region is ideally adaptable to the regional approach. This high plateau country, which is rich in natural beauty and natural resources, is seriously hampered by an inadequate road system.

The area is sparsely populated and lacks the assets to develop the road system so vitally needed. By opening this area through an adequate highway system, many new job opportunities would be created and the overall economy of the area would be vastly improved.

Economic growth and development of the Four Corners in northern New Mexico will do much to relieve the other economic ills of New Mexico, as well as Arizona, Colorado, and Utah. New Mexico borders on other areas in these three States which together comprise one of the largest land masses of chronic unemployment and underemployment in the United States.

Many towns and cities in New Mexico have indicated the extreme need which exists for grants for public works and development facilities.

A great need exists throughout the country and in much of New Mexico for community-type facilities ranging from water projects to youth and aged recreation centers, libraries, gas systems, and the entire range of community facilities necessary to make life more decent and dignified in the smaller communities of the areas of unemployment and underemployment.

Indian tribes in New Mexico on the Acoma, Isleta, Laguna, Jemez, Jicarilla, Mescalero, Ramah, Santo Domingo, Zuni, Santa Clara, and Navajo Reservations, no less than other disadvantaged New Mexicans, suffer from substantial and persistent unemployment and underemployment.

Federal financial assistance, including grants for the development of reservation and community facilities, establishing of industries and enterprises, particularly where there are self-help features, should do much to alleviate poverty and to help the people become self-sufficient. It will, indeed, as the bill states, "enable such areas to help themselves achieve lasting improvement and enhance the domestic prosperity by the establishment of stable and diversified local economies and improved local conditions."

We wholeheartedly support the view

that such assistance should be preceded by and be consistent with sound, long-range economic planning and that under the provisions of this act new employment opportunities would be created by developing and expanding new and existing public works and other facilities and resources rather than by merely transferring jobs from one area of the United States to another.

Mr. McNAMARA. Mr. President, I yield 2 minutes to the Senator from Alaska.

ALASKA INDIANS AND ESKIMOS WILL BE HELPED BY S. 1648, THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

Mr. GRUENING. Mr. President, we are about to vote on S. 1648, the Public Works and Economic Development Act of 1965. This bill will help us wage a more aggressive war against domestic poverty. I hope this proposed legislation will be enthusiastically endorsed by the Congress and sent to the President promptly. We need the tools provided by S. 1648.

The Association on American Indian Affairs, Inc., through its executive director, William Byler, communicated with the Alaska congressional delegation for clarification of the population requirement in title IV of S. 1648. The association wanted to make certain that the benefits of S. 1648 would apply to the scattered Indian and Eskimo villages in Alaska. The Senate report on the bill specified:

Areas of less than 1,500 population shall not be eligible for designation under this program except in the case of Indian areas, which may be considered for designation if they have a population of 1,000 or more persons.

It is expected, however, that the Secretary would not consider for designation several separated or widely scattered very small Indian areas that in total would meet the 1,000 persons population requirement.

The association pointed out in its May 21, 1965, letter:

If the 1,000 persons population requirement is applied to native villages, then clearly only a very few will qualify for designation under this program.

The bill clearly specifies that the Secretary of Labor shall designate as redevelopment areas those with substantial and persistent unemployment or those where the loss of industry for reasons of removal, curtailment or closing shall cause unusual and abrupt rises in unemployment.

The State of Alaska, with the exception of Juneau and its immediate vicinity is designated by the Area Redevelopment Administration as a depressed area. Conditions have not arisen to change the economic picture of the State. Most Alaskan Indian and Eskimo villages are in election districts which qualify for area and district eligibility as redevelopment areas.

To clarify the situation I asked the able chairman of the Senate Committee on Public Works, the distinguished senior Senator from Michigan [Mr. McNAMARA] to comment on the population requirement in title IV of S. 1648, area of district eligibility for redevelopment areas. Chairman McNAMARA concluded that the population limitation of 1,500 applies to

the smallest area of eligibility which in the case of Alaska is the election district. Thus, Indian and Eskimo villages located within an election district would be qualified.

I ask unanimous consent that the full text of the letter sent to me on May 21, 1965, by the Association of American Indian Affairs, Inc., my letter of May 24, 1965, to the chairman of the Senate Public Works Committee, and the chairman's response of May 26, 1965, be printed in the RECORD at this time, to dispel any doubts as to the eligibility of the Alaskan Indian and Eskimo villages.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

ASSOCIATION ON AMERICAN
INDIAN AFFAIRS, INC.,
New York, N.Y., May 21, 1965.

HON. ERNEST GRUENING,
U.S. Senate Office Building,
Washington, D.C.

DEAR SENATOR GRUENING: Knowing of your vigorous support for S. 1648 and your strong interest in the welfare of Alaska's native communities, I am writing you to seek clarification of the population requirement in title IV of the bill.

Senate Report No. 193 (p. 16) states:

"Areas of less than 1,500 population shall not be eligible for designation under this program, except in the case of Indian areas which may be considered for designation if they have a population of 1,000 or more persons. It is expected, however, that the Secretary would not consider for designation several separated or widely scattered very small Indian areas that in total would meet the 1,000 persons population requirement."

We are concerned that the benefits of this legislation be extended to the many scattered native villages. If the 1,000 persons population requirement is applied to native villages, then clearly only a very few will qualify for designation under this program.

Is it your understanding that, the above quoted language notwithstanding, scattered native villages with populations less than 1,000 persons will qualify for assistance under the terms of the legislation?

Thank you for your thoughtful consideration of this inquiry.

Sincerely yours,

WILLIAM BYLER,
Executive Director.

MAY 24, 1965.

HON. PAT McNAMARA,
Chairman, Senate Committee on Public
Works, Washington, D.C.

DEAR MR. CHAIRMAN: The Association on American Indian Affairs, Inc. seeks clarification of the population requirement in Title IV: Area of District Eligibility for Redevelopment Areas, of S. 1648, as interpreted in Report 193, page 16, which states:

"Areas of less than 1,500 population shall not be eligible for designation under this program except in the case of Indian areas, which may be considered for designation if they have a population of 1,000 or more persons.

"It is expected, however, that the Secretary would not consider for designation several separated or widely scattered very small Indian areas that in total would meet the 1,000 persons population requirement."

The bill clearly specifies that the Secretary of Labor shall designate as redevelopment areas those with substantial and persistent unemployment or those where the loss of industry for reasons of removal, curtailment or closing shall cause unusual and abrupt rises in unemployment.

The State of Alaska, with the exception of Juneau and its immediate vicinity is des-

ignated by the Area Redevelopment Administration as a depressed area and conditions have not arisen to change the economy of the State.

Most Alaskan Indian and Eskimo villages are in election districts which qualify for area and district eligibility as redevelopment areas. I will appreciate your clarifying this matter for the members of the Association on American Indian Affairs, Inc. A copy of the letter I received from Executive Director William Byler is enclosed.

Cordially yours,

ERNEST GRUENING.

U.S. SENATE,
COMMITTEE ON PUBLIC WORKS,
May 26, 1965.

HON. ERNEST GRUENING,
U.S. Senate,
Washington, D.C.

DEAR SENATOR: I have your letter of May 24 requesting clarification of the population requirement in title IV of S. 1648 with specific reference to the limitation on Indian areas.

The population limitation of 1,500 applies to the smallest area of eligibility which, in the case of Alaska, would be the election districts, or a labor market area defined by the Secretary of Labor.

The exception to this is where there is an Indian area of at least 1,000 population which is not within an area designated and eligible for aid but which otherwise meets the eligibility requirements.

It should be understood that Indian areas of less than 1,000 population located within otherwise designated areas are eligible for specific aid, and may themselves be applicants for such aid.

The report language to which you refer was so stated so as to preclude from designation, Indian areas of less than 1,000 population scattered over a wide geographic area. It would be considered illogical to group such small areas, in order to come within the 1,000 limitation.

Unless the election districts to which you refer are themselves less than 1,500 in total population, those Indian and Eskimo villages located within them would be qualified.

Sincerely,

PAT McNAMARA,
Chairman.

MR. McNAMARA. Mr. President, I suggest the absence of a quorum.

THE PRESIDING OFFICER. Will the Senator state out of whose time the quorum call is to come?

MR. McNAMARA. I ask unanimous consent that it be charged to neither side.

THE PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will call the roll.

The legislative clerk proceeded to call the roll.

MR. MANSFIELD. Mr. President, I ask unanimous consent that the order for quorum call be rescinded.

THE PRESIDING OFFICER. Without objection, it is so ordered.

RECESS UNTIL 2 O'CLOCK

MR. MANSFIELD. Mr. President, I ask unanimous consent that the Senate stand in recess until 2 o'clock p.m.

THE PRESIDING OFFICER. Without objection, it is so ordered.

(Accordingly, at 12 o'clock and 46 minutes p.m., the Senate took a recess until 2 o'clock p.m. today.)

At 2 o'clock p.m., the Senate reassembled, when called to order by the Presiding Officer (Mr. Bass in the chair).

MR. MUSKIE. Mr. President, I suggest the absence of a quorum.

THE PRESIDING OFFICER. From which side will the time necessary for the quorum call be taken?

MR. MUSKIE. Mr. President, I ask unanimous consent that the time necessary for the quorum call not be charged against any Senator.

THE PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will call the roll.

The legislative clerk proceeded to call the roll.

MR. MUSKIE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

THE PRESIDING OFFICER. Without objection, it is so ordered.

MR. MOSS. Mr. President, on Wednesday last I proposed five amendments to S. 1648, all amendments having the objective of insuring the maximum involvement and participation of local government in the program provided by this legislation. It seemed to me that these amendments were in keeping with the basic principles of the program, as outlined by President Johnson in his message on area and regional economic development. In that message he stated that no economic development district would be designated unless the State and local people want it to be designated, no plan would be approved unless it has the approval of State and local authorities.

I realized that even without my amendments many of the economic development programs would be developed by "economic planning and development groups" composed of, or responsible to, the elected officials of units of general local government. I also realized that in some areas constitutional and statutory limitations would preclude local officials from undertaking these proposed activities. Furthermore, in other areas the officials may demonstrate a complete refusal or a reluctance to provide the necessary leadership. These limitations of our local governments have been adequately recognized in the committee reported bill. But I felt that we have failed to provide sufficient congressional emphasis on the positive role of local government, specifically in the development and implementation of the economic development programs themselves.

This should be done by—

First. Encouraging and giving preference to economic planning and development groups, composed of elected officials of units of general local government within whose jurisdiction such groups are authorized to plan an economic development program.

Second. Where the appropriate units of general local government are not represented on the economic planning and development group the proposed economic development program should be submitted to them for their review and comment and consideration of such comment by the economic development and planning group prior to the formal submission of the program.

This is not a requirement for the formal approval or rejection of the local governments, rather a procedure to assure their awareness and participation in a program which is designed to utilize the combined resources of an area or dis-

strict. To prevent unwarranted delays, such comments must be made within 60 days, otherwise the requirement would be waived.

This additional effort appears to me not excessive. It would provide a one-time requirement for a program with long-range objectives and commitments. Any initial delays created by these amendments would be more than compensated for in the program's actual implementation.

In addition, these requirements would assist in the coordination and correlation of the economic development program with the existing programs and plans of the constituent local governments. It would be these local governments who will continue to have the responsibility of zoning, transportation planning and a host of other governmental functions which are the ingredients of a successful economic development program. Included within the resources of local government are the matching funds called for in title I of the bill.

There is another potential of this legislation which should not be overlooked and my amendments were designed greatly to aid in its realization. That is with respect to the economic development district. It is not only in the area of economic development that we can gain by having our local governments working together to solve common problems, but it is also true in such areas as health, water and air pollution, roads and highways, education, planning, and so forth. By encouraging our local governments to plan and work together in the field of economic development we can assist in providing the framework for other forms of increased cooperation. This cooperation will be slow to come, if at all, if the elected officials of the local governments are not an integral part of the leadership of any such effort.

It could be argued that the important role of local government is inherent in the program and need not be spelled out in legislative language. To me, their role is too vital for it to be assumed.

Mr. President, my concern of this situation is shared by the U.S. Conference of Mayors and the National League of Cities, the National Association of Counties, and the Advisory Commission on Intergovernmental Relations, all of whom support these amendments.

In the intervening time since Wednesday of last week I have spent some time consulting with the Senator from Maine [Mr. MUSKIE], and with others. The Senator from Maine [Mr. MUSKIE] is one of the principal sponsors of S. 1648 and has been a leader in its development and consideration. Based on our discussions, I have modified my amendments. Therefore, I shall not call up the printed amendments at the desk but in their stead I offer four revised amendments. I ask unanimous consent that these amendments be considered en bloc, that a full reading of each be dispensed with and that I be permitted to explain each.

The PRESIDING OFFICER (Mr. RUSSELL of South Carolina in the chair). Without objection, the amendments will

be received and considered en bloc; and, without objection, reading of the amendments will be waived.

The amendments offered by Mr. Moss are as follows:

On page 31, between lines 17 and 18, insert the following:

"(3) to encourage participation by appropriate local governmental authorities in such economic development districts."

On page 7, between lines 5 and 6, insert the following:

"(f) The Secretary shall prescribe regulations which will assure that appropriate local governmental authorities have been given a reasonable opportunity to review and comment upon proposed projects under this section."

On page 10, between lines 18 and 19, insert the following:

"(e) The Secretary shall prescribe regulations which will assure that appropriate local governmental authorities have been given a reasonable opportunity to review and comment upon proposed projects under this section."

On page 32, between lines 10 and 11, insert the following:

"(f) For the purpose of this Act the term 'local government' means any city, county, town, parish, village, or other general-purpose political subdivision of a State."

On page 32, line 11, strike "(f)" and insert "(g)" before the word "There".

On page 32, line 15, strike "(g)" and insert "(h)" before the word "In".

Mr. MOSS. Mr. President, one of the amendments I offer I shall try to relate to the bill. The amendment would come under title I of the bill, which refers to grants for public works and development facilities. At the end of section 101 of title I the amendment would add an additional paragraph to be styled as paragraph (f), and would read as follows:

The Secretary shall prescribe regulations which will assure that appropriate local government authorities have been given a reasonable opportunity to review and comment upon proposed projects under this section.

I would welcome at any point any comment the Senator from Maine or any other member of the committee might care to make on any of the amendments.

The second amendment would be inserted on page 10 of the bill. This is under title II, which is entitled "Other Financial Assistance. Public Works and Development Facility Loans."

On page 10, between lines 18 and 19, which is at the close of section 201, would be added a new paragraph styled paragraph (e), which would read:

The Secretary shall prescribe regulations which will assure that appropriate local governmental authorities have been given a reasonable opportunity to review and comment upon proposed projects under this section.

It will be recognized at once that the language is similar in both amendments, one applying to title II and the other applying to title I, both having the same purpose.

Since the term "local governmental authorities" has been used in both amendments, and this term appears elsewhere in the bill, it is proposed, in the

third amendment which I now offer, that on page 32, between lines 10 and 11, subsection (f) be inserted, which would read:

For the purpose of this Act the term "local government" means any city, county, town, parish, village, or other general-purpose political subdivision of a State.

By reason of inserting paragraph (f), the remaining subparagraphs in this particular section would have to be redesignated—(f) to (g), and (g) to (h).

The fourth amendment would be inserted on page 31, between lines 17 and 18. It would be a paragraph (3) subdivision of paragraph (b), coming under the Economic Development District provision. This subparagraph (3) would read as follows:

To encourage participation by appropriate local governmental authorities in such economic development districts.

This whole section is designed to define and designate the economic development districts which would approve the overall economic development programs.

The Secretary would be required to invite the States to draw up proposed district boundaries, to cooperate with the States in several ways, and to encourage participation by appropriate local governments in such economic development districts.

It is felt that these amendments would, by writing into the legislation these requirements for contact with and comment by local governmental units, bring the local governmental entities into the program. It is highly important that the local people be consulted and be concerned. As I have already said, many of the requirements of Government that surround the development of a program of this sort already lie with the local districts, such as zoning, roads, highways, water supply, and other items that are of great importance in planning a development district.

Mr. MUSKIE. Mr. President, will the Senator from Utah yield?

Mr. MOSS. I am happy to yield to the Senator from Maine.

Mr. MUSKIE. The purpose of the Senator from Utah is one in which I think most, if not all, members of the committee would concur. I should like to point out that these amendments to S. 1648 constitute a further implementation of a purpose which was stated in the committee report, page 16, as follows:

Local approval of development districts

Before the Secretary approves the establishment of any economic development district as provided under section 403, which in most cases will consist of several counties, municipalities, or other political jurisdictions, steps should be taken to obtain concurrence of the appropriate local governmental authorities in the counties, municipalities, or other political jurisdictions when such jurisdictions are wholly within the proposed economic development district.

The first two amendments of the Senator from Utah are to the public works section of the bill. As I understand them, they would require that an application made by a private or a public nonprofit organization or association

representing any redevelopment area or part thereof, and covering a public works project under the bill, should pass through the appropriate governmental authority for review and comment.

Mr. MOSS. That is correct.

Mr. MUSKIE. This is highly proper, desirable, and indeed necessary, if we are to get a development program underway which truly reflects local desires, local hopes, and local sentiment. So far as I am concerned, these two amendments, dealing with the public works section of the bill, are wholly acceptable.

The third amendment, which deals with the economic development district provision of the bill, is also one that I find acceptable. The Senator's purpose is that when an economic development district is defined, it is likely to include several units of local government, ranging from counties on down. It is the Senator's desire that representatives of the governments involved be brought into the process by which designation would be achieved, and also into the process which would develop an overall economic development program for the area.

The difficulty in dealing with this amendment is that situations vary in different parts of the country. For example, Aroostook County, Maine, which is an eligible area under the existing Redevelopment Act, is 1 county involving 93 towns, each of which is a unit of local government. This is a peculiarity, perhaps, of New England, where the town has been the foundation of local government from the beginning.

An area similar in size, involving a similar number of people, in the part of the country from which the Senator from Utah comes, may involve only two or three governmental units. So there would be the problem of fewer governmental units than exist in New England. Therefore, what the Senator from Utah and I have tried to devise is compromise language which would make it possible to work in both situations, and still insure that local units of government would be encouraged to participate in the implementation of this provision of the act.

Do I correctly understand the Senator's purpose?

Mr. MOSS. Yes. I thank the Senator from Maine for his comments. He has analyzed the amendments and has stated the purpose of offering them at this time. It was found, when we began to discuss the amendments I submitted last week, that there was such a wide variation of local governmental organization in different parts of the United States that perhaps my previous amendments were too broad. I should say that diversity is one of our strengths in this country, and we must recognize it and deal with it. We must make certain at the Federal level, when we begin to deal with local areas, that we take into account the variances that exist in our local governmental organization. But the Senator from Maine is entirely correct in saying that the objective of the amendments is to involve, in planning stages, the local authorities—the towns, the counties, and the cities—where the various activities are to be conducted,

not only to be in close communication, but also to bring forth the strength of local government.

In some instances, where there are to be matching funds, it is of paramount importance that we begin, at the start, with the local authorities, who have the control of local taxing power and local funds.

As I indicated, many governmental activities are controlled by local authorities—zoning, the providing of facilities, roads, water, and so on. These governmental activities ought to be involved and recognized so that we do not create a development district or finance any kind of project that would be at cross purposes or in competition with the appropriate local governmental authority, or not recognized by it.

In my discussions with various county officials—and I was a county official before I became a U.S. Senator—I found that there was a great desire to cooperate with these types of programs. At least, those with whom I have talked welcomed the program. The predecessor of this bill has been used very widely and

effectively in my State. Our towns and counties desire that the program continue. They want to contribute to the program and be a part of it.

That was another reason for writing the requirement into the legislation that the appropriate local authorities not only be advised of proposed projects, but also be consulted and asked for their comments so that they may participate in the projects from the beginning.

Mr. MUSKIE. Mr. President, I believe that the Senator from Utah has stated what we each have in mind.

With reference to the arguments offered, I believe that it would be useful to have printed at this point in the RECORD—and I ask unanimous consent that this may be done—two tabulations which indicate the number of local governments that could be involved in some potential groupings of counties under the bill. This indicates the problem that would be created by a multiplicity of governmental units.

There being no objection, the tabulations were ordered to be printed in the RECORD, as follows:

Local governments

VERMONT

County	Total (including county)	Municipalities	Townships	School districts	Special districts
Caledonia.....	37	6	17	2	11
Essex.....	17	1	13		2
Orleans.....	34	9	18	4	2
Total.....	88	16	48	6	15

NEW HAMPSHIRE

Coos.....	48	1	20	20	6
Carroll.....	52		18	17	16
Grafton.....	89	1	37	39	11
Total.....	189	2	75	76	33

OREGON

Clatsop.....	40	6		11	22
Tillamook.....	51	7		7	36
Lincoln.....	38	7		1	29
Cane.....	70	9		18	42
Benton.....	23	3		12	7
Linn.....	78	11		47	19
Polk.....	25	4		10	10
Marion.....	93	18		42	32
Yamhill.....	41	10		13	17
Total.....	459	75		161	214

Mr. MUSKIE. Mr. President, notwithstanding that problem, we feel that the Administrator and the Secretary should use their discretion to do everything possible under the regulations to encourage the participation of appropriate local governments.

Mr. MOSS. Mr. President, I am sure that we are in agreement on that. The amendments are offered so that there would be a large involvement of appropriate local authorities from the beginning of any planning or action. In this way, there would not be misunderstandings at a later point.

At this time, I send the amendments to the desk and ask for their immediate consideration.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. MOSS. I yield.

Mr. ELLENDER. Mr. President, what effect would the amendments offered by the distinguished Senator from Utah have on bringing the establishment of these regions in line with the Appalachian region? As I understand, under the Appalachian program, we must have full cooperation with the local governmental authorities.

Is it the purpose of the amendments to place the regions that would be created under this bill in the same category as Appalachia?

Mr. MUSKIE. Mr. President, I do not believe that the concept of the economic development district, which is a part of this bill, was the basic concept of the Appalachian bill.

The Appalachian program is a multi-State regional project, for which Congress approved an overall program. The economic development district proposed in S. 1648, in most instances, would involve probably a few counties, or a large number of smaller local units of government, such as towns and cities. However, it is not the regional concept, as in the Appalachia bill.

Mr. ELLENDER. I understand that. However, under the Appalachian program, an entire State, or two States, may cooperate, particularly in roadbuilding or other development projects of common interest. Certain procedures are set out to accomplish these purposes under the Appalachian program.

Are those procedures of the Appalachian program the same as those provided to carry on programs in the regional areas of the country that would be covered by this bill? As I recall, when the debate was held on the Appalachian program, many Senators desired to provide assistance for their own area. The proponents of the Appalachian bill said: "Do not offer your amendments now. Later we will provide assistance for your States under another program."

I believe that this bill is an answer to Senators who desired to participate in the Appalachian program.

How does the procedure under the Appalachia program differ from what the Senator from Utah now proposes?

Mr. MUSKIE. First of all, the Appalachian program is a multi-State program. This development district program concept is not primarily a multi-State proposal. All that S. 1648 would do with respect to the formation of regional commissions similar to those established under the Appalachian program would be to authorize the establishment of regional commissions to study the possibility of establishing programs in the multi-State regions.

In my own State of Maine, we could, if we were to meet the established criteria, form economic development districts wholly within the State of Maine. That would be true in the State of Louisiana or in the State of Utah. Those districts would involve combinations of counties and towns, rather than combinations of States.

I believe that this same approach is possible under the Appalachian program in individual States—an economic development district.

This would be wholly within one State, or a few adjacent counties in two States.

Mr. ELLENDER. Could it be on a larger basis?

Mr. MUSKIE. Yes, this bill would permit the establishment of a number of development districts.

Mr. ELLENDER. Would the procedure in handling the money, if we were to create the development districts that we are now discussing, be the same as under the Appalachian program?

Mr. MUSKIE. Mr. President, I hesitate to offer an answer that would constitute an interpretation of the Appalachian program. However, I should say that it is the intent of both programs to encourage the participation of appropriate local units of government.

Mr. ELLENDER. Mr. President, would States in the Appalachian region be able to obtain funds under the program that would be established by the bill?

Mr. MUSKIE. That is correct. The Appalachian areas would not be excluded from participation under the bill. They would be covered by the bill.

Mr. ELLENDER. Therefore, States which are participating in the Appalachian program would gain extra benefits to the extent of more than a billion dollars and be eligible for this program also?

Mr. MUSKIE. Those areas of Appalachia which could establish eligibility under the criteria of this bill would be eligible for the type of assistance authorized by S. 1648.

Mr. ELLENDER. I was trying to find out what the difference was between the Appalachia program and the program we are now considering, particularly in the establishments of regions that have been the subject of discussion on the Senate floor today.

Mr. MUSKIE. I notice the Senator from West Virginia is present. I would like to have him correct me if I am wrong with reference to the eligibility for inclusion in the Appalachian program, it was Congress which determined the geographic boundaries of the Appalachian region, so that no finding of eligibility for assistance can be made administratively. In contrast, under this bill, Congress would establish the criteria for eligibility. The actual designation of eligibility would be made by the Secretary under the guidelines in the bill. So not all areas included in the Appalachia program would necessarily be eligible under this program.

Mr. ELLENDER. Then the statement that the bill authorizes an Appalachia program for other regions of the country really is not correct.

Mr. MUSKIE. I refer the Senator to title V of the bill. Title V, beginning on page 32 of the bill, authorizes the Secretary to designate appropriate economic development regions within the United States with the concurrence of the States. This title undertakes to create authority for the establishment in other parts of the country of development regions similar to Appalachia.

This measure would authorize regional planning programs. So to that extent the bill does carry out the Appalachia concept if other regions are qualified.

Mr. ELLENDER. And notwithstanding the fact that we are creating this authority to establish regions similar to the Appalachia region, areas within Appalachia will still be able to obtain funds under this program?

Mr. MUSKIE. This will be true also of the other regions which might be established similar to Appalachia. Those regions can, under this bill, take advantage of these benefits and at the same time begin the process of creating special regional programs for those parts of the country.

Mr. ELLENDER. But those regions will not be able to obtain funds from the Appalachia program.

Mr. MUSKIE. No; and they will not get any funds unless and until they have

established an Appalachia type program for their region which has been specially authorized.

Mr. ELLENDER. Suppose, for example, there had been established an Appalachia type regional commission in the States of Indiana and Illinois. Would those two States be able to obtain money authorized for the Appalachia region?

Mr. MUSKIE. No; they would have to come to Congress for the approval of a similar type of program for that region.

Mr. ELLENDER. Could it be done under this act, without having to come back to Congress?

Mr. MUSKIE. The process set up in title V of S. 1648 would authorize the designation of economic development regions which would have the power under the terms of the bill to research and study their programs and submit plans for their development. When such plans are developed, they must come to Congress, or the administration must submit to Congress Appalachia-type programs for the various regions.

Mr. ELLENDER. Would it be necessary for us to provide additional appropriations or authorizations?

Mr. MUSKIE. Yes. We would be premature in providing them now, because as yet there are no plans.

Mr. MOSS. Mr. President, will the Senator yield?

Mr. MUSKIE. I yield.

Mr. MOSS. We were talking about the kind of economic development which is usually within one State. Then we come to the title V, which includes regions in more than one State. Title V is a total planning process. It has nothing to do with putting the program into action, but planning. Therefore, a State or region under title V would have to go back to Congress for appropriations before anything could be done under title V of the bill.

Mr. ELLENDER. So if these regions are created, they will again come back to Congress and attempt to obtain an authorization. Is that correct?

Mr. MUSKIE. It is not a question to which we can answer precisely "Yes" or "No." Direct loans for public works and supplementary grants for public works are contained in S. 1648. If a county or region should qualify for such money under this program, it would not be barred from this assistance simply because it was also included within a special regional program.

Northern New England, which conceivably could be made an Appalachian-type region, could obtain exactly the same kind of benefit as the Appalachian region would get.

Mr. ELLENDER. But there may not be any need to develop the region.

Mr. MUSKIE. The fundamental purpose of the Appalachia region bill is to develop a particular region. The public works projects covered by S. 1648 are more local in nature.

Mr. RANDOLPH. Mr. President, will the Senator yield?

Mr. MUSKIE. I yield.

Mr. RANDOLPH. We cannot create a program of development highways, as envisioned under the Appalachia pro-

gram, on a county-by-county basis. The Appalachia bill is focused upon the problem of regional transportation, recognizing that some areas are, to a degree, isolated, and it was designed to break down those barriers. In Appalachia it was thought that businesses and economic progress could not be generated adequately without a sound transportation system. With reference to the Senator's argument, I think one program complements the other, because in this instance we shall be providing public works to a degree and providing business loans for those who need to develop their areas. In the case of Appalachia, the program was primarily a development of the transport system.

I believe that is a fair analysis.

Mr. MUSKIE. Nevertheless, it may be possible, under this bill, to build a limited developmental road within the confines of a State or economic development district. The Secretary of Commerce agreed that this was a part of the concept. But when we speak of a multi-State development highway program, that would be developed as a regional program under a special authorization for that region.

There may be other projects in other regions of the country that could be more important at this time than developmental highways. We do not foreclose the development of any kind of regional project in this bill.

Mr. ELLENDER. The region would have to document its case. They have to prove it; is that not true?

Mr. MUSKIE. The Senator is correct.

Mr. ELLENDER. What concerns me, and the reason I am asking these questions, is that under the Appalachia program we are bound to spend—as I remember—a figure of \$1 billion and \$60 million.

Mr. MUSKIE. That is the total authorization.

Mr. ELLENDER. Over 5 years?

Mr. RANDOLPH. Is the Senator from Louisiana directing his question to me?

Mr. ELLENDER. Yes. Is it \$1.06 billion over a 5-year period?

Mr. RANDOLPH. The sum of \$840 million is provided for the regional developmental highway system. That has to be taken out of the \$1.06 billion total authorization.

Mr. ELLENDER. Notwithstanding the spending of \$840 million for roads, do I correctly understand that the States in the Appalachian region could come in and get more money for roads within their own boundaries under title I?

Mr. MUSKIE. My impression is that the States within the Appalachian region and the communities within those States are eligible, under the Appalachia program, for benefits which are similar to these. If they establish eligibility under the Appalachia program, they cannot at the same time, for the same project—let me repeat that—the same project—and for the same purposes, establish eligibility and obtain the benefits which would be provided under the pending bill. In other words, they can-

not have assistance from both for the same project.

Mr. ELLENDER. I understand that, but—

Mr. MUSKIE. If the community is depressed, it cannot first go to the Appalachia Administrator and have its program underwritten by that Administrator, and then take the exact same project to the Secretary of Commerce and, under the pending bill, obtain additional grants.

Mr. ELLENDER. I can well understand that.

Mr. COOPER. Mr. President, will the Senator yield at that point?

Mr. ELLENDER. I yield.

Mr. COOPER. I should like to respond to the Senator from Louisiana, speaking with respect to the points he has raised. I believe that there is a distinct difference between the purposes of the Appalachia program and the pending bill, at least in regard to titles 1 and 2. I believe that the distinction, which has been alluded to by the Senator from West Virginia and the Senator in charge of the bill, the Senator from Maine [Mr. MUSKIE], is this: The Appalachia bill looks toward the basic development of regions including developmental highways, multicounty hospitals, timber management, and construction of facilities to encourage investment.

Mr. ELLENDER. Schools?

Mr. COOPER. No schools, other than vocational training, the basic kind of development of a whole region is the Appalachian approach.

The emphasis of titles I and II of the proposed legislation is to direct funds toward community development and industrial facilities which will provide long-term employment. In the Appalachia bill no funds are made available to a State or subdivision of a State or to any nonprofit organization for commercial or industrial plants.

To me, that is the distinction between the Appalachia bill and the pending bill. The money will be spent in an attempt to encourage either the location or expansion of plants—not relocation—along with the generation of local investment in commercial and industrial plants within a county or subdivision of a State or an area. That is the distinction.

I believe that the other question the Senator from Louisiana raised, concerning the building of roads under Appalachia, was whether a State could come to the Commerce Department and secure funds to build roads under the pending bill.

If a county, or three counties, in an Appalachian area should make application under the pending bill for funds to locate or build an industrial or commercial plant in that area, and if it were shown that it would be necessary to build a quarter-mile or half-mile length of road, or a road 100 yards long, as an access road to that plant, then it could secure funds under the legislation enacted, provided for in the Appalachia bill.

Mr. ELLENDER. I understand that.

Mr. COOPER. I hope I have made it clear.

Mr. ELLENDER. When the Senator stated the items that could be eligible under Appalachia, and I said schools, I had in mind, at that point, vocational schools.

Mr. COOPER. Yes.

Mr. ELLENDER. We can spend quite a bit of money under Appalachia on vocational schools.

Mr. COOPER. For vocational schools; the Senator is correct.

Mr. ELLENDER. To go back to the question of creating regions—if, as, and when the regions are created throughout the country on a basis similar to Appalachia—they then come back to Congress for further authorization; is that not correct?

Mr. MUSKIE. They would have to obtain a special authorization from Congress for anything more than planning funds and technical assistance.

Mr. ELLENDER. In other words, they would have to make a case, as was done for Appalachia?

Mr. MUSKIE. Exactly.

Mr. ELLENDER. So the amount of money which may be authorized in the future for the many regional areas which may be created is somewhat indefinite; it could amount to a large sum, could it not?

Mr. MUSKIE. I cannot imagine that Congress would let it go into a large figure—at least not without full discussion and debate on the floor of the Senate.

Mr. ELLENDER. The Appalachian region includes certain areas in West Virginia and seven or eight other States. The amount authorized is \$1,060 million. Under title I of the pending bill for public works facilities and grants, \$400 million a year would be authorized for 5 years, or \$2 billion over that period. Then, as I understand, under title II, title III, title IV, and title V, the moneys provided are for no specific time, but would remain available indefinitely.

Mr. MUSKIE. Titles II and III have been limited, under an amendment adopted last week, to 5 years.

Mr. ELLENDER. I was not aware of that.

Mr. MUSKIE. The major sections of the bill are now under a 5-year limitation.

Mr. ELLENDER. So under the pending bill, the major authorizations are limited to 5 years. I shall not ask any more questions on that point, because I am glad that that was done. The expenditure of as much as \$665 million, as I remember it, with an indefinite time limitation in the authorization, was, I thought, very unwise.

Mr. MUSKIE. I know. The Senator expressed that concern the other day.

Mr. ELLENDER. Yes.

Mr. MUSKIE. His concern had something to do with adoption of the amendment to the pending bill.

Mr. ELLENDER. The reason I am asking these questions is that I believe the bill as a whole to be a good bill, if properly administered. The only point I wish to go into again concerns that portion of the bill which permits a community to obtain money from several sources, for example, to build hospitals.

I do not know what the committee had in mind in permitting a community to obtain money under this legislation, while under the Hill-Burton Act as much as 80 percent of the construction cost can already be made available.

I am not clear about the necessity for a community to be able to obtain funds for up to 50 percent of the cost of a project under one law, and then, under the pending bill, be entitled to obtain 30 percent more. Why make it possible for that community to obtain 80 percent from two sources, when it could obtain 80 percent from one source?

I should like to know the reason for the committee's action. I do not yet see the necessity for tying in any Hill-Burton Act funds. The Hill-Burton Act has been operating very well, so far as I know, and I am very proud of the part that I played as a coauthor of it. This bill is making it possible for funds to be derived from two sources for one project. That question is something that I believe needs a little study. I believe that the possibility of obtaining money from any other source than the Hill-Burton Act should be reconsidered.

Mr. MUSKIE. Let me explain what I apparently failed to explain previously, and the reasons behind our action. In the first place, a public works program under the pending bill must be related to the long-range economic development prospects of a community. This is not a general supplement to any existing grant-in-aid program. Furthermore, it is limited to areas of high unemployment or low income.

To the extent that existing grant-in-aid programs may be useful in aiding the community develop those long-run economic development prospects, it can be eligible under the bill.

I am trying to find the language in the bill which is applicable.

Mr. ELLENDER. While the Senator is looking for the section of the bill he is discussing, I should like to say that in the past, Congress has been very liberal in providing funds for use by certain localities in connection with the construction of hospitals. That program has worked very well. I fear that if we permit communities to obtain funds from sources other than the Hill-Burton Act, we shall make it possible to have them get 30 or 40 percent of the money from the Hill-Burton Act, and entice them to get the rest of it from funds to be obtained under the pending bill. I believe that whatever money is provided in the pending bill, particularly under title I, should be used to the fullest extent to provide sewage facilities, good water, and things of that kind, instead of mixing it all in with hospital construction.

Mr. McNAMARA. Mr. President, will the Senator yield?

Mr. MUSKIE. I yield.

Mr. McNAMARA. I do not believe the testimony that was presented to us in committee indicated any great intent to supplement hospital programs. The bill does not prohibit doing what the Senator would visualize so far as hospital construction is concerned. However,

there is no indication that this would be a great part of the program. It may be that in an isolated area, where it is not possible to raise the necessary funds locally under the Hill-Burton Act, the area or community would be able to get money under the pending bill. It would be able to get some of that money, at least. However, I do not visualize any great program being developed in that connection under the pending bill.

Mr. ELLENDER. They could get 80 percent under the Hill-Burton Act, could they not?

Mr. McNAMARA. They could get up to 80 percent only with a supplementary grant under this program. However, we do not visualize the building of a great many hospitals under the projected program. Very few would be assisted under this program.

Mr. MUSKIE. Mr. President, if I may pick up the thought which I started to develop a while ago, this is the criterion which the public works project must meet under the act: It must "tend to improve the opportunity in the area where such project is or will be located

for the successful establishment or expansion of industrial or commercial plants or facilities."

Unless a hospital under the Hill-Burton program would tend to improve the opportunity for the successful establishment or expansion of industrial commercial plants or facilities, it would not be eligible under the pending bill.

This is true of any other public works facility with respect to which application is made. This is a more restricted criterion than that established under the Hill-Burton program, or under any other grant-in-aid program, intended to support projects useful to such an area.

In the second place, the concept of supplementary grants is already a part of the Appalachia program, which has been approved by Congress in principle.

With respect to the impact of the supplementary grant, last Thursday I inserted in the RECORD various other programs and the matching formulas. The insertion is found at page 11495 of Thursday's RECORD. Some typical public works and development facilities are as follows:

I. Public works and development facilities "directly" related to economic development

Type of project	Existing grant-in-aid program
Water works and water lines related to industrial and commercial development.	None.
Sanitary and storm sewers related to industrial and commercial development.	Do.
Industrial parks (land development and utilities).	Do.
Police and fire stations related to industrial and commercial development.	Do.
Research centers related to industrial and commercial development.	Do.
Tourism facilities.	Do.
Streets and roads related to industrial and commercial development.	50 percent from Bureau of Public Roads if on Federal aid highway system.
Waste treatment facilities relating to industrial and commercial development.	Up to 30 percent from Public Health Service.
Area vocational schools.	50 percent from Office of Education.
Airports.	50 to 75 percent from Federal Aviation Agency.
Watershed protection and flood prevention related to industrial or commercial development.	30 to 100 percent from Soil Conservation Service.
Water works and water lines related to residential development.	None.
Sanitary and storm sewers primarily related to residential development.	Do.
Streets primarily related to residential development.	50 percent from Bureau of Public Roads if on Federal aid highway system.
Waste treatment facilities not related to industrial or commercial development.	Up to 30 percent from Public Health Service.
Hospitals related to community or district economic development.	33 to 66 percent from Public Health Service.

These are some of the existing grant-in-aid programs under which local public works projects can be built with Federal assistance, and some of them without Federal assistance.

The Senator has asked what the theory is. If a community or region or economic development district is deteriorating badly, either because of the loss of its essential element of economic strength, or because of technological change, the community is less able to put up matching funds under existing Federal programs than a healthy, viable community is able to do. If there is a public facility available under an existing program which would help that area get back on its feet and increase its prospects for economic growth, the committee felt that in such a situation it would be useful and justifiable for the Federal Government to supplement the existing program and bring the Federal contribution up to 80 percent. That is the theory.

I raised this question about assistance for hospitals during the testimony of the Secretary of Commerce before the Public Works Committee.

I asked whether or not hospitals would be eligible.

Secretary Connor answered:

Secretary CONNOR. We were thinking of those only if there is a total lack of adequate hospital facilities which seriously hampers the economic needs of the community. In that case a hospital project might be eligible.

A case we have financed under the ARA program, as you know, were the hospitals, the miners' hospitals in West Virginia and eastern Kentucky. They were terribly important to economic development.

Mr. ELLENDER. When the Senator says to bring it up to 80 percent, he means cases in which a community could not raise the necessary funds to match the Government in programs other than this. Is that correct?

Mr. MUSKIE. I assume that would be one of the considerations of the Secretary in reviewing and evaluating the project.

Mr. ELLENDER. I can understand that in many areas the Government would be putting up everything except the 20 percent of the money that could be obtained locally. That is one thing we must be careful about.

Mr. MUSKIE. Under the accelerated public works program there was a gradation in the Federal contribution which depended upon the ability of the community to participate. Similar tests would be applied by the Secretary. The 80 percent is not mandatory.

Mr. ELLENDER. I understand. That is why I thought that if the bill were directed to programs to improve a sewage disposal system or improve water, we would be going far toward assisting communities to get back on their feet. Because of a low tax base, I can see that it is impossible for many small communities to provide sufficient funds to construct adequate water and sewage facilities. It was my hope that most of this money could be used in that connection, and that we could let the roadbuilding and hospital construction be done under existing laws.

At first that is what I thought the bill would do. I express the hope that the administrators of the program will see to it that as much money as possible is used to assist cities, towns, and villages to obtain good water supplies and sewerage systems.

Mr. MUSKIE. The Senator should be assured by the record of the public works program under which a majority of the projects were for either water or sewers. I would expect that comparable experience would develop under the proposed legislation.

Mr. ELLENDER. I had hoped that the Senator could so provide by limiting the program.

Mr. MUSKIE. We did not do so because we could not imagine all of the diversities of program that might be involved in communities. If a community needs a vocational school, for example, and it could not obtain assistance under any other program, or if it could get aid under an existing program, but could not provide the necessary matching funds, and if that were the critical additional public facility that that community needed, we did not wish to make it impossible for the Secretary of Commerce to be of assistance.

On page 46 of the hearings of the Public Works Committee, the Senator from Louisiana will find typical examples of public facility projects which the Secretary believes would be covered and supported under the proposed program. The Senator might be interested in examining that material.

Mr. ELLENDER. I should like to ask a few questions in relation to title II. To what extent would the Small Business Administration have under its control the distribution of funds for loans and for the purpose of making industrial and commercial guarantees for working capital?

Mr. MUSKIE. As the Senator knows, there is now a division of responsibility between the ARA and SBA in respect to that function. ARA makes the evaluation on the basis of the economic feasibility of the project and its need in the area. SBA makes the credit evaluation. That procedure could continue.

Mr. ELLENDER. Under SBA the loans must be repayable. That is, there must be reason to believe that if money

is put into a certain business, the borrower will be able to repay it.

Mr. MUSKIE. The Senator is correct.

Mr. ELLENDER. Suppose an application is made to the Small Business Administration for a quarter-million dollars, and SBA does not believe that the industry which would be created would return enough profits to repay the loan. If a case like that were presented, would it be possible for moneys to be loaned under the proposed legislation in order to bolster a project which the SBA might think to be too risky?

Mr. MUSKIE. It is possible, because the Economic Development Administration, proposed successor agency to ARA, would be the administrative unit, EDA would be the ultimate administrator of the program. There has been some debate outside of Congress and within the committees as to whether EDA should not have total jurisdiction over all the authority in the bill. The committee felt that with the new arrangements which have been established between SBA and ARA, the present relationship could continue. In some instances, the agencies have disagreed; but I do not think that they have disagreed to a degree that should raise any alarm.

Mr. ELLENDER. As I understand the present act, there must be a reasonable belief that the loans would be repaid.

Mr. MUSKIE. The language is "a reasonable assurance of repayment."

Mr. ELLENDER. That is correct. The Small Business Administration could lend a certain amount of the loan applied for and be almost entirely secured for its part; but there might be serious doubt as to whether or not, under the present proposal, any further loans could be repaid. What does the Senator have to say about that point?

Mr. MUSKIE. All I can say is that the language of the bill is clear. The language of the bill contains a mandate not only to the SBA, but also to ARA. Their credit standards are different, but I cannot conceive of either agency deliberately disregarding that mandate. I suppose that there could be an honest disagreement between two individuals of equal competence as to whether or not a particular loan is a viable loan. But the policy is clear. ARA delegated the credit evaluating functions which it has under the law to SBA primarily because SBA has the manpower and the organization to do the work. But both the ARA and the proposed EDA programs are intended to be developmental programs.

Mr. ELLENDER. Suppose the SBA would loan a business up to 50 percent of the money necessary to construct a new facility. And suppose that the business could only raise from its own sources an additional 30 percent of the total amount needed, under the pending bill, would it be possible for moneys to be used to supplement the SBA loan to that business?

In other words, it is now possible for SBA to loan a certain amount of money which might not be satisfactory to the borrower. Could the borrower then come in under the proposed legislation and borrow 20 percent more or 30 percent more, or whatever would be neces-

sary in order that he might proceed to construct the facility for which he had applied, but for which the SBA had refused to loan all that he asked?

Mr. MUSKIE. We are talking about industrial loans?

Mr. ELLENDER. We are talking about industrial loans.

Mr. MUSKIE. The Senator is asking whether or not SBA could supplement the ARA loans—

Mr. ELLENDER. No.

Mr. MUSKIE. Whether ARA could supplement the SBA to support a given project.

Mr. ELLENDER. Yes.

Mr. MUSKIE. I cannot give the Senator from Louisiana an interpretation of the law on that point; but, administratively, I cannot conceive that happening, because the EDA and the SBA together would administer this provision of the law as the agencies have administered the ARA law. In the ARA experience, I do not know of any instances of splitting individual loans.

Mr. ELLENDER. The SBA would then administer the project with its own funds?

Mr. MUSKIE. The ARA—or the EDA, as it may be called—would have direct authority over the industrial loan provisions of the bill, could continue to delegate to SBA the evaluation of the credit risk of each of the loans. The two evaluations would finally determine whether or not the loans should be made, so that when the decision was finally made by EDA under the proposed program, the decision would encompass the total financing for the project.

Mr. ELLENDER. The financing would be obtained from two sources or only one? That is the point I am trying to develop. In other words, the borrower under the SBA program may not be satisfied with the amount of money that he can obtain from SBA.

Would one agency play against the other?

Mr. MUSKIE. They could not do that.

Mr. ELLENDER. I want to be certain about that, because if an application were made, under the bill, for a small business loan, the Small Business Administration would handle it for the Commerce Department.

Mr. MUSKIE. The Senator means that there are some purposes for which the SBA can make loans and the ARA cannot?

Mr. ELLENDER. Yes. And I wish to be certain that the SBA is not placed in the position of making unsecured loans, or loans secured by another Government agency.

Mr. MUSKIE. The Senator understands that both SBA and ARA may be in the financial picture of the particular business, but they cannot play each other off on any particular loan authorized under the bill.

Mr. ELLENDER. In other words, if the Small Business Administration were to say to a concern that was about to start a new business, "All we can lend is 60 percent of your needs, because that is all we believe you can pay back; you will have to put up the balance of 40 percent," it would not be possible, under the

bill, for the SBA loan to be supplemented from funds derived from this source.

Mr. MUSKIE. I would say "No" to the Senator, based on my understanding.

Mr. ELLENDER. I do not want it to appear to be the intent of Congress for the SBA to begin approving dangerous loans and thereby losing money.

The PRESIDING OFFICER (Mr. RUSSELL of South Carolina in the chair). The question is on agreeing to the amendments, en bloc, offered by the Senator from Utah.

The amendments, en bloc, were agreed to.

Mr. MUSKIE. Mr. President, I move that the Senate reconsider the vote by which the amendments, en bloc, were agreed to.

Mr. MOSS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

SMALL TOWNS IN AMERICA ARE ENTITLED TO THEIR FAIR SHARE OF PUBLIC WORKS AND ECONOMIC DEVELOPMENT

Mr. YARBOROUGH. Mr. President, will the Senator from Maine yield time to me?

Mr. MUSKIE. Mr. President, I yield 3 minutes to the distinguished Senator from Texas.

Mr. YARBOROUGH. Mr. President, it has been the historic function of the American Government to rise to meet the challenges of each age. When we were in the period of our great national westward expansion, the Government

gave away free land to settlers to see to it that all sections of our vast domain were settled, and gave away vast areas of land to railroads to see that transportation was available to all sections of our country. Today the American Government is taking action to insure that these areas remain settled and productive and not be abandoned to wastage, but that they retain the prosperity which has been created there down through the years by the hard work of pioneer families and their descendants.

The Public Works and Economic Development Act of 1965 will provide assistance to communities that are distressed by low income and high unemployment. This is a do-it-yourself project. Local communities will work up overall economic development plans which will detail the steps they will take to restore their economies to their former healthy conditions. Then they can receive assistance in the form of loans to attract industry and grants for badly needed public works.

The bill makes it possible for small towns to obtain the funds for water works and sewage treatment facilities. With our vast population, pure water and adequate sewage are necessary if our small towns are to be saved. Without these health safeguards hepatitis and other outbreaks or threatened outbreaks of disease doom towns and small cities to a gradual withering away. With

the health and comfort safeguards of pure water and adequate sewage disposal, such towns are more nearly able to hold their own.

Towns may also receive aid for fire and police stations, tourism facilities, airports, watersheds and flood protection, and area vocational schools. In other words, this bill spells survival for hundreds of smaller cities and towns of America, which lack the capital to build these facilities alone.

Mr. President, as a coauthor of the Senate bill I strongly support the proposed legislation. It should be passed without further delay so that we can get on with the task of revitalizing our small towns and rural areas.

Mr. President, I ask unanimous consent to have printed at this point in the Record, tables 1 to 8, on pages 176, 178, 179, 182, 184, 185, 190, and 192, chapter V, of "Essays in Southern Economic Development," edited by Melvin L. Greenhut and W. Tate Whitman, and printed by the University of North Carolina Press. Chapter V is by George Macesich.

Table 4 is especially relevant. Projecting population migration in the South for the period 1970-2020, it shows that migration from rural areas will continue, although at a decreasing rate, unless action is taken to save our rural areas.

There being no objection, the material was ordered to be printed in the Record, as follows:

TABLE 1.—Total, urban, and rural migration: 1950-60

	Migration (thousands of persons)			Migration rates (percents per year)		
	Total	Urban	Rural	Total	Urban	Rural
United States..	2,621	11,733	-9,112	0.16	1.07	-1.69
South.....	-3,247	2,607	-5,854	-.75	1.20	-2.73
Alabama.....	-368	166	-534	-1.16	1.07	-3.35
Arkansas.....	-422	17	450	-2.34	.25	-3.93
Georgia.....	-214	260	-474	-.58	1.40	-2.60
Kentucky.....	-390	67	-457	-1.30	.56	-2.58
Louisiana.....	-50	223	-272	-.17	1.27	-2.26
Mississippi.....	-434	77	-511	-1.99	1.09	-3.49
North Carolina.....	-328	133	-461	-.76	.84	-1.69
Oklahoma.....	-219	147	-365	-.96	1.13	-3.75
South Carolina.....	-222	21	-242	-.99	.23	-1.77
Tennessee.....	-273	138	-410	-.80	.83	-2.32
Texas.....	114	1,133	-1,019	.13	1.91	-3.88
Virginia.....	15	320	-306	.04	1.72	-1.74
West Virginia.....	-447	-94	-353	-2.31	-1.34	-2.87
Florida.....	1,617	1,451	166	4.30	5.52	1.49
Arizona.....	330	412	-83	3.30	6.30	-2.48
California.....	3,145	3,364	-219	2.42	3.10	-1.05
Colorado.....	164	279	-115	1.07	2.67	-2.41
Connecticut.....	234	197	37	1.04	1.12	.75
Delaware.....	64	53	11	1.69	2.17	.84
District of Columbia.....	-158	-158	(¹)	-2.02	-2.02	(¹)
Idaho.....	-40	11	-51	-.64	.39	-1.49
Illinois.....	124	383	-259	.13	.52	-1.33
Indiana.....	63	139	-75	.15	.53	-.45
Iowa.....	-228	30	-258	-.85	.22	-1.93
Kansas.....	-44	153	-197	-.22	1.33	-2.24
Maine.....	-66	-37	-29	-.70	-.77	-.63
Maryland.....	320	326	-6	1.18	1.70	-.08
Massachusetts.....	-93	-120	27	-.19	-.29	.34
Michigan.....	156	288	-132	.22	.57	-.67
Minnesota.....	-97	189	-285	-.30	1.01	-2.16
Missouri.....	-130	120	-250	-.32	.45	-1.69
Montana.....	-25	30	-55	-.40	1.01	-1.65
Nebraska.....	-117	40	-158	-.86	.59	-2.34
Nevada.....	86	84	2	3.97	6.04	.28
New Hampshire.....	13	12	1	.22	.35	.05
New Jersey.....	577	614	-37	1.06	1.29	-.55
New Mexico.....	52	160	-108	.65	3.41	-3.25
New York.....	210	152	58	.13	.11	.25
North Dakota.....	-105	22	-127	-1.68	1.14	-2.94

TABLE 1.—Total, urban, and rural migration: 1950-60—Continued

	Migration (thousands of persons)			Migration rates (percents per year)		
	Total	Urban	Rural	Total	Urban	Rural
Ohio.....	409	560	-152	0.46	0.89	-0.61
Oregon.....	16	146	-130	.10	1.53	-1.90
Pennsylvania.....	-475	-235	-240	-.44	-.30	-.76
Rhode Island.....	-26	-5	-22	-.32	-.06	-1.80
South Dakota.....	-94	7	-101	-1.41	.28	-2.38
Utah.....	10	83	-72	.13	1.50	-3.14
Vermont.....	-38	-6	-32	-.99	-.45	-1.31
Washington.....	88	186	-98	.34	1.08	-1.09
Wisconsin.....	-53	186	-239	-.14	.83	-1.66
Wyoming.....	-20	11	-31	-.64	.69	-2.16

¹ The District of Columbia has no rural population.

TABLE 2.—Southern rural migration by race, 1950-60

	Migration (Thousands of persons)		Migration rates (Percent per year)	
	White	Nonwhite	White	Nonwhite
South.....	-3,955	-1,899	-2.40	-4.00
Alabama.....	-315	-219	-2.82	-4.60
Arkansas.....	-326	-124	-3.63	-5.01
Georgia.....	-241	-233	-1.86	-4.44
Kentucky.....	-428	-29	-2.52	-4.12
Louisiana.....	-115	-157	-1.47	-3.76
Mississippi.....	-203	-307	-2.63	-4.46
North Carolina.....	-254	-206	-1.26	-2.92
Oklahoma.....	-326	-39	-3.70	-4.23
South Carolina.....	-42	-201	-.52	-3.53
Tennessee.....	-344	-67	-2.16	-3.75
Texas.....	-848	-171	-3.70	-5.15
Virginia.....	-194	-112	-1.42	-2.84
West Virginia.....	-318	-34	-2.72	-6.02
Florida.....	210	-44	2.32	-2.09

TABLE 3.—Urban net migration by race, 1950-60

	Migration (thousands of persons)		Migration rates (percent per year)	
	White	Nonwhite	White	Nonwhite
United States.....	9,745	1,988	0.96	1.67
South.....	2,602	5	1.54	.03
Alabama.....	189	-23	1.80	-.46
Arkansas.....	29	-11	.53	-.71
Georgia.....	255	5	1.99	.08
Kentucky.....	76	-9	.71	-.64
Louisiana.....	181	42	1.50	.77
Mississippi.....	82	-5	1.84	-.18
North Carolina.....	147	-14	1.26	-.35
Oklahoma.....	133	14	1.13	1.16
South Carolina.....	49	-29	.80	-1.12
Tennessee.....	145	-8	1.14	-.20
Texas.....	1,077	56	2.08	.75
Virginia.....	317	4	2.14	.10
West Virginia.....	-78	-16	-1.19	-3.50
Florida.....	1,285	166	6.11	3.16
Arizona.....	397	15	6.39	4.56
California.....	2,984	380	2.98	4.58
Colorado.....	266	13	2.63	3.94
Connecticut.....	157	40	.93	5.31
Delaware.....	48	5	2.27	1.47
District of Columbia.....	-224	66	-5.26	1.90
Idaho.....	10	1	.37	2.83
Illinois.....	147	236	.22	2.85
Indiana.....	94	45	.39	2.12
Iowa.....	22	8	.16	3.86
Kansas.....	149	4	1.39	.49
Maine.....	-39	1	-.80	6.30
Maryland.....	282	45	1.78	1.34
Massachusetts.....	-146	26	-.36	2.82
Michigan.....	173	115	.38	2.07
Minnesota.....	181	7	.99	3.19
Missouri.....	80	40	.34	1.30
Montana.....	29	1	.98	3.80
Nebraska.....	35	5	.53	2.03
Nevada.....	76	■	5.83	9.29
New Hampshire.....	11	1	.32	8.52
New Jersey.....	483	131	1.10	3.51
New Mexico.....	155	■	3.42	3.10
New York.....	-173	325	-.14	2.78
North Dakota.....	22	0	1.13	1.26
Ohio.....	428	132	.75	2.16
Oregon.....	139	7	1.49	3.25
Pennsylvania.....	-329	94	-.47	1.33
Rhode Island.....	-7	3	-.11	1.65
South Dakota.....	6	1	.25	2.21
Utah.....	82	1	1.51	.66
Vermont.....	-7	0	-.45	2.34
Washington.....	168	18	1.01	3.18
Wisconsin.....	146	39	.67	7.72
Wyoming.....	11	0	.71	-.14

TABLE 4.—Population and migration projections for the South: 1970-2020

Year	Population			Migration	
	Thousands of persons	Percent increase	Percent of total	Thousands of persons	Percent rate
Rural:					
1960.....	20,522	-0.89	44.9	-5,878	-2.98
1970.....	18,946	-.80	37.1	-5,181	-2.63
1980.....	17,655	-.71	30.6	-4,619	-2.53
1990.....	16,609	-.61	25.2	-4,150	-2.42
2000.....	15,773	-.52	20.9	-3,758	-2.32
2010.....	15,119	-.42	17.3	-3,431	-2.22
2020.....	14,626	-.33	14.4	-3,157	-2.12
Urban:					
1960.....	25,188	3.07	55.1	2,632	.88
1970.....	32,145	2.43	62.9	2,334	.82
1980.....	40,081	2.20	69.4	2,105	.59
1990.....	49,225	2.05	74.8	1,913	.43
2000.....	59,849	1.94	79.1	1,753	.32
2010.....	72,272	1.88	82.7	1,620	.25
2020.....	86,874	1.83	85.6	1,509	.19
Total:					
1960.....	45,711	1.10	100.0	-3,247	-.67
1970.....	51,091	1.11	100.0	-2,847	-.59
1980.....	57,736	1.22	100.0	-2,514	-.46
1990.....	65,835	1.31	100.0	-2,237	-.36
2000.....	75,622	1.39	100.0	-2,005	-.28
2010.....	87,391	1.45	100.0	-1,811	-.22
2020.....	101,500	1.50	100.0	-1,648	-.17

TABLE 5.—Nonagricultural employment: 1950 and 1962¹

	Employment (thousands)				Percent per year growth: 1950-62	
	United States		South		United States	South
	1950	1962	1950	1962		
Total.....	44,942.3	55,123.6	9,098.4	11,753.3	1.70	2.13
Mining and oil.....	902.6	649.4	432.1	341.0	-2.74	-1.97
Manufacturing.....	15,248.2	16,783.7	2,608.1	3,259.4	.80	1.86
Construction.....	2,343.6	2,817.3	536.3	692.8	1.53	2.13
Transportation, communication, and public utilities.....	4,041.5	3,879.9	854.0	843.2	-.34	-.11
Trade.....	9,412.8	11,502.4	1,990.8	2,502.4	1.67	1.91
Finance, insurance, and real estate.....	1,843.7	2,793.4	292.2	518.4	3.46	4.78
Services and miscellaneous.....	5,115.6	7,724.4	1,004.4	1,469.8	3.43	3.17
Governments.....	6,034.5	8,973.1	1,380.5	2,126.3	3.31	3.60

¹ Source: Bureau of Labor Statistics, "Employment and Earnings Statistics for States and Areas: 1939-62," Bulletin No. 1370 (1963).

TABLE 6.—Nonagricultural employment growth rates and differentials, 1950-62

[Average percents per year]

	Growth rate	Differential	Weight part	Rate part
South.....	2.13	0.43	-0.05	0.48
Alabama.....	2.03	.33	-.06	.39
Arkansas.....	2.36	.66	.11	.55
Georgia.....	2.56	.86	.05	.81
Kentucky.....	1.54	-.16	-.26	.10
Louisiana.....	1.85	.15	-.01	.16
Mississippi.....	2.58	.88	.20	.68
North Carolina.....	2.49	.79	-.05	.84
Oklahoma.....	1.94	.24	.00	.24
South Carolina.....	2.29	.59	-.05	.64
Tennessee.....	1.99	.29	.07	.22
Texas.....	2.65	.95	.00	.95
Virginia.....	2.45	.75	.05	.70
West Virginia.....	-1.35	-3.05	-.86	-2.19
Florida.....	5.62	3.92	.33	3.59
Arizona.....	6.75	5.05	.15	4.90
California.....	4.04	2.34	.21	2.13
Colorado.....	3.56	1.86	.19	1.67
Connecticut.....	1.78	.08	-.09	.17
Delaware.....	2.07	.37	-.13	.50
District of Columbia.....	1.08	-.62	1.01	-1.63
Idaho.....	1.77	.07	.07	.00
Illinois.....	1.00	-.70	-.06	-.64
Indiana.....	1.15	-.55	-.21	-.34
Iowa.....	.95	-.75	.16	-.91
Kansas.....	1.72	.02	.02	.00
Maine.....	.83	-.87	-.01	-.86
Maryland.....	2.34	-.64	.05	.69
Massachusetts.....	.86	-.84	.05	-.89
Michigan.....	.63	-1.07	-.19	-.88
Minnesota.....	1.68	-.02	.08	-.10
Missouri.....	1.12	-.58	.06	-.64
Montana.....	1.10	-.60	.02	-.62
Nebraska.....	1.73	.03	.30	.27
Nevada.....	6.94	5.24	.29	4.95
New Hampshire.....	1.64	-.06	-.04	-.02
New Jersey.....	1.90	.20	-.10	.30
New Mexico.....	3.89	2.19	.22	1.97
New York.....	.98	-.72	.12	-.84
North Dakota.....	1.30	-.40	.40	-.80
Ohio.....	.95	-.75	-.13	-.62
Oregon.....	1.50	-.20	.05	-.25
Pennsylvania.....	.10	-1.60	-.26	-1.34
Rhode Island.....	-.09	-1.79	-.09	-1.70
South Dakota.....	1.99	.29	.41	-.12
Utah.....	3.44	1.74	.12	1.62
Vermont.....	1.00	-.70	.02	-.72
Washington.....	1.83	.13	.22	-.09
Wisconsin.....	1.40	-.30	-.08	-.22
Wyoming.....	1.50	-.20	-.25	.05

Source: See table 5.

TABLE 7.—National image deviations: 1950 and 1962¹ (percent of total nonagricultural employment)

	1950	1962		1950	1962
South.....	6.5	4.9	Iowa.....	10.3	6.3
Alabama.....	5.2	5.1	Kansas.....	14.3	11.7
Arkansas.....	9.8	4.6	Maine.....	10.2	8.7
Georgia.....	3.5	3.9	Maryland.....	3.7	4.3
Kentucky.....	11.8	6.6	Massachusetts.....	7.9	7.4
Louisiana.....	11.9	13.8	Michigan.....	15.4	10.0
Mississippi.....	10.0	6.4	Minnesota.....	8.9	6.2
North Carolina.....	11.2	12.1	Missouri.....	6.7	4.1
Oklahoma.....	20.4	16.7	Montana.....	23.2	18.6
South Carolina.....	12.2	13.0	Nebraska.....	19.3	13.6
Tennessee.....	3.4	3.7	Nevada.....	30.0	29.8
Texas.....	15.7	11.8	New Hampshire.....	13.6	13.3
Virginia.....	7.0	5.6	New Jersey.....	11.7	8.7
West Virginia.....	22.7	11.9	New Mexico.....	28.2	24.3
Florida.....	20.5	15.0	New York.....	5.2	5.6
Arizona.....	24.0	15.7	North Dakota.....	29.7	25.8
California.....	11.3	4.6	Ohio.....	10.2	8.7
Colorado.....	16.7	13.5	Oregon.....	5.2	5.8
Connecticut.....	16.4	14.4	Pennsylvania.....	9.6	7.9
Delaware.....	12.3	7.3	Rhode Island.....	15.6	9.8
District of Columbia.....	38.6	36.6	South Dakota.....	25.0	22.3
Idaho.....	18.3	13.8	Utah.....	19.1	13.9
Illinois.....	5.2	4.9	Vermont.....	7.0	4.9
Indiana.....	11.7	10.6	Washington.....	9.5	5.4
			Wisconsin.....	8.6	7.2
			Wyoming.....	29.1	25.4

¹ Source: See table 5.

AMENDMENT OFFERED BY MR. COOPER OF KENTUCKY

Mr. COOPER. Mr. President, I offer an amendment which I ask to have read.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

On page 7, line 13, it is proposed to strike out "\$400,000,000" and insert in lieu thereof "\$325,000,000."

Mr. COOPER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. Is the time to be taken from the time of the Senator?

Mr. COOPER. Mr. President, I withdraw the suggestion of the absence of a quorum.

Mr. President, my amendment is not difficult to understand. It would reduce the amount authorized under section 1 from \$400 million to \$325 million—a reduction of \$75 million.

The President of the United States, in submitting his message and request to the Congress that this bill be enacted, asked only an annual authorization of \$250 million. The Secretary of Commerce testified at length before our committee. His testimony was comprehensive and indicated a fine knowledge of the background and purposes of the bill. The Secretary stated that \$250 million would be an adequate sum for this section, and he supported his testimony with careful data.

It may be asked then, if \$250 million was the sum requested by the President and by the Secretary of Commerce, why I do not move to reduce the \$400 million by \$150 million? I shall be frank to say that I believe that there is a greater possibility that the Senate will consider favorably a reduction of \$75 million than a reduction of \$150 million. I say that from my experience in the Senate and my judgment of the programs under consideration. There are other substantive reasons, which I shall now discuss.

In past years I have supported and now support the various bills which are now comprehended in this bill. As I said in presenting the provisions of the bill on the floor of the Senate, it is an extension

of three programs—the ARA, the Appalachian Regional Development Act, and the accelerated public works program of 1962 and 1963, all of which I strongly supported. I was one of the five cosponsors of the original ARA bill, first recommended by President Eisenhower and later enacted under the leadership of the senior Senator from Illinois [Mr. DOUGLAS] in the Senate. I also cosponsored with other Senators the Appalachian Act, particularly with the distinguished Senator from West Virginia [Mr. RANDOLPH], and I comanaged with him the bill on the floor of the Senate.

I speak as one who has supported the legislation upon which the pending bill is based. Nevertheless, I believe the record will indicate that the sum proposed by my amendment, \$325 million annually, a reduction of \$75 million in the bill, will be fully adequate. Neither the President of the United States nor the Secretary of Commerce asked for \$400 million. Having worked on these bills in past years on the Committee on Public Works, I know that there are differences between the pending bill and the earlier emergency bills, which I believe, support my argument.

This section of the bill differs from the old accelerated public works program in that it is not directed toward providing emergency employment for a 2-year period, as was the old bill. The bill will be effective for 5 years, and its criteria emphasizes the development of commercial or industrial enterprises which will provide long-term permanent employment in our communities.

The Secretary of Commerce said, in his testimony before our committee, that these criteria would be stricter than the criteria used under the old Accelerated Public Works Act. The new criteria must be developed for both the area, and the specific project within the area. It would be wise for the Senate to watch the operation of this new bill for a year to see if the new regulations meet the needs, before voting for the full amount over and above the requests estimated by the administration.

The increase of \$150 million over the

TABLE 8.—Per capita personal income levels, 1950 and 1962

	Personal income (dollars per capita)		Increase	
	1950	1962	Dollars	Percent per year
United States.....	1,491	2,366	875	3.85
Alabama.....	867	1,567	700	4.93
Arkansas.....	805	1,504	699	5.21
Georgia.....	1,016	1,759	743	4.57
Kentucky.....	958	1,712	754	4.84
Louisiana.....	1,089	1,705	616	3.74
Mississippi.....	729	1,285	556	4.72
North Carolina.....	1,009	1,732	723	4.50
Oklahoma.....	1,133	1,905	772	4.33
South Carolina.....	881	1,545	664	4.68
Tennessee.....	995	1,702	707	4.47
Texas.....	1,340	2,013	673	3.39
Virginia.....	1,222	2,018	796	4.18
West Virginia.....	1,095	1,810	715	4.19

Source: Department of Commerce, Survey of Current Business.

request of the President is not included in the budget. It would be added to the deficit which is now expected to exceed \$4 billion. That has some significance. The President has also now requested that the national debt limit be raised to \$329 billion, and the House has approved only \$328 billion. We must take these facts into account and make some reductions as we go along, so that worthwhile programs can be maintained and paid for, and so the criteria that are applied will enable people all over the Nation to benefit.

The reduction encompassed by my amendment is from \$400 to \$325 million annually. I ask that the Senate agree to this reduction. I ask this as one who has been a cosponsor and a supporter—both in the committee and on the floor of the Senate—of the worthy bills to assist depressed areas and unemployed people. I am the only Republican who originally joined in sponsoring and introducing this bill in this Congress. Since the committee work on the bill, Senator FONG has given his sponsorship, and I believe that more than half of the Republican Senators will vote for the bill; but it is necessary that we do not authorize more than is actually needed.

I believe that this is a sensible amendment. I notice my friend, the Senator from Alaska [Mr. GRUENING], looking at me. I know that he will say, "We are giving the same kind of assistance to foreign countries." In answer I say I want to give this assistance to our own people and communities. I shall vote to reduce the foreign aid bill by the amount needed to do so.

The Senator from West Virginia [Mr. RANDOLPH] would tell us, and accurately so, of the value of these projects. I agree with him.

I support the bill, but I believe that it is sensible for us to adhere as closely as possible to the request of the President, so that the money will be spent wisely.

Mr. JAVITS. Mr. President, will the Senator yield for a question?

Mr. COOPER. I yield.

Mr. JAVITS. I gather that the Senator's amendment has no relation whatever to any other title of the bill than public works.

Mr. COOPER. In no way at all.

Mr. JAVITS. May I ask the Senator a question about title II, while he is on his feet? I am deeply concerned about the section's continuing to provide loans for machinery and equipment.

Mr. COOPER. Yes. I know that was brought out in the hearings.

Mr. JAVITS. We in the great industrial States are concerned about the pirating of business; that is, the attraction to business which comes from liberal offers which can be an inducement to establish new plants in other States.

Mr. COOPER. The Senator is directing attention to title II.

Mr. JAVITS. Yes.

Mr. COOPER. We discussed this question quite thoroughly. As I remember, the old ARA did not permit loans for machinery except in cases of demonstrated need. It was argued by the Secretary that, unless the loan section included provision for machinery, certain projects might never come into operation. A second point discussed was that loans should not exceed the life of the machinery.

The committee unanimously accepted the policy previously adopted by ARA in this regard.

Has the Senator any particular thought as to the value or lack of it?

Mr. JAVITS. We had a colloquy the other day and have the implementation in the RECORD enjoining the Secretary to condemn and beware of pirating practices, and the section of the bill referred to was implemented; but I was interested in the substantive part relating to machinery and equipment. When I was on the Banking and Currency Committee I protested it. I sought to excise it from the bill. I think it is a rather dangerous point and requires great scrupulousness in its administration. I wanted the Senate to have some concept of the way in which the committee looked at it. I gather that the committee assumed that it would be used sparingly.

Mr. COOPER. That is correct. I believe we had assurances from the Secretary that applications for funds for this purpose would be considered carefully, particularly in regard to the terms of these loans.

Mr. McNAMARA. Mr. President, I yield myself such time as may be required, which will not be long.

The Senator's amendment goes to title I. Now we are getting into a discussion of title II.

Mr. JAVITS. Yes.

Mr. McNAMARA. I wish to comment now on the amendment of the Senator to reduce the amount from \$400 million to \$325 million.

We believe that any reduction in the amount of money proposed to be authorized for public works grants in this bill would be a serious mistake. The Public Works Committee has looked long and hard at this subject, and believes that the \$400 million authorization is the very minimum needed to accomplish the desired result.

Our examination indicated that there is a backlog of at least \$250 million in projects that could not, because of exhaustion of funds, be financed under the APW program, but would meet the criteria of this bill. We expect that a similar total of new applications will be made in the next fiscal year. About \$100 million in projects that are received next year should be processed to the point of approval during the coming year. That gives us a total of at least \$350 million in viable projects.

In addition, the committee felt that there should be available an additional \$50 million in reserve to help finance projects that may come in from areas hit suddenly by economic disaster because of plant closings, the removal of military establishments, or other causes.

The Senator from Kentucky discussed the testimony given by the Secretary of Commerce and the grants requested by the administration. His remarks were perfectly in order. However, there was a great deal of other testimony given before the committee that justifies the amount of \$400 million, which the committee recommended in the bill.

I now yield to the distinguished Senator from West Virginia [Mr. RANDOLPH], who, I believe, has some thoughts on the bill.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. RANDOLPH. Mr. President, I appreciate the courtesy of the chairman of the Public Works Committee in giving me an opportunity to join in the refutation of the remarks on the amendment offered by our beloved colleague from Kentucky, who would cut the amount of the annual grant under the bill from \$400 to \$325 million, the so-called public works feature of the legislation coming before us now.

It is important for me to say this at the outset, because the Senator from Kentucky [Mr. COOPER] has indicated, at least by indirection, that the White House would be displeased if the Senate should vote \$400 million, rather than \$325 million that the Senator would like to have in the bill.

The White House will not veto this legislation if \$400 million is included in title I over the period of 5 years for such a worthy purpose.

The Senator from Michigan [Mr. McNAMARA] has indicated the amount of accelerated public works projects which are now, in a sense, on the shelf, ready to be proceeded with, approval for which has been given and local financing having been arranged. I think the Senator has given a very conservative figure.

I like the presentation the Senator has made, but frankly, I desire to have incorporated in the RECORD the table which is found on page 44 of the hearings. I ask unanimous consent that the table, entitled, "Pending APW grant-in-aid applications in presently eligible redevelopment areas by States," be included at this point in my remarks.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Pending APW grant-in-aid applications in presently eligible redevelopment areas by State

State	Number of projects	Amount requested
Total.....	2,518	\$467,858
Alabama.....	43	11,531
Alaska.....	27	8,467
Arizona.....	22	3,948
Arkansas.....	64	10,373
California.....	28	7,356
Colorado.....	14	1,408
Connecticut.....	6	1,777
Delaware.....	1	134
Florida.....	5	624
Georgia.....	73	13,894
Hawaii.....	2	99
Idaho.....	3	180
Illinois.....	93	17,324
Indiana.....	19	4,091
Iowa.....	7	499
Kansas.....	11	1,917
Kentucky.....	98	27,076
Louisiana.....	56	14,921
Maine.....	14	709
Maryland.....	12	2,844
Massachusetts.....	27	5,417
Michigan.....	102	16,565
Minnesota.....	76	14,833
Mississippi.....	64	8,690
Missouri.....	32	3,420
Montana.....	21	6,452
Nebraska.....	28	1,806
Nevada.....		
New Hampshire.....	8	2,359
New Jersey.....	108	29,618
New Mexico.....	53	6,691
New York.....	62	16,805
North Carolina.....	21	5,667
North Dakota.....	4	553
Ohio.....	68	12,341
Oklahoma.....	54	7,329
Oregon.....	34	4,413
Pennsylvania.....	410	88,009
Rhode Island.....	13	7,298
South Carolina.....	35	4,795
South Dakota.....	40	3,680
Tennessee.....	68	15,103
Texas.....	62	15,314
Utah.....	27	2,927
Vermont.....	1	30
Virginia.....	18	3,031
Washington.....	22	3,337
West Virginia.....	116	22,153
Wisconsin.....	83	6,807
Wyoming.....	0	293
Guam.....		
Puerto Rico.....	251	22,950
Virgin Islands.....		

Mr. RANDOLPH. I wish to comment on the amount. It is not \$250 million. It is \$467,858,000. We realize that there is an attrition, and the chairman of the committee has set forth his views on this matter. But when we find that in the State of Kentucky there are applications pending for more than \$27 million, we realize that those applications are valid applications. These are projects in Kentucky now that are ready to go, not a year from now, not 2 years from now, and not 3 years from now. They are ready to go now. They are necessary projects. They would strengthen the economy of the area. They would provide employment. They would build an economic base on which the community could develop business, industry, and its entire economy in the years ahead, as well as provide necessary employment.

With respect to the State of Michigan, so ably represented by the Senator who manages the bill, Michigan now has 102 projects ready to move, in the amount of \$16,565,000.

Mr. President, I wish the Senate to realize that the \$400 million in Federal grants under title I of the pending bill is not a figure arrived at out of thin air.

My beloved friend the Senator from Kentucky [Mr. COOPER] himself set \$325 million as a figure. We believe that in

the figure of \$400 million we are being conservative.

The Senator from Alaska [Mr. GRUENING] who is now in the Chamber believes that it should be \$1 billion a year.

Mr. GRUENING. That is correct.

Mr. RANDOLPH. The Senator from Alaska has introduced legislation looking toward that objective.

There are many Senators who, I believe, are of the conviction that \$400 million is a conservative figure, that it is not a high figure—and I am one of those Senators.

Mr. President, I ask unanimous consent to have printed in the RECORD under title 1, the report which was filed with S. 1648 which covers this provision of the pending legislation.

There being no objection, the report was ordered to be printed in the RECORD, as follows:

MAJOR PROVISIONS OF THE BILL

TITLE I—PUBLIC WORKS AND DEVELOPMENT FACILITIES

The purpose of this title is to increase the amount of Federal funds being expended both for general improvement of the physical structure of an area and for specific improvements related to projected economic development. The committee believes that one of the greatest handicaps of a community, area, or region can suffer when economically disadvantaged is the inability of its physical plant and public services to support existing industry, let alone new development.

"Indirect" as used in the language of this title in section 101, as well as in section 201 of title II, is meant to include those facilities which commercial and industrial development depend upon, but which are not necessarily related to a specific business enterprise.

For example, if a community has an inadequate sewage treatment plant it can hardly hope to induce industrial development which would further overload its disposal plant, thus creating a health and welfare problem.

This type of investment cannot adequately be measured in terms of jobs created. The purpose in this case is not the immediate employment gain, although that will be an additional benefit. The purpose is first to create public facilities that make a community attractive for economic growth, capable of supporting additional population, and of making the most of its natural and human resources.

The grants are not limited to traditional public works but are meant to include physical properties which will have a bearing on industrial and commercial development.

Examples of projects

Examples of projects which should be eligible for grants under section 101 (as well as loans under sec. 201) on the basis of being directly related to economic development are waterworks and waterlines, sanitary and storm sewers, industrial parks, police and fire stations, research centers, tourism facilities, industrial streets and roads, waste treatment facilities, area vocational schools, airports, and watershed protection and flood prevention. This list is not meant to be exhaustive nor to imply that grants applied for under these examples need be related to a specific industrial or commercial project. They are not limited to serving one new customer although that could be a possibility. Prospects for industrial and commercial development will more likely follow after these projects are undertaken.

Examples of facilities which if indirectly related to economic development could be eligible for grants under section 101 (and loans under sec. 201) are streets primarily related to residential development, water

and sewage facilities related to residential development, hospitals, vocational education facilities, community centers, and in some circumstances libraries and similar buildings.

Use of funds

The committee wishes to emphasize that the funds provided under this title for grants-in-aid are not to be merely substituted for funds available under existing programs. It would be contrary to the intent of this act if other Federal agencies cut back the amount of funds which would have gone to designated areas if these additional funds were not available. The General Accounting Office ought to be concerned that the intent of Congress in this respect is carefully followed. The funds here are to be considered additional to those which a designated area might obtain under other programs.

This is a major reason for providing supplementary grants in this bill in addition to the direct grants available. It is an important feature in this program over and above previous programs, that supplementary grants may be made for projects receiving basic grants under this bill, as well as under other programs. Thus the Secretary can make grants up to 80 percent of the cost of a direct grant project in areas of greatest need. These supplementary grants are expected to be used for projects in designated areas without regard to any limitation of other laws, except that in no case will the Federal share be greater than 80 percent. Where supplementary grants are made to direct Federal projects, such projects must have been previously authorized. Direct Federal projects which can be useful include, but are not limited to, watershed and flood prevention, water storage, and land improvement.

The committee particularly notes the grants can cover the cost of related equipment and machinery in development facility projects as well as in industrial and commercial projects.

The funds authorized under this title should be used for projects in eligible areas even if those areas are in established development regions, but they should not be used only for projects with regionwide impact. The same is true for development districts within regions. Projects of value to one county, community, or a group of counties should not be denied because of regional assistance being given under another program.

Mr. RANDOLPH. Mr. President, there is every reason for the Senate to endorse the provisions of title I of the pending bill. I believe that the amendment offered by the Senator from Kentucky will be decisively defeated by the Senate, that the pending bill will be agreed to by the Senate and House of Representatives, that it will go to the President of the United States, and he will sign it into law.

Mr. McNAMARA. Mr. President, I yield 1 minute to the Senator from Alaska.

The PRESIDING OFFICER. The Senator from Alaska is recognized for 1 minute.

Mr. GRUENING. Mr. President, I am in full accord with the statement the Senator from Michigan, the chairman of the Public Works Committee has just made, which has been so well amplified by the Senator from West Virginia who has never ceased to work for this kind of legislation which will put the unemployed to work, and give the economy a substantial boost.

Whenever the Senator from Kentucky [Mr. COOPER] rises on the floor, his words

are entitled to the most respectful and sympathetic consideration. We all love and admire him. This happens to be one of the rare occasions when I find myself in disagreement with him. I must oppose his amendment to cut the annual public works appropriation in this bill from \$400 to \$325 million. As it is, the amount provided is far from sufficient. I find it particularly distressing that he, who has been the only Republican, according to his own statement, to endorse this measure, should spoil that beautiful and unique record by now moving a reduction in the amount to be authorized, which reduction is not quite so slight, because the reduction of the \$75 million he proposes will be an annual reduction and will therefore go on through the years.

This is one of the most important pieces of legislation from the standpoint of the national economy that we could have. I have been fighting for the reenactment of public work legislation ever since I came to the Senate. It has demonstrated its value. It means that people will be put to work on useful projects, that the economy will be stimulated, not merely at the site of the project where it goes into operation but at the factory where the materials are produced and on the arteries of transportation in between. In Alaska particularly, this will be important, because it will affect so many of the depressed areas which need help, and all but one of Alaska's areas are depressed areas. This legislation will diminish the depression and the unemployment.

I hope that the amendment will fail. The PRESIDING OFFICER. The time of the Senator from Alaska has expired.

Mr. CLARK. Mr. President, will the Senator from Michigan yield?

Mr. McNAMARA. Mr. President, I yield 5 minutes to the Senator from Pennsylvania.

The PRESIDING OFFICER. The Senator from Pennsylvania is recognized for 5 minutes.

Mr. CLARK. Mr. President, one of the biggest mistakes Congress made in recent years, in my opinion, is that it did not refresh and refinance the Accelerated Public Works Act of 1962.

Under that act, speaking only for the Commonwealth of Pennsylvania, a great many projects were built costing many millions of dollars. This money was spent—and spent wisely—for essential public works. The increase in employment which was generated by that money is really startling. As soon as the accelerated public works bill ran out of money, we had a recurrence of unemployment in many of the areas of chronic and persistent unemployment in my State.

I believe that Republicans and Democrats alike in Pennsylvania will testify today to the great economic benefit which was brought to the Commonwealth of Pennsylvania by the passage and administration of the Accelerated Public Works Act.

I was very much disappointed when, in this year's budget, there was not, to my way of thinking, adequate refinancing

and refurbishing of the accelerated public works principle.

The Senator from Michigan, the Senator from West Virginia, a number of other Senators and I were of the view that we should at least reduce the program to the same amount as before; namely, \$1 billion plus.

I was vastly disappointed when that was not done. I testified before the subcommittee of which the able Senator from West Virginia [Mr. RANDOLPH] was chairman, and with my enthusiastic support it increased the amount of the authorization for public works from \$250 million to \$400 million. I believe that that increase was modest. I had hoped that the amount authorized would be substantially more, but he and I realize the practical, pragmatic situation under which we are operating, and it seemed unwise to go further than we had. We were also acutely aware of the fact that all of the State of West Virginia is in Appalachia, as well as much of the State of Kentucky. It seems to me incredible that Senators coming from States where the benefits of the war against poverty are so badly needed, where the Appalachia program is making some dent in the war against poverty, where the major part of the public works program in Appalachia is for highways, would not join unanimously in supporting the increase in the appropriation for public works in this particular bill.

Mr. COOPER. Mr. President, will the Senator from Pennsylvania yield?

Mr. CLARK. I am happy to yield to the Senator from Kentucky, but the Senator must do so on his own time.

Mr. COOPER. That is satisfactory.

Mr. President, I yield myself 2 minutes.

The PRESIDING OFFICER. The Senator from Kentucky is recognized for 2 minutes.

Mr. COOPER. I joined the distinguished Senator from Pennsylvania and the distinguished Senator from West Virginia in supporting and sponsoring these related programs, the area redevelopment program, the accelerated public works program, the Economic Opportunity Act, and the Appalachia development bill; but I have submitted this amendment for two reasons. One is that it would cut back the authorization to one-half of the increase which was made over the President's recommendation of \$250 million. Second, I am aware of what Congress, and the Senate in particular, has done in passing the great bills which have helped by State; namely, the accelerated public works program, the Area Redevelopment Act, and the Appalachia Development Act.

I believe that we cannot overdo it. We just cannot expect that the country will continue to provide ever larger amounts before full needs and uses are shown and proved. I believe that we must keep these programs within some kind of reasonable limit—and the most reasonable limit wherever possible. I have proposed a very reasonable limit; namely, one-half the increase made by the committee beyond the request submitted by the President.

Mr. CLARK. The Senator from Kentucky is one of the ablest members of

this body. I respect him in every way. I honor his integrity and ability. In this particular case, however, I believe that he is dead wrong.

This is not an extravagant and unnecessary increase in a vitally needed program. The provision as it now appears in the bill falls far short of the requirements for assistance in a number of States, which come under the provisions of the bill.

Mr. President, how much time have I left?

The PRESIDING OFFICER. The Senator from Pennsylvania has 30 seconds remaining.

Mr. CLARK. I yield 10 seconds to the Senator from West Virginia [Mr. RANDOLPH].

Mr. RANDOLPH. In the State of Pennsylvania, there are 416 projects at a cost of \$88 million which are now eligible and ready to move. The able Senator from Pennsylvania knows that this is the situation in all States in the Union. I congratulate him on his vigorous espousal of this moderate increase in the pending bill.

Mr. CLARK. I thank my friend for his helpful interest.

Mr. President, I hope that the amendment will be defeated.

UNANIMOUS-CONSENT AGREEMENT TO VOTE ON COOPER AMENDMENT AT 4:45 P.M.

Mr. MANSFIELD. Mr. President, will the Senator from Michigan yield me one-half minute?

Mr. McNAMARA. I yield to the Senator from Montana.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the vote on the Cooper amendment take place at 4:45 o'clock p.m.

The PRESIDING OFFICER. How is the time to be allotted for further debate on the amendment?

Mr. MANSFIELD. Whichever ways Senators wish to use it.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Montana? The Chair hears none, and it is so ordered.

Mr. COOPER. Mr. President, I yield 2 minutes to the Senator from New York.

Mr. JAVITS. The Senator from Kentucky has stated that he has supported all these programs. He has been so preeminent in that support that I did not wish to add my own voice at the point when he was speaking, although it is a fact that I have, on this side of the aisle, also supported these programs, both in committee, when I was a member of the Committee on Banking and Currency, and on the floor of the Senate.

I am known, and proud to be known, as a liberal, anxious to have my State, which pays the most taxes of all the States, support the well-being of the country, notwithstanding the fact that it is often said, in answer to my votes that New York pays \$3 for every dollar that it gets back. As long as I am a Member of the Senate that will never be a factor in determining my vote.

However, I appreciate and am ready to support conservation where conservation is appropriate in terms of these projects. When the President of the United States requests \$250 million, and

the amount is raised by the committee to \$400 million, I expect eventually to hear facts stated that will support the increase.

The Senator from Kentucky, a strong supporter of the bill, proposes to cut the increase by 50 percent, on the theory that it is necessary to have a good reason to raise the figure by \$150 million, and that in the absence of such a good reason the least that can be done is to cut the increase by one-half. If one is to be a liberal, he must be a hardheaded liberal. Therefore, I am glad to support the amendment of the Senator from Kentucky.

Mr. MUSKIE. Mr. President, when the Senator from New York speaks of facts as an essential element in deciding the issue which has been raised by the distinguished Senator from Kentucky, I would say that both the Senator from Kentucky and the other members of the committee felt that they had a sound factual basis for their conclusions.

Secretary Connor, when he testified before the committee, advised us that more than \$700 million worth of APW applications were pending when that program ran out. The Secretary has screened the applications, and has reduced the amount to a possible \$450 million, or a little more than that which might be eligible for assistance under the pending bill, if it is enacted.

The \$250 million figure obviously falls short of that figure. We recognize that the \$250 million called for in S. 1648 would be an annual figure, running for the life of the authorization, and that the \$450 million figure is also an annual figure running for the life of the authorization.

I believe that in addition to the points which have been made, it should be pointed out that the \$450 million in APW applications will have a running start on whatever figure Congress approves for this bill. If it is the \$250 million figure, the projects which can be justified on the basis of needs developed since the APW program terminated will have to fall behind and run behind the projects that are pending in the APW file. It has seemed to us that this would militate against the many areas of the country which have developed needs since that program terminated, and would militate against smaller communities and smaller towns which are not in a position to develop projects as rapidly as more sophisticated planning departments are able to do in the larger communities.

For that reason, in addition to the others that have been advanced by the Senator from Michigan and the Senator from West Virginia, we felt we were justified in increasing the figure to \$400 million.

Mr. COOPER. To respond to that argument, I should like to ask that the analysis of the APW backlog, submitted to the Committee on Public Works by Secretary Connor, shown at page 45 of the hearings, be included in the Record at this point.

There being no objection, the statement was ordered to be printed in the Record, as follows:

ANALYSIS OF THE APW BACKLOG

From areas eligible under the Area Redevelopment Act on April 15, 1965—excluding the "labor surplus areas" eligible only under the Public Works Acceleration Act—the Community Facilities Administration of HHFA and the Public Health Service of DHEW had on hand 2,518 applications requesting \$468 million in APW grants.

However, these figures have only very limited significance as a measure of the potential demand for grants under section 101 of the Public Works and Economic Development Act for the following reasons:

(1) The principal purpose of the APW program was to create jobs, and projects had only to fulfill an essential public need, not necessarily related to economic development. Under the new act, each project must tend to improve either directly or indirectly the opportunity for the successful establishment or expansion of industrial or commercial plants or facilities, or assist otherwise in the creation of additional long-term employment opportunities, or primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1965.

(2) While apparently eligible under the provisions of the Public Works Acceleration Act, many of the pending APW applications clearly do not meet the requirements of the new act. For instance, the total includes 368 grant requests for courthouses, townhalls, and the like, amounting to \$61 million, and 51 grant requests for hospitals and other health facilities amounting to \$29 million, most of which do not meet the new requirements.

(3) Many of the pending APW applications date back to 1962 and 1963, and we do not know how many of these projects have been built in the meantime.

(4) Among the 624 grant requests for water and sewer facilities and other utilities amounting to \$129 million, there appears to be a preponderance of projects which may not meet the test of contributing to economic development, and the same appears to be true of the 573 grant requests for streets and roads, amounting to \$92 million.

Conservatively estimated, no more than one-third of the APW "backlog," or about \$150 million in grant requests, will be eligible under the new act.

On the other hand, the flow of new applications under the Public Works Acceleration Act was drastically reduced in the spring of 1963, when both CFA and DHEW announced that APW funds were already oversubscribed. A large influx of new applications which would be eligible under the new act may, therefore, be anticipated as soon as the new law is passed.

Mr. COOPER. This analysis was prepared by the Secretary of Commerce. It states:

Conservatively estimated, no more than one-third of the APW "backlog," or about \$150 million in grant requests, will be eligible under the new act.

Mr. MUSKIE. Mr. President, the words are "conservatively estimated." Whatever figure is used to settle down that \$450 million figure will be an estimate. His guess may be better than mine, and his guess may be more conservative than mine. Whatever the size of the backlog, it gives a running start for communities which have applications on file, and militates against communities which do not have applications on file, even though their need might be greater.

I now yield 10 minutes to the Senator from Minnesota.

MINNESOTA AND THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT

Mr. MONDALE. Mr. President, I welcome this opportunity to speak in support of S. 1648, the Public Works and Economic Development Act of 1965. I welcome the opportunity because this legislation represents a sound approach to the problems of labor surplus and economic decline in many areas of the Nation. It extends and improves the important features of the area redevelopment program, the accelerated public works program, and the Appalachian redevelopment experience. It proposes to deal with underdevelopment by a concerted regional and areawide attack, grouping distressed areas together to form economically viable development districts.

Those of us who have worked closely with the ARA and the accelerated public works in the past will recognize in the new bill many substantive and technical improvements which will make these programs more effective and more suited to the task of mobilizing our economic resources.

The greatest promise of America has always been the unqualified assurance of equal opportunity for all people regardless of their background or circumstances. We have made it a fundamental principle that every American be afforded the chance to build a full life for himself and his family. Today in America there are a wide range of programs and projects to guarantee that no one is denied this chance because of race, because of a lack of education, or because of the poverty of his birth.

But today opportunity is closed to many of our fellow Americans because of the economic decline of the area in which they live. In such distressed areas, which spread throughout the country, young people leave school early to help their families and thus rob themselves of the skills and knowledge needed for a full and rich life. The same young people leave the area entirely, stripping it of the youth and vigor necessary to fight its economic problems. These circumstances lead to blocked progress and further decline.

We simply cannot afford to waste our human and natural resources. Loss of economic power stunts national growth and inhibits our position as the leading nation in the world community.

Most of all, we cannot sit contentedly by and allow millions of Americans to be foreclosed from the fulfillment of hope that the rest of us share. This would deny the American promise I spoke of earlier—the unqualified assurance of equal opportunity for all.

I am most happy that the bill specifically provides for relief and assistance to those living in substandard and poverty conditions on Indian reservations in the United States. This bill recognizes that the great majority of these areas are among the most critical in the United States in terms of labor surplus, economic distress, and poverty.

As former attorney general of Minnesota and one who has long been interested in Indian affairs as well as the problem of economic development in eco-

nomically distressed areas, I myself was shocked by a recent review of the economic conditions of our own Indians.

In the State of Minnesota there are entire communities, not just isolated families, living on Indian reservations in poverty and in destitution. The median family income of the Indians on Leech Lake, White Earth, and Nett Lake Reservations is under \$1,000 a year, which, as I understand it, Mr. President, is less than one-third of the minimum which our Government has ascribed as the poverty line and poverty level.

The unemployment rate on Leech Lake ranges from 40 to 80 percent depending upon the time of the year. At Nett Lake the average rate is 69 percent, at White Earth 60 percent, at Red Lake 47 percent.

Ninety percent of the Indians at Leech Lake live in substandard housing, and 70 to 100 percent of the children drop out of the public schools in the area before graduating from the 12th grade.

I do not believe there is any other area in the country or any other people in the country that could mark a higher rate of dropout than that.

This is, I think, a pathetic circumstance of incalculable proportions in the midst of the richest nation in the world. I would like to see an attempt in Minnesota to harness experienced, retired managerial talent, making them available for an extended period of time to work with those on Indian reservations and train them in management and development skills.

I think our businessmen would find such a project exciting, if we could say to them, "You are now retired at the age of 65. You are in good health. Why do you not help us put together an industry that will provide employment, diversification, and give these people a chance to get started?"

The bill does make it abundantly clear that technical and management assistance will be made available to local development areas. Many of these areas lack the technical skills and know-how to attack their problems in an efficient and practical fashion. The technical assistance the Secretary is authorized to provide to redevelopment areas includes project planning and feasibility studies, management and operational assistance, and studies evaluating the needs of and developing potentialities for economic growth of such areas. This section will provide local areas with assistance in developing their staff, their action programs, and liaison with Federal and other agencies that will be needed to further their progress under this act. It will assist them in understanding what the economic potential of their area is. It will help them pinpoint methods by which they might harness the economic resources they possess.

In this connection, the bill will allow the Secretary to provide such technical and managerial assistance through experienced retired managerial talent. It seems to me a terrible waste to have hundreds of top executive personnel, who have spent their whole lives in the unique and rewarding experience of entrepreneurial ventures, who have behind them skills and talents to assemble capital, to

development of management systems, to train and assemble what is necessary to make an enterprise work not being fully used by our society.

I might add at that point that many leading executives in Minnesota who have reached retirement age have come to me and said, "Now, what do I do? I am in good health. I should like to help in some fashion. Is there some area in which I can contribute my talents and time?"

I believe that one of the most exciting features of the Economic Development Act of 1965 is the provision to use those talents where they are most needed.

In addition, I was most happy to see included in the bill language to insure that eligible areas will not lose designation or have their eligibility removed in cases where economic growth may be short term or where the growth is primarily the result of increased temporary employment. In many areas, an influx of construction labor, with a corresponding rise of employment, will cause a rise in unemployment statistics which is purely temporary and passing. Once the construction workers leave, affected areas would have to wait 3 years for renewed eligibility, and many of the good effects of the Federal programs would be lost in the intervening period. This amendment would allow a sufficient period of time during which it could be demonstrated with some assurance that the expansive effects in certain areas were not merely temporary.

I see this amendment as one of the keys to the success of the program in the State of Minnesota and in many other regions across the Nation.

I had specifically in mind the problem with which we are confronted in northeastern Minnesota, in the heart of Minnesota's traditional Iron Range. There we are experiencing the beginning of a taconite development which stretches across that range. Approximately five persons will be engaged in construction labor for every one person who is finally employed in the taconite mines once the industry is in full operation. There will be several thousand construction laborers and workers in related construction work on the range during the next few years, and that fact would probably make St. Louis County and Itasca County technically ineligible under the ARA. But once the plants were in full operation, I believe the statistics would reflect that those counties would once again be eligible.

What the amendment, incorporated in the bill, would provide is that those counties might continue to be eligible during that period, recognizing the temporary nature of the employment.

Many Senators must share in the praise for the drafting and work on this good bill. As a member of the Banking and Currency Subcommittee which considered titles II and IV of this legislation, I think that my chairman, the Senator from Illinois [Mr. DOUGLAS] and the other members of the subcommittee, the Senator from Wisconsin [Mr. PROXMIER] and the Senator from Maine [Mr. MUSKIE] are to be commended and congratulated on the fine result of their

work. I also thank the Senator from Michigan [Mr. McNAMARA] for his excellent work in preparing this bill in the Public Works Committee. I was most happy to have had the opportunity to play a role in drafting this legislation.

Mr. MCINTYRE. Mr. President, will the Senator yield?

Mr. MUSKIE. Mr. President, I yield 5 minutes to the Senator from New Hampshire.

The PRESIDING OFFICER. The Senator from Maine has 2 minutes remaining on the amendment. Does he yield 3 minutes on the bill also?

Mr. MUSKIE. Yes. I yield the necessary time on the bill.

The PRESIDING OFFICER. The Senator from New Hampshire is recognized for 5 minutes.

Mr. MCINTYRE. Mr. President, I wish to urge my colleagues to support the bill before the Senate, S. 1648, the Public Works and Economic Development Act of 1965.

The citizens of Portsmouth, N.H., and the Maine-New Hampshire seacoast area, as well as the citizens of other communities which are about to be hit by the loss of major sources of employment, will all share my appreciation for the action of the Senate Committee on Public Works in retaining, and indeed, strengthening, the language of my bill, S. 400, which would have amended the Area Redevelopment Act.

I would like to express my own sincere thanks to the distinguished Senator from Michigan [Mr. McNAMARA], the distinguished Senator from Illinois [Mr. DOUGLAS], and my neighbor from Maine [Mr. MUSKIE], for their assistance and contributions toward the best possible legislation for the problems facing Portsmouth.

What section 401(a)(4) does is to provide the full assistance of the Federal Government earmarked for redevelopment areas for communities such as Portsmouth which are threatened with severe unemployment because of the planned, future loss of a major source of employment. In the case of Portsmouth and the seacoast area, such a threat has been posed by the statements of the Department of Defense that the workload at the Portsmouth Naval Shipyard will undergo a severe drop by 1968.

The testimony before the Subcommittee on Production and Stabilization of the Senate Committee on Banking and Currency clearly brought out the seacoast region's need for this type of assistance.

Mr. President, again I urge my colleagues to support the pending bill.

Mr. STENNIS. Mr. President, will the Senator yield 5 minutes?

Mr. MUSKIE. Mr. President, I yield 5 minutes to the Senator from Mississippi.

The PRESIDING OFFICER. The Senator from Mississippi is recognized for 5 minutes.

Mr. STENNIS. Mr. President, I invite the attention of the Senator from Maine [Mr. MUSKIE] to my statement, which will be brief. At the end of it I expect to ask a question.

First, I shall support the bill. I be-

lieve that we should have good, strong, permanent legislation in the field of public works. We might call it made-work, or whatever we will. The program is necessary particularly in view of the fact that a great many areas are so depleted financially and their resources are so thin that they cannot modernize, if we might use that term, fast enough to get into the running and thereby support a viable economy at the present time. With a little lift they could get over that barrier.

As the Senator from Michigan knows, title IV establishes the basic standards for designation of redevelopment areas under the pending bill. The two primary criteria are that an area first, must have an unemployment rate in excess of the national average; or second, have a family median income not in excess of 40 percent of the national family median income. I am aware that these criteria were drawn purposefully to be more restrictive than the standards which were established by the Area Redevelopment Act and the Accelerated Public Works Act. In addition they are concerned with economic factors rather than labor surplus standards.

Although I agree that the standards under this bill should be more restrictive than those of previous acts, I question the particular standards set up in title IV.

Under the operation of the bill, 20 counties in my State would not be able to qualify. Some of those counties have a relatively thin economic status and standing.

As will be recalled, the Economic Opportunity Act of 1964 adopted the standard that a family whose annual income was less than \$3,000 should be classified as a poverty stricken family. Nationwide, 21.4 percent of all families had an income of less than \$3,000. The average for the State of Mississippi, however, was 51.1 percent of all families, and every county in the State exceeded the national average of 21.4 percent. Therefore, all of the 20 counties excluded under this bill exceed the national average for families with less than \$3,000. For example, in Prentiss County 62.1 percent of all families have less than \$3,000 income; in all of the 20 counties except one, the percent of families having less than \$3,000 exceeds 30 percent. So it is clear that 19 of these 20 counties far exceed the national average for poverty standards as adopted last year when Congress passed the antipoverty bill. In view of these facts I believe it would be well to consider modifying the standards.

I shall not offer an amendment, because this is a complicated subject to deal with, and needs the benefit of the consideration of Senators who are members of the committee and of their experts. I hope that as the bill progresses through Congress, those handling it on the part of the Senate will consider the additional facts that the debate has brought out, to see if some standard could be adopted which would protect the bill and its sound provisions, and at the same time make it possible for some of the counties which are situated as I have described to be included.

If we amend title IV, for example, to make counties eligible if their family income did not exceed 50 percent of the national family median or 53 percent, which equals the \$3,000 standard of the poverty bill, 7 of these 20 counties in Mississippi which are now excluded would be eligible. These counties are Union, Prentiss, Tishomingo, Scott, Itawamba, Wayne, and Alcorn. I believe these are counties of great need and should not be excluded from participation in the benefits of this program. With only a small variation in the formula, I believe those counties could qualify for participation in the program.

I should like to ask the Senator from Maine what his interest would be in a certain situation. I do not ask him to give a binding promise at this stage of the debate.

Mr. MUSKIE. It is conceivable that a policy could develop in the direction which the Senator from Mississippi has suggested. The 40-percent-of-national-median-income test was written into the bill because the criteria in the Area Redevelopment Act were unsatisfactory with respect to rural areas—that is, areas as to which no labor statistics and unemployment figures were available. The Area Redevelopment Administration developed some ad hoc standards, which were regularized by its regulations. They were useful and helpful in spreading the benefits of programs into areas such as the Senator from Mississippi describes. Out of this experience was developed the

criterion of 40 percent of national median income.

As experience develops under the proposed act, I would not be at all surprised if the agency and the committees of Congress found that, in all justice, this standard should be broadened so as to cover the areas with which the Senator from Mississippi is concerned.

Mr. STENNIS. I thank the Senator from Maine for his fine sentiment along that line. The situation I have described could exist because of the lack of more accurate statistics as to the percentage of persons who are actually employed.

I hope that as the bill progresses through Congress, the Senator from Maine will be friendly to the idea that the criterion should be changed and the formula modified to the extent of perhaps being more accurate, so as to include countries that are near the borderline of the formula.

Mr. MUSKIE. We shall certainly take a good look at the situation to see if the formula should be modified. I thank the Senator for his support and for his eloquent expression of the philosophy of the bill.

Mr. STENNIS. I thank the Senator from Maine. I appreciate the excellent work that he and other Senators are doing in this field.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD a table of the counties of Mississippi that are excluded, their population, and the percentage of families having less than \$3,000 annual income.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Counties excluded	Population	Percentage of families with less than \$3,000 annual income
Alcorn.....	25,282	54.0
Tishomingo.....	13,889	61.0
Prentiss.....	17,949	62.1
Union.....	18,904	60.3
Lee.....	40,589	43.8
Itawamba.....	15,080	55.9
Monroe.....	33,953	50.0
Lowndes.....	46,639	42.8
Lauderdale.....	67,119	39.7
Scott.....	21,187	61.4
Rankin.....	34,322	40.4
Hinds.....	187,045	30.9
Adams.....	38,730	39.8
Wayne.....	16,258	54.4
Lamar.....	13,675	47.6
Forest.....	52,722	37.0
Pearl River.....	22,411	44.3
Stone.....	7,013	49.1
Harrison.....	119,489	42.1
Jackson.....	55,522	23.6
Total.....	846,778	-----

Mr. MONDALE. Mr. President, a number of questions have been asked concerning the operations of the three programs. I ask unanimous consent to have printed at this point in the RECORD a table entitled "Comparison of Industrial Commercial Loan Programs," which consists of a comparison of provisions of the bill in nine categories.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Comparison of industrial and commercial loan programs

Item	ARA	EDA	SBA, 7(a) loans
1. Limits on individual loan amount.....	None.....	None.....	\$350,000.
2. Limits on Federal participation.....	65 percent.....	65 percent.....	100 percent direct loans; 90 percent guarantees or participation.
3. Limits on term.....	25 years.....	25 years.....	10 years.
4. Rate of interest.....	Established with Treasury at 4 percent.	Cost to Treasury plus at Secretary's option, amounts to cover other costs. Estimate 1966, 4½ percent.	Same as ARA in ARA areas; otherwise maximum 5½ percent.
5. Security required.....	Reasonable assurance of repayment. Can go to 2d position.	Reasonable assurance of repayment. Can go to 2d position.	"Of such sound value or so secured as reasonably to assure repayment." Stricter collateral requirements than ARA.
6. Working capital loans.....	None.....	Guarantee up to 90 percent of outstanding balance.	No restriction.
7. Funds available.....	Not to exceed \$200,000,000 in loans outstanding.	Annual appropriation for all loans and guarantees \$170,000,000 annually.	Not to exceed \$1,325,000,000 outstanding, including Poverty Act and disaster loans. Approximately \$250,000,000 unused authority will remain as of June 30, 1965.
8. Restrictions.....	1. Applicants approved by instrumentality of State, or subdivision thereof concerned with problems of economic development. 2. Provide more than temporary alleviation of unemployment. 3. Not available for relocation. 4. Financing must not be otherwise available.		Also required to make guaranteed loans first if possible. (a) Disaster loans, 3 percent, 20 years, no limit. (b) Poverty program. \$25,000, interest provision same as Economic Development Act, 15 years, "reasonable assurance of repayment." (c) Investment company 50 percent or \$4,000,000, whichever less. (d) State and local development company for relending to small business. 25-year term (secs. 501 and 502). (e) Small business investment company purchase of debentures on matching basis up to \$200,000.
9. Additional loan authority.....	Public facility loans.....	Public facility loans.....	

Mr. MUSKIE. Mr. President, I yield 5 minutes to the distinguished Senator from Massachusetts.

Mr. KENNEDY of Massachusetts. Mr. President, I support S. 1648, which is a very far-reaching bill and perhaps one of the most significant pieces of proposed legislation to come before Congress thus far. It involves economic development; but more, it puts the approving stamp

of Congress on planning. This is important. Planning at the regional level; planning at the multicounty level; and planning at the local level. As in the case of the Appalachia legislation, it looks to sound programs of public improvements geared to stimulating permanent industrial growth and permanent employment.

S. 1648 recognizes that there are areas

other than Appalachia which have not shared in the general level of our prosperity and seriously need resource development through Federal assistance. This is the philosophy that was shared by many of us at the time of the debate on the Appalachia bill. As Senators will remember, it was because such a piece of legislation was promised by the administration to cover national needs

that we held off in expanding the Appalachia program to include our other needy areas. S. 1648 seeks to fulfill the promise and to expand the policy of regional rehabilitation.

I wish to compliment the Senators and other Members of Congress who have worked diligently and persistently to develop the concept of regional development for other areas of our Nation, and who have worked hard on the particular bill before us. My particular gratitude goes to the senior Senator from Michigan [Mr. McNAMARA] and the junior Senator from Maine [Mr. MUSKIE] who have done an outstanding job in guiding this legislation in committee and on the floor.

S. 1648 is an excellent bill. It provides for the establishment of regional commissions to study the needs of our less developed areas, and come up with broad economic recommendations and programs which can be applied above and beyond existing Federal assistance.

It combines the better features of the area redevelopment and accelerated public works programs, placing primary emphasis on public improvements that will foster and expand industry.

It recognizes the importance of the role that the healthier communities must play in assisting the less fortunate areas. The opportunity is provided for multi-county economic development districts which could bring together eligible and noneligible areas under special regional and subregional plans for growth. This type of economic, multicounty planning is already underway in my State. The planning and technical assistance money provided in the bill will give these larger areas a good opportunity to work out coordinated programs.

The key to this new legislation is coordination; among the communities; among the States; and between the States and the Federal Government. The goal of the legislation is to apply the assistance to those areas and projects where it will do the most good for the long haul. This is a public works bill with a plan; it signifies an excellent approach for the future. I sincerely urge its passage.

Last March, I made a special address to the Massachusetts Legislature citing the crucial need for a coordinated regional development program for New England, and for a regional commission to implement this program. The response which I received to this suggestion at that time was particularly encouraging. Today I am extremely gratified to announce that the Massachusetts House and Senate have adopted a joint resolution fully supporting S. 1648 and the concept of a New England regional commission.

The joint resolution emphasizes that the economic status of New England more than qualifies the region for assistance provided under S. 1648, and it supports the principal that regional planning, will be effective and beneficial in coping with our economic problems.

Mr. President, I think this expression of approval from the Massachusetts Legislature is a splendid example of the way many sections of the country feel about this economic development bill, and I

would hope that other States in New England, and in other areas, would follow the lead of Massachusetts in offering State legislative support for this important legislation. I ask unanimous consent that the full text of the Massachusetts joint resolution be placed at this point in the RECORD.

The formal presentation of this resolution was made in the RECORD earlier today.

There being no objection, the joint resolution was ordered to be printed in the RECORD, as follows:

RESOLUTION BY THE COMMONWEALTH OF MASSACHUSETTS

Resolutions memorializing the Congress of the United States to enact legislation providing Federal grants and assistance to economically distressed areas and regions

Whereas the Congress of the United States has recently launched an attack on certain areas of poverty, undevelopment, and underdevelopment by the Appalachian Regional Development Act of 1965; and

Whereas there are pending before the Congress of the United States two bills, cosponsored by Senator EDWARD M. KENNEDY, one providing grants for public works and development facilities and other financial assistance to alleviate unemployment in other economically distressed areas and regions (S. 1648) and one providing for the use of public works and other economic programs in a coordinated effort to aid other economically disadvantaged areas of the Nation (S. 812); and

Whereas said bills provide for the creation of regional commissions to plan and implement economic programs, designed to foster regional productivity, and growth; and

Whereas such a regional commission for New England would be extremely effective and beneficial in coping with serious economic problems which transcend State boundaries, and which require Federal assistance founded on sound planning and directed to projects that will enhance long-term growth; and

Whereas at a joint session of the General Court of Massachusetts on March 9, 1965, Senator KENNEDY expressed his hope that the general court authorize participation in a New England Regional Commission which would work for regional development and cooperation, and his intention to sponsor major legislation in the U.S. Senate to provide Federal assistance for development of the New England region; and

Whereas said legislation is vital to the New England region whose economic status more than qualifies it for the assistance provided by said legislation, because of many critical problems, the more pressing of which are caused by the closing of military installations, slack growth, deficient transportation becoming more critical each day, inadequate water pollution control, high electric power costs, a declining fishing industry, undeveloped natural resources, and unemployment: Therefore be it

Resolved, That the General Court of Massachusetts respectfully urges the Congress of the United States to enact Senate bill 1648 and Senate bill 812, thereby providing for strong, effective regional development commissions to coordinate an attack on the varied regional problems; and be it further

Resolved, That the General Court of Massachusetts recognizes the importance of regional planning in connection with such legislation, and looks with favor upon the participation by the Commonwealth of Massachusetts in a New England regional development commission; and be it further

Resolved, That the Secretary of the Commonwealth transmit forthwith copies of these resolutions to the President of the

United States, to the Presiding Officer of each branch of the Congress, and to each Member thereof from the Commonwealth.

Mr. KENNEDY of Massachusetts. Mr. President, at the hearings before the Public Works Committee, members of the New England senatorial delegation and representatives from industry, labor, and the Governors of our various States made a comprehensive presentation in support of S. 1648 and S. 812. There was bipartisan support, and it was strong support.

Mr. President, this regional approach to solving economic problems was very much a part of President Kennedy's thinking. As a Senator, he devoted his first speeches on this floor to outlining New England problems, and calling for a multistate approach to solving them. He sought the united efforts of the entire New England congressional delegation. He supported the idea of New England Governors' conferences, he backed the New England Council, representing businessmen, all with the conviction that the way to get New England moving forward again was to plan, and coordinate, and organize, and work hard. Above all, he believed that New England's development would be best obtained by regional planning and sound Federal-State programs.

S. 1648, then, in large part, reflects the President's hope for the future.

Mr. President, I think it would be very helpful if excerpts of certain statements and materials were placed in the RECORD which would provide a picture of our New England situation, and the strong support this bill has received in our New England area. I ask unanimous consent that these be printed following my remarks.

Thank you very much.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

STATEMENT DELIVERED BY SENATOR EDWARD M. KENNEDY, DEMOCRAT, OF MASSACHUSETTS, IN SUPPORT OF THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT BILL (S. 1648) AND THE NEED FOR SUCH LEGISLATION IN THE NEW ENGLAND REGIONAL AREA, TUESDAY, APRIL 27, 1965

Mr. Chairman, I am delighted to appear before the committee this morning and express my support for the administration's economic development bill. As the chairman well knows, many of us were seriously concerned during the Appalachia debate that other areas of the country, also lagging in economic growth, should have the opportunity to develop regional programs similar to Appalachia. In fact, we were prepared to introduce our own region amendments to the Appalachian legislation, but held off on this after assurances from the administration that we would be covered in a forthcoming national development bill.

This we now have before us in S. 1648. One of its most important provisions concerns the creation of regional commissions to plan and implement long-range economic programs. For some time, I have urged that the establishment of such a commission for New England would be extremely effective and beneficial. The administration has wisely chosen to extend the Appalachia approach of regional programming to other problem areas. In my opinion, this is one of the most significant new steps in economic development legislation to come forward in many years.

I would suggest that the committee seriously consider integrating the language of S. 812 into the administration bill. S. 812, of which I am a cosponsor, was introduced by the senior Senator from Michigan [Mr. McNAMARA], whose knowledge and experience in this field is of the highest caliber. I feel that this language would provide more effective guidelines and greater flexibility in the selection of regional commissions; a stronger incentive for such commissions to come to the administration and to Congress with a development program as soon as possible; and a more specific description of the membership of the regional commissions and of the power of the Federal member in approving commission plans.

In addition to providing for regional development commissions, S. 1648 provides for continuation of the better features of area redevelopment and accelerated public works assistance, on a more flexible basis with greater emphasis on planning for permanent industrial development rather than the mere creation of temporary employment. This assistance would be available as soon as money is appropriated, and for the most part, would not have to wait for long-range programs to be developed by the commission. Continuing ARA and APW type of funding to assist existing redevelopment areas is of crucial importance. My only major concern here is that the annual money authorized for public works and development facility grants is too modest and thus should be increased substantially in order to develop a truly meaningful growth program.

S. 1648 has two other features which I like very much and which I feel will be helpful in implementing long-range growth programs. One involves the recognition of economic development centers which although not distressed, would still be eligible for development assistance if the projects would contribute to the alleviation of high unemployment and low income in surrounding areas. The other concerns the creation of multi-county economic development districts which would bring together eligible and noneligible areas under a kind of subregional development plan and program.

This type of coordinated area attack on unemployment could be extremely effective in the Lowell-Lawrence-Haverhill area of Massachusetts, and in the Fall River-New Bedford-Providence area.

Of particular importance to my State, and to New England, is the new provision for Federal assistance to those areas or military installation closings, or other economic emergencies.

Throughout the bill, there is the basic philosophy that Federal assistance shall be concentrated in accord with sound planning, and directed to projects which will enhance long-term growth. With this kind of assistance, and with the additional funding which I hope will come from a New England regional program developed by its commission, we have substantial reason to be encouraged and hopeful.

New England's present economic status more than qualifies it for the assistance provided in the pending legislation.

It is a six-State area, with economic and cultural ties, separated from surrounding regions by its geographical location and its topography. There is probably no more precise version of an economic region existing in the United States today than New England. We have traditionally shared markets, employment, transportation, financial investment, education and other resources. In size, the region covers only 2.2 percent of the country's area, yet it has almost 6 percent of U.S. population, and much of this is concentrated in its three smallest States. Because it is a small but distinct area, its problems transcend local and State boundaries, and it is constantly in search of regional solutions.

Recognizing this, our New England Governors recently proposed a six-State regional planning compact to deal with major New England problems. This cooperative effort on the part of our Governors, will be enhanced and strengthened by the creation of a New England Regional Commission adding the Federal Government as a partner to our regional efforts to solve problems and stimulate economic growth.

Details on New England's present economic condition will be set forth in exhibits and analyses which have been prepared by the Library of Congress, the Department of Commerce, State agencies, the New England Council and others. These materials will be submitted for the record during our presentation. From this economic information, I should like to make some important general observations.

New England is a region which is increasingly lagging behind the Nation's level of growth. Unlike Appalachia, we were once prosperous and productive, with a high level of employment in manufacturing and agriculture. As the Nation expanded, our mills moved elsewhere, our farming declined, and there was not sufficient diversification of industry to take up the slack.

As a result, New England's increase in personal income is below the national average. Except for Massachusetts and Connecticut, its per capita personal income is considerably less than the national figure. Serious pockets of poverty are prevalent in its northern rural areas and in older industrial centers of southern New England. Unfortunately, aggregate statistics cannot tell the true story, because the metropolitan Boston area and southern areas of Connecticut with heavy populations are doing rather well, while many other parts of New England are falling far behind.

The most important single source of personal income in New England has been manufacturing. It has provided a base for the trade and the service industries. It has developed a splendid force of skilled and semi-skilled industrial workers. However, during the past 15 years, industrial employment in New England has fallen off by over 250,000. Most of this decline has come from losses of textile, shoe, furniture, jewelry, and other traditional industries which were concentrated in relatively few urban centers. For many, the impact has been catastrophic with substantial unemployment continuing for many years despite efforts to bring in new industry. Almost half of New England's labor markets are in this category.

Other factors contribute to New England's economic distress. The region ranks close to the last in new buildings for trade and industry. Many of the old edifices which housed the production of a great industrial era now stand dilapidated and in some instances, unusable. New industry is not attracted to old environments. Existing industry lacks the incentive for expansion when cities and towns cannot provide modern public improvements. Much private housing, schools, and municipal buildings are of ancient vintage. All of these factors discourage new industry from moving into our labor depressed centers.

We need a major redevelopment effort through Federal assistance to provide the opportunity for more and diversified industrial activity, and the development of our human and material resources.

However, apart from its economic distress, New England has a number of immediate problems which need to be solved through regional cooperation and planning.

We have a crisis in transportation. Our major railroads are in or near bankruptcy and need complete rehabilitation. We are at this moment faced with the discontinuance of all intercity passenger service, and the possibility of substantial abandonment of freight service which could ruin forever

industrial development in hundreds of potential growth centers in New England. Our only major airline is fighting for its life in the courts. It needs permanent status as a trunkline carrier, major financing for new equipment; and better airports with electronic guidance equipment. Air service from New England to eastern cities is suffering under this situation. Efficient air service is a necessary part of economic improvement.

High-speed expressways are needed to open up the resources of northern New England. The Port of Boston is not being adequately utilized. Many urban centers need new and larger warehousing and handling facilities for integration of truck, rail, and air freight services.

All these things call for a regional program of coordination and assistance to develop a fast, efficient transportation network between New England centers, and to markets outside the New England region. Industry cannot grow without efficient transportation.

New England has an abundance of water—for human consumption, for industry, for power. Yet water is one of its major problems. Sewage and industrial wastes make much of this resource unusable and a peril to recreation, fishing, and industrial development.

Water collection and distribution systems are inadequate. Many urban areas increasing their demands for clean water will be faced with serious shortages. Again, we need a regional program, substantially financed, for both pollution control, and water distribution and conservation.

New England is the highest cost electric power area in the Nation. Its consumers and industries pay almost 30 percent more than the national average. While other regions of the Nation have benefited from billions of dollars of Federal funds, for hydropower complexes, no major facility of this nature has been constructed in New England. Nor do we have any substantial program for buying power from other regions. Instead we rely on small and scattered power systems which must import various fuels from long distances at increased expense. This is another example of the need for a regional plan to coordinate our existing capacity, and to prepare major projects to meet the demand that lies ahead. Cheap and abundant electric power is fundamental to any regional economic development program.

New England has natural resources which have not been adequately utilized. Perhaps it has been our preoccupation with manufacturing that has diverted our attention away from this. We have more of our land area covered by forests than does any other region in the United States. This area is a natural for extensive recreational and housing development for middle and lower income families. At the same time, through modern methods of forestry and transportation, commercial use of this resource can be expanded. Since the early settling of New England, commercial enterprise has looked to the coastal areas and to the sea for profit.

For many reasons, our fishing industry has been allowed to decline, when in fact it should have moved to keep pace with other regions of the United States and foreign countries. This decline has contributed substantially to unemployment in Massachusetts, and other States. The Continental Shelf and coastal regions abound in fish, shellfish, minerals, and other resources. Science has provided us with the technology and know-how to modernize our fishing fleet and its marketing methods, and to begin industrial development of our offshore resources. We need now the program and the initiative to move ahead. This, too, is a regional responsibility.

Other problems concern our human resources. New England's severe unemployment situation in areas which had long been dependent on a single industry points up the need for an accelerated program of vocational education and manpower retraining. This is particularly necessary where the industry we are attracting have job opportunities primarily in the skilled categories. Our special need here is for regionally located vocational schools, training institutes, and community colleges, closely integrated with local industrial development programs. New England can benefit greatly from a computerized assessment of its job opportunities leading to regional and sub-regional placement programs.

Boston is one of the world's most prominent medical centers, yet the rest of New England suffers substantially from the lack of modern hospitals, medical schools, and nursing care facilities. This creates a special problem because our region has one of the highest percentages of citizens over 65, which will need increasing care in advancing years. Many of these older people are in the low-income category. We will have to develop a network of regional medical complexes, combining the latest in psychiatric, medical and surgical care, and providing special inexpensive diagnostic services. Our State universities must be encouraged to develop medical schools and training centers at these complexes. Extensive centers for aging, nursing care facilities, should be constructed in each of our population centers.

A substantial financial investment is needed with respect to our human resources. A community which cooperates with industry, trains and places its workers, provides top medical care, and looks out for the aging, is a community which is bound to grow. It is attractive to industry, and to the professions which will give it leadership.

Mr. Chairman, I have taken the time to explain some of New England's problems in order to place in perspective the importance of regional planning contemplated by S. 1648, and the great need for substantial Federal assistance to stimulate economic activity in our area.

In many ways we are different from Appalachia. We once had economic success, but now we are slipping behind the Nation, unable to offset fast enough the severe employment losses and industrial shifts dealt us over the past 20 years. Appalachia never got started, but now it is on its way. We still have the economic potentials—in human skills, in resources, in consumer strength, in industrial sites, but we need a new effort to put these potentials to work in a different kind of economy.

Both Appalachia and New England, like the areas of the upper Great Lakes, the Ozarks, and others can benefit from the special assistance and guidance that will come from a Federal-State regional planning program. S. 1648 will begin the task. It is for New England to take the lead from there. We will take that lead, and we will succeed.

U.S. DEPARTMENT OF COMMERCE,
AREA REDEVELOPMENT ADMINISTRATION,

Washington, D.C., April 26, 1965.

Hon. EDWARD M. KENNEDY,
U.S. Senate, Old Senate Building,
Washington, D.C.

DEAR SENATOR KENNEDY: Attached, as requested, are materials relating to the New England economy.

Salient points about the region's economy are:

1. Personal income in the New England States has been rising, but more slowly than the United States.

2. Only Connecticut and Massachusetts, among the several States, show significant associations between personal income and gross national product. The pull of overall national growth through stimulation of aggregate demand is likely still to leave behind and to aggravate the economic problems of New England.

3. The trend of employment, as revealed by industrial patterns in the period 1950-60, shows movement away from land use (agriculture), labor intensive production (textiles), and outmoded forms of manufacture and transportation. As demand shifts, as the service sector grows, and as automation and technological change takes place—these being concentrated in the metropolitan areas—the intraregional disparity in growth widens.

4. Economic activity is primarily concentrated in the Boston metropolitan area and in the Connecticut SMSA's. Aggregate indicators, therefore, understate the slow growth and development in the region as a whole.

To lessen intraregional disparities and to promote the growth of New England as a whole, the slowly growing areas need to be more closely integrated with and draw economic sustenance from growing areas.

Sincerely yours,

ROBERT T. MIKI.

CHANGES IN NEW ENGLAND EMPLOYMENT, 1950-60—INDICATORS OF TRENDS IN THE REGION'S ECONOMY

The material in the following four pages show that:

1. The decrease in employment in each State is usually concentrated in one to three industries making up approximately 50 to 75 percent of the total. On the other hand, the increase in each State is distributed more evenly, with smaller percentage for each.

2. Most of the major decreases and increases center around corresponding movements away from land use (agriculture), labor intensive production (textiles), and outmoded forms of manufacture and transportation (railroads) and toward technological and automated industry.

CHANGES IN NEW ENGLAND EMPLOYMENT, 1950-60; INDICATORS OF TRENDS IN THE REGION'S ECONOMY

DECREASES IN EMPLOYMENT

1. Of the three industries that represented over 80 percent of the decreases in employment in New England as a whole, all are represented in each State, and at least one is a major (*) cause of the decrease (in relation to its percentage share and the number of industries in the total).

Industry	New England	Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
Textiles.....	55.0	54.9	30.7	53.1	35.1	76.5	18.7
Agriculture.....	18.1	17.0	33.4	8.7	34.6	2.8	48.2
Railroad and railroad express.....	8.9	6.8	6.2	10.3	11.0	2.9	8.6
Total.....	82.0	78.7	70.3	72.1	80.7	82.2	75.5

2. One other industry was represented in the decrease in every State, but the industry share was usually less.

Industry	New England	Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
Forestry and fisheries.....	2.3	1.1	5.9	1.7	.3	3.8	1.3

3. Five industries were represented in the decrease in all but one State each:

Industry	New England	Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
Lumber and wood products.....	3.9		10.6	1.6	2.8	.3	9.8
Other transportation.....	2.5	1.1	.9	3.6	.2	3.6	
Food and dairy products.....	1.0		1.5	3.6	.9	2.9	.5
Hotel and other personal service.....	2.6	1.9	.9	4.9	3.3	2.6	
Entertainment and recreation.....	.7		1.3	1.3	.8	.2	.7
Total.....	10.7	3.0	15.2	15.0	8.0	9.6	11.0

4. Total percentage share accounted for by the nine industries listed above:

Industry	New England	Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
9 industries' share.....	95.0	82.8	91.4	88.8	89.0	95.6	87.8

CHANGES IN NEW ENGLAND EMPLOYMENT, 1950-60; INDICATORS OF TRENDS IN THE REGION'S ECONOMY

INCREASES IN EMPLOYMENT

1. The increase in total employment was distributed more evenly over several industries and not all of them represented a major share of the increase in each State.

Industry	New England	Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
Medical, educational, and other professions.....	23.7	20.2	17.8	27.1	18.8	19.4	27.8
Industry not reported.....	18.7	14.2	8.8	23.6	15.0	21.6	8.3
Electrical and other machinery.....	12.0	9.0		15.4	21.5	5.1	12.0
Transportation equipment manufacturing.....	8.9	20.6	6.6	2.9	4.0	4.0	
Armed Forces.....	7.4	2.6	21.1	5.9	10.6	14.0	3.1
Total.....	70.7	66.6	54.3	74.9	69.9	64.1	51.2

2. Five industries were represented in the increase in every State, but did not account for as large a share of the employment increase:

Industry	New England	Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
Food and kindred products manufacturing.....	2.9	2.3	3.7	3.0	2.2	3.6	2.7
Printing and publishing.....	2.7	3.0	2.1	2.6	2.3	2.3	3.3
Chemicals and allied products.....	.5	1.1	.4	.1	.1	.8	.4
Other retail trade.....	2.8	6.0	6.4	.4	4.8	-----	10.5
Publications administration.....	3.2	2.8	5.7	2.3	3.0	5.4	2.0
Total.....	12.1	15.2	18.3	8.4	12.3	12.1	18.9

3. Six industries were represented in the increase in all but one State each:

Industry	New England	Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
Apparel, other fabric.....	0.9	-----	1.6	1.8	0.6	3.8	0.8
Trucking service and warehousing.....	.7	0.6	-----	.7	1.0	.6	1.4
Communications.....	.8	1.1	.7	.8	.4	-----	.2
Miscellaneous manufacturing.....	4.6	-----	11.5	5.1	5.0	6.9	10.9
Total.....	7.0	1.7	12.8	8.4	7.0	11.3	13.3

4. Total percentage share accounted for by the industries listed above:

Industry	New England	Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
14 industries' share.....	89.8	73.5	85.4	91.7	79.2	87.5	82.4

THE NEW ENGLAND ECONOMY FROM THE PERSPECTIVE OF AN ECONOMIC DEVELOPMENT PROGRAM

The objective of New England, as a region, and of its component States includes the economic development of underdeveloped resources and the promotion of more-vigorous development in growing areas, and the incorporation of lagging areas into growing sectors.

New England is growing, but less rapidly than the Nation as a whole. Over the long run, as a consequence, its share in total personal income has shrunk from 6.72 percent in 1948 to 6.44 percent in 1963. Concomitantly, nonagricultural employment has fallen from 6.94 percent of the total in 1957 to 6.70 percent in 1964; manufacturing employment from 8.66 percent (1957) to 8.25 percent (1964). As a region, New England has been losing economic resources to other, more rapidly growing regions.

1. Rhode Island, Maine, and Massachusetts shares in total personal income have fallen, while New Hampshire, Vermont, and Connecticut shares remain virtually constant.

2. The individual States have shared proportionately in the decline in manufacturing employment. In 1964, the percentages of New England manufacturing were:

Connecticut.....	30
Maine.....	7
Massachusetts.....	46
New Hampshire.....	6
Rhode Island.....	8
Vermont.....	2

There have been wide sectional variations within the region, for individual States experience different patterns and rates of growth depending on their industrial composition and the growth rate of a region within a particular industry—its regional share. In general, New England's employment gain (1950-60) in general industry, finance, insurance, real estate, transportation equipment manufacturing, and government has been offset by losses in agriculture, textiles, railroads, railroad express service, and retail food and dairy products stores.

1. Connecticut, employment losses in agriculture, textiles, and miscellaneous manufacturing have been offset by long run gains

in machinery manufacturing, general retail, and finance, insurance, real estate.

2. New Hampshire's employment losses in agriculture, textiles, lumber, furniture, wood products, and railroads and railroad express services were matched by gains in machinery manufacturing and government, leaving a positive total employment effect.

3. In the other New England States, however, losses in the several sectors (agriculture, textiles, railroads and railroad express services, and retail food and dairy products) have outweighed employment gains in manufacturing and other sectors.

The pattern, then, is one of slow employment gains, punctuated by employment rates greater than the national average in Maine, Massachusetts, and Rhode Island and pockets of high unemployment in the several States, as shown. If the unemployment rate in Maine, Massachusetts, and Rhode Island were brought down at least to the U.S. average, the gap between potential and actual output would be narrowed and personal income should rise. Similarly, an increase in employment in Connecticut, Vermont, and New Hampshire, would raise the growth rate in output and income.

The pockets of continuous high unemployment are especially significant for these areas are not being pulled up by growing areas via spillover benefits. A program of public works and development facilities is particularly well suited to assist in facilitating and accelerating the growth process by providing a capital structure for the creation of external economies in localities where such economies are presently poorly developed, and the fostering of the location of several enterprises in the same area.

PRESENTATION OF NEW ENGLAND GOVERNORS BEFORE PUBLIC WORKS COMMITTEE, APRIL 27, 1965

PREPARED STATEMENT OF HON. PHILLIP W. HOFF, GOVERNOR, STATE OF VERMONT

Mr. Chairman, it is a distinct pleasure and honor to act as liaison of my fellow New England Governors before you during your deliberations on Senate bill 1648.

New England, by the dint of the magnificent efforts of our forebears and the Yankee ingenuity of our inhabitants, has

managed to share in the prosperity of our American free enterprise system. New England as a region badly needs the assistance of the current bill in order to maintain its proper share of the Nation's bounty.

To this point, I invite the attention of the body to that work with which you and your companion New England Senators are familiar, the 1961 Federal Reserve Bank of Boston Report: "New England at work in the Space Age." As so well stated by the author, "Obviously the New England economic machine simply cannot work—and equally obviously, it does."

Disadvantages

Among the disadvantages New England labors under are its general lack of industrial raw materials, and its disadvantageous location. I have presumed, Mr. Chairman, to attach some core statistics (exhibit A) which to me contain some important facts which help highlight the need and desirability of Senate bill 1648. Review of these facts show:

(1) Our declining share of population and density of population; our slow rate of change from agriculture to other income sources; our failure to automate.

(2) Our eggs-in-basket dependence on manufacturing; our decline in size of manufacturing work force; our low wage status.

(3) The substantial handicaps imposed on New England's manufacturers, e.g., lack of raw materials; high costs of fuel and power (to which I shall turn in a later section of my statement); our longer haul to market and our crucial transportation problems.

(4) Our curiously structured work force, with proportionately higher older workers and female workers than is found elsewhere in the Nation.

Added to our disadvantages, Mr. Chairman, are those economic scars, infrequent we are pleased to say, which are identified in the pending bill as distressed areas. And, further, those areas of pitifully low incomes. It is indeed encouraging to note that in legislation now being implemented, in the 3½-year history of the Area Redevelopment Administration, significant strides have been taken. I am sure that this committee is well aware of the well-documented report on this matter issued in February 1965 by the U.S. Department of Commerce Secretary, John T. Connor, and Area Redevelopment Administrator, William L. Batt, Jr.

I have attached hereto interim and informal statistics as to New England's participation in this worthy program (exhibit "B"). May I note, Mr. Chairman, that it was the wise and judicious action of the Senate which caused the so-called Proxmire amendment to be added so that our rural areas incapable of showing technical compliance with the distressed area concept might also share in the "operation bootstrap" improvements made available to our low-income areas by the original ARA bills.

I strongly urge that the pending bill might well be subjected to minor amendment to permit continuation of eligible areas designated under the Proxmire amendment. We realize the annual review section of the pending bill might be interpreted to divest States, such as Vermont and New Hampshire, of designations under the original ARA bill. We in Vermont have had the benefit of the Proxmire amendment by gubernatorial designation of a three-county area. This has brought needed municipal improvements and new industrial hope.

New flexibility

The pending bill enjoys much needed new flexibility. We note, with appreciation, that grants and loans for municipal projects may now be given to improve job opportunities on a long-range basis, as well as the proven validity of the providing of jobs concurrent with the construction of the projects. The previous job justification criteria, proven

somewhat unsatisfactory, has been eliminated. Also the area designations are more flexible in that in addition to the pocket-poverty distressed areas, now areas contiguous may share in the designation—provided the multiarea unit is recognized economic region.

The new bill also provides guarantees for working capital to industries being aided. We feel this will enhance participation by private banking sources—in Vermont our recent amendments to our Industrial Building Authority Act were passed on this premise.

In 1963 I had the pleasure of appearing before the House Committee on Banking and Currency in respect to the ARA bill. At that time, I requested that technical planning money be made available without matching funds from the State or community. I note with appreciation that the \$15 million technical assistance program in the present bill does not require matching funds.

Action remedies

In addition to the badly needed changes which this new bill includes, this bill provides what we in New England believe to be the key to the future. I refer to the regional action planning commissions we find in title V.

The six New England States comprise one region in the opinion of its inhabitants and in the opinion of the Nation.

As was well said in an editorial in the Burlington (Vt.) Free Press, on Tuesday, March 30, 1965: "the eastern megalopolis now stretching from Concord, N.H., south beyond Washington, D.C. * * * In 1975, New England * * * in effect if not in fact * * * will be one large State. Programs of regional cooperation which are just in the discussion stage now, will wipe away the stifling boundaries of traditional competition."

Over the years, valiant efforts have been made to meet the regional needs of New England. We are all well aware of the significant contributions to our economy and unity made by such groups as the New England Council, our labor groups, and various regional committees and commissions.

With partnership between the Federal Government and our State governments made feasible by the Regional Action Planning Commission, we could begin to find action remedies for many of our problems.

Transportation

The transportation situation is but one of a number of major interstate-Federal problems that are in evidence. Our air system needs both planning and action. And, this Senate is well aware of the staggering multi-State impact of the proposed closing of rail services on the New Haven Railway. You are also well aware of the fact that with temporary economics in sight, some of our Federal agencies are curtailing use of rail services, such as now occurring to railway mail operations in New England. This, despite the fact that New England is so distant from the population center of the Nation—which continues moving westward—and New England urgently needs a major improvement in surface bulk and passenger transportation.

Power

New England urgently needs massive improvements in electric systems. Our regional consumers pay as much as 20 percent more for electricity than the national average. Our industrial consumers pay 66 percent more than the national average. Our commercial enterprises pay 17 percent more than the national average (exhibit C).

Again, the partnership among the New England States needs the addition of the Federal partner.

Planning

As indicated above, the New England States have realized the urgent needs for regional action. I am proud to have led the introduction of a New England planning compact before the New England Governors. This compact has been approved by each of the New England Governors and is currently pending passage in the several States (exhibit D).

I hasten to assure this body that the New England planning compact is by no means an instrument competitive with the Regional Action Planning Commission, as viewed in title V of this bill.

Viewed in one light, the planning compact could serve a long-range purpose plan project for New England. Viewed in another, the planning compact could serve as one of the arms of the New England Regional Action Planning Commission.

The Appalachia solution, to us, seems long overdue and most reasonable. The problems of New England are not the problems of the Pacific coast. The enactment of legislation designed to meet New England needs is a real necessity. The joint Federal-State effort is long overdue.

While we in New England appreciate the significant contribution of ARA and APW, we foresee the Regional Action Planning Commission as the most significant device for improving the well-being of our citizens. A plan without a purpose is piffle. A plan without consideration of regional impact is equally worthless, and overall action without proper planning and proper recognition of the needs of our respective regions is reckless.

I have attempted, Mr. Chairman, to accurately reflect the combined views of the New England Governors. Factors of time did not permit submission of the text of these remarks to my fellow Governors. However, although we New England Governors may have differences of opinion as to the priority of needs, I am confident that I reflect our combined views when I urgently recommend passage of this significant legislation.

EXHIBIT A

NEW ENGLAND HANDICAPS

Basically—disadvantageous location; general lack of natural resources.

Specifically—1. Declining share in most of the Nation's economic activities and vital statistics.

(a) Population, 1950-60.¹

	Percent	Density
New England.....	+12.8	166.5
Middle Atlantic.....	+19.3	300.1
Great Lakes.....	+19.2	148.0
Pacific.....	+40.2	23.6
United States.....	+18.5	50.5
Vermont.....	+3.2	42.0

(b) Employment changes—nonagricultural employment—1950-1960.¹

	Percent
New England.....	+11.1
Middle Atlantic.....	+ 9.2
Far West.....	+43.9
United States.....	+18.2

(c) Overall relatively lower output per employee (failure to automate).²

¹ Department of Commerce—Bureau of the Census.

² National Planning Association.

Gross product originating per employee—1960 dollars

	1947	1957
New England.....	\$5,400	\$6,606
Middle Atlantic.....	5,640	7,414
Great Lakes.....	5,582	7,535
Far West.....	6,523	8,274
United States.....	5,350	7,164
Vermont.....	4,357	5,681

2. Eggs-in-one-basket dependence on manufacturing for its livelihood.³

In terms of concentration on manufacturing—New England ranks No. 1:

	Percent
New England current income from manufacturing.....	38
Middle Atlantic current income from manufacturing.....	34
Far West current income from manufacturing.....	27
U.S. current income from manufacturing.....	28
Nonagricultural employment in manufacturing:	
New England.....	39
Middle Atlantic.....	35
Far West.....	27

3. Decline both relative and absolute in manufacturing work force.³

Percent change

	1950-60	1947-62
New England.....	-2.2	-6.0
United States.....	+9.1	+7.8
Middle Atlantic.....	-7	-6.4
Far West.....	+56.8	+70.1

4. Wage rates—differentials, hourly wages, manufacturing:³

New England, \$2.09 (a low-wage area).

Middle Atlantic, \$2.32, +11 percent over New England.

Far West, \$2.62, +25.4 percent over New England.

5. Handicaps imposed on New England manufacturers:³

a. Basic lack of industrial raw materials.

b. Higher than average costs of fuel and electric power.

c. Transportation costs higher because of greater haul to market.

d. Distance from Nation's population center and from rapidly expanding consumer markets.

6. The general antiquity of its overall manufacturing equipment and to its lower than average investment rate in new capital equipment.³

MISCELLANEOUS

1. Low agricultural employment and income—1960:³

New England, 3.4 percent of labor force—1.1 percent of total personal income.

United States, 10.0 percent of labor force—3.7 percent of total personal income.

Percent change—agricultural employment, 1950-62:⁴

New England.....	-42.5
United States.....	-32.5

2. Transfer payments (social security and old-age benefits) large part of New England personal income:³

New England, 10.8 percent of population—65+.

³ Federal Reserve Bank of Boston—Annual Report, 1961.

⁴ U.S. Department of Labor—Manpower Administration.

United States, 9.2 percent of population—65+.
Vermont, 11.2 percent of population—65+.

About 8 percent of New England personal income from transfer payments.
3. New England has older work force.

Labor force participation rates—female, 1960

Structure of labor force—percent distribution 1960

Age groups	14-24	25-34	35-44	45-54	65 and over
New England.....	16.52	19.48	23.40	35.47	5.13
United States.....	17.16	21.04	23.59	33.69	4.52
Vermont.....	17.51	18.74	21.60	36.11	6.04

	All ages	45-64	65+
New England.....	29.4	51.1	11.5
Middle Atlantic.....	28.0	45.8	10.8
Great Lakes.....	25.5	44.0	10.4
Far West.....	26.9	47.0	10.2
United States.....	26.0	44.4	10.2
Vermont.....	25.3	48.8	12.5

LONG-TERM UNEMPLOYMENT CLAIMANTS FOR COMPENSATION⁵

New England, 40 percent of claimants were over 55 years of age.
United States, 25 percent of claimants were over 55 years of age.
New England, 25 percent of claimants were 65+.

United States, 11 percent of claimants were 65+.

4. New England has a larger female work force.³

New England, 40 out of 100 women are in the labor force (34.59 percent).

United States, 36 out of 100 women are in the labor force (32.09 percent).

New England: Women accounted for more than half of the long-term unemployment claimants for compensation.⁵

United States: Women accounted for only two-fifths of the long-term unemployment claimants for compensation.⁵

⁵ Federal Reserve Bank of Boston—New England Business Review, March 1963.

EXHIBIT B

ARA activity in 6 New England States as of Mar. 31, 1965

	Financial assistance			Technical assistance		Training			APW assistance (Jan. 1, 1965)		
	Number of projects	ARA investment	Employment potential	Number of projects	ARA investment	Number of projects	ARA investment	Trainees	Number of projects	Investment	Man-month employment
Connecticut.....	5	\$5,693,000	1,510	5	\$73,480	15	\$519,357	1,212	54	\$6,367,000	6,511
Maine.....	20	13,166,428	4,185	12	213,967	28	268,925	754	55	4,593,000	7,212
Massachusetts.....	15	3,257,683	1,095	10	463,631	29	777,646	738	102	20,857,000	21,306
New Hampshire.....	4	991,730	220	2	102,535	—	—	—	23	2,116,000	2,497
Rhode Island.....	4	1,485,784	565	5	190,590	17	955,687	1,225	43	12,398,000	16,554
Vermont.....	2	119,075	110	1	400	3	44,718	70	11	1,317,000	1,609
Total.....	51	24,703,700	7,685	35	1,044,603	92	2,566,333	3,908	288	47,648,000	55,689

New England-ARA totals:

Number of projects approved..... 178
ARA investment..... \$28,143,636
Employment potential (direct)..... 7,685
Employment potential (direct and indirect)..... 12,680
Number of trainees..... 3,908

New England-APW totals:

Number of projects approved..... 288
APW investment..... \$47,648,000
Man-months of employment..... 55,689

EXHIBIT C

POWER

New England's electric consumers pay the highest electric rates in the continental United States.

Residential consumers pay as much as 20.2 percent more for electricity than the average for the Nation.

Highest bills in the continental United States for 250 kilowatt-hours are paid by residential consumers of Maine, New Hampshire, Massachusetts, and Rhode Island, in that order.

As of January 1, 1963, Connecticut residential consumers' bills were 10.8 percent above the national average for 250 kilowatt-hours.

RESIDENTIAL

[Percent paid above the national average]

Residential consumers:

Maine¹..... 20.2
Massachusetts..... 18.9
New Hampshire..... 19.8
Rhode Island..... 16.6
Vermont..... 2.4

(Vermont's low figure is due to St. Lawrence and Niagara power.)

¹ Source: "Typical Electric Bills, 1963," a Federal Power Commission publication (cities 2,500 and more).

INDUSTRIAL

[Percent paid above the national average]

Industrial consumers:

Maine¹..... 12.4
Connecticut..... 45.7
Massachusetts..... 57.1
New Hampshire..... 41.9
Rhode Island..... 61.9
Vermont..... 44.8

¹ Source: Federal Power Commission publication, "Statistics of Electric Utilities in the United States, Privately Owned, 1962."

COMMERCIAL

In 1962 New England commercial enterprises paid 17.2 percent more than the national average for power.

A combination of long winter nights, high heating requirements, and high rates * * * results in the commercial consumers paying from 11.3 to 45.4 percent more in their electric bill than the national average.

[Percent paid above the national average]

Commercial consumers:

Maine¹..... 42
Connecticut..... 17.2
Massachusetts..... 31.5
New Hampshire..... 45.4
Rhode Island..... 43.7
Vermont..... 11.3

¹ Source: Federal Power Commission publication, "Statistics of Electric Utilities in the United States, Privately Owned, 1962."

Power purchased by manufacturing industries—1962

	Kilowatt-hours purchased	Total cost	Average cost per kilowatt-hour	Percent above or below U.S. average
	Billion	Million	Cents	
Total, United States.....	313.7	\$2,827.1	0.9013	—
New England.....	12.0	180.0	1.4961	+66
West North Central.....	12.2	151.8	1.2468	+33
Middle Atlantic.....	47.7	545.3	1.1431	+27
East North Central.....	81.0	808.8	.9990	+11
South Atlantic.....	35.4	327.3	.9250	+3
West South Central.....	20.8	175.9	.8442	-6
Pacific.....	38.9	277.0	.7121	-21
Mountain.....	8.5	60.4	.7080	-21
East South Central.....	57.2	298.5	.5222	-42

Source: 1963 Census of Manufactures, Bureau of the Census, U.S. Commerce Department.

EXHIBIT D

STATUS REPORT—LEGISLATIVE ACTION ON THE
NEW ENGLAND INTERSTATE PLANNING COM-
PACT BY STATE, APRIL 23, 1965*Connecticut*

Compact legislation has been submitted in both the senate and the house. The house committee on State development has approved the compact and no opposition was voiced at the hearing held by the senate committee on Federal and intergovernmental relations.

Maine

After a hearing at which there was no opposition the joint committee on State government reportedly has a very favorable reaction to the compact.

Massachusetts

Governor Volpe strongly supported the compact when he introduced the legislation at a meeting of the joint assembly on April 5, 1965. The compact was unopposed at a recent hearing held by the joint committee on State administration.

New Hampshire

The compact, which has the strong support of Governor King, is presently in the house rules committee.

Rhode Island

The necessary legislation has been submitted by Governor Chafee's office, in addition to the introduction of a supplemental appropriation request to cover the State's share for the operation of the interstate planning commission.

Vermont

The compact, considered to be one of Vermont's most important pieces of legislation by Governor Hoff, has recently passed the senate with extremely strong support. The legislation is now in the hands of the house conservation and development committee which held its first discussion on the measure on April 22. The house committee's initial reaction appeared quite favorable.

NEW ENGLAND INTERSTATE PLANNING COMPACT

ARTICLE I

Findings

New England is by virtue of geographic location and other characteristics a great population, cultural, economic, and resource area which, with more intense use of physical, social, and economic resources, increasingly requires coordinated planning as a basic ingredient of effective and orderly growth of the region. To this end, it is the intent of this compact to establish and provide for the operation of an interstate planning agency for New England.

ARTICLE II

Purpose

It is the purpose of this compact to provide, in the New England region, improved facilities and procedures for the coordination of the policies, programs, and activities of interstate significance in the New England region in the field of physical, social, and economic resources, and to study, investigate, and plan appropriate governmental activities with respect to the conservation, development, and use of the same; to provide means by which interstate conflicts may be resolved; and to provide procedures for interstate coordination of the interests of all public and private agencies, persons and entities in the fields covered by this compact, and to provide an organization for cooperation in such coordination.

ARTICLE III

Creation of commission

There is hereby created the New England Interstate Planning Commission hereinafter called the commission.

ARTICLE IV

Membership

The commission shall consist of one member from each party State to be appointed and to serve, in accordance with and subject to the laws of the State which he represents.

ARTICLE V

Functions

To carry out the purpose of the contract it shall be the responsibility of the commission to prepare studies and plans, and to recommend procedures for implementing coordination of the policies and programs and activities of interstate significance in the field of physical, social, and economic conservation and development in the New England region which may include the following:

(1) Collection and interpretation of basic data.

(2) Investigation, planning, and programming (including scheduling) of projects of interstate or regional significance.

(3) Planning and scheduling of governmental services and programs which would be of assistance to the orderly growth and prosperity of the region, and to the well-being of its population.

(4) Encouraging of the referral of plans or proposals for projects and programs of interstate or regional significance to the commission.

(5) Studying and recommending means for the most effective utilization of such Federal assistance as may be available on a regional basis or as may have an interstate or regional impact.

(6) Assisting the party States, or any of them, in cooperative planning undertakings with the Federal Government or any agencies thereof.

To avoid duplication of effort and in the interests of economy, the commission shall make use of existing studies, surveys, plans, data, and other materials in the possession of the governmental agencies of the party States and their respective subdivisions or in the possessions of other interstate agencies. Each such agency, within available appropriation and if not expressly prevented or limited by law, is hereby authorized to make such materials available to the commission and to otherwise assist it in the performance of its functions. At the request of the commission each such agency is further authorized to provide the commission with information regarding plans and programs affecting the New England region so that the commission may have available to it current information with respect thereto.

The commission shall use qualified public and private agencies to make investigations and conduct research, but if it is unable to secure the undertaking of such investigations or original research by a qualified public or private agency, it shall have the power to make its own investigations and conduct its own research. The commission may make contracts with any public or private agencies or private persons or entities for the undertaking of such investigations or original research within its purview.

The officers and personnel of agencies of the party States, and of any other government or agency whatever, or private citizens, or representatives of private organizations, may serve at the request of the commission upon such advisory committees as the commission may determine to create; and such officers and personnel of any such government or agency, may serve upon such committees without forfeiture of office or employment and with no loss or diminution in the status, rights and privileges which they otherwise enjoy.

ARTICLE VI

Cooperation with the Federal Government and other governmental entities

Each party State is hereby authorized to participate in cooperative or joint planning

undertakings with the Federal Government, any appropriate agency or agencies thereof, or with any interstate agency or agencies. Such participation shall be at the instance of the Governor or in such other manner as State law may provide or authorize. The commission shall facilitate the work of State representatives in any joint interstate or cooperative Federal-State undertaking authorized by this article, and each such State shall keep the commission advised of its activities in respect of such undertakings, to the extent that they have interstate or regional significance.

ARTICLE VII

Voting

No action of the commission shall be binding unless taken at a meeting at which a majority of the commission members are present and a majority of the total number of votes on the commission are cast in favor thereof: provided that any action not binding by reason of failure to meet this requirement may be ratified within 30 days by the concurrence in writing of a majority of the commission members.

ARTICLE VIII

Finances

A. The commission shall submit to the Governor or designated officer of each party State a budget including a statement of all funds expected to be available to the commission and their sources and, a request for an appropriation to cover that State's share of expenditures for such period as may be required by the laws of that jurisdiction for presentation to the legislature thereof.

B. With due regard for such moneys and other assistance as may be made available to it, the commission shall be provided with such funds by each of the several States participating therein to provide the means of establishing and maintaining facilities, a staff of personnel, and such activities as may be necessary to fulfill the powers and duties imposed upon and entrusted to the commission.

With due allowance for moneys otherwise available, each budget of the commission shall be the responsibility of the party States, to be apportioned among them as follows: 50 percent on an equal basis; 30 percent on the basis of population; 20 percent on the basis of area, either within incorporated places or places having units of local government, such population to be determined in accordance with the last official U.S. census of population.

C. The commission shall not pledge the credit of any jurisdiction. The commission may meet any of its obligations in whole or in part with funds available to it under article IX(E) of this compact, provided that the commission takes specific action setting aside such funds prior to the incurring of any obligation to be met in whole or in part in such manner.

D. The members of the commission shall be paid by the commission their actual expenses incurred and incidental to the performance of their duties, subject to the approval of the commission.

E. The commission shall keep accurate accounts of all receipts and disbursements. The receipts and disbursements of the commission shall be subject to the audit and accounting procedures established under its bylaws. However, all receipts and disbursements of funds handled by the commission shall be audited by a qualified public accountant and the report of the audit shall be included in and become a part of the annual report of the commission.

F. The accounts of the commission shall be open at any reasonable time for inspection by such agency, representative, or representatives of the jurisdictions which appropriate funds to the commission.

ARTICLE IX

Administration and management

A. The commission may sue and be sued and shall have a seal.

B. The commission shall elect annually, from among its members, a chairman, vice chairman, and treasurer. The commission shall appoint an executive director who shall also act as secretary, and together with the treasurer, shall be bonded in such amounts as the commission may require.

C. The commission shall appoint and remove or discharge such personnel as may be necessary for the performance of its functions irrespective of any civil service laws which might otherwise apply. The commission shall establish and maintain, independently by contract or agreement, or in conjunction with any one or more of the party States, suitable retirement programs for its employees. Employees of the commission shall be eligible for social security coverage in respect to old-age and survivors insurance provided that the commission takes such steps as may be necessary pursuant to Federal law to participate in such program of insurance as a governmental agency or unit. The commission may establish and maintain or participate in such additional programs of employee benefits as may be appropriate to afford employees of the commission terms and conditions of employment similar to those enjoyed by employees of the party States generally.

D. The commission may borrow, accept, or contract for the services of personnel from any State or the United States or any subdivision or agency thereof, from any intergovernmental agency, or from any institution, person, firm, or corporation.

E. The Commission may accept for any of its purposes and functions under this compact, any and all appropriations, donations, and grants of money, equipment, supplies, materials, and services, conditional or otherwise, from any State or the United States or any subdivision or agency thereof, or intergovernmental agency, or any institution, person, firm, or corporation, and may receive, utilize, and dispose of the same.

F. The Commission may establish and maintain such facilities as may be necessary for the transacting of its business. The Commission may acquire, hold, and convey real and personal property and any interest therein.

G. The Commission may adopt, amend, and rescind bylaws, rules, and regulations for the conduct of its business.

H. The Commission shall make and transmit annually, to the legislature and Governor of each party State, a report covering the activities of the Commission for the preceding year, and embodying such recommendations as may have been adopted by the Commission. The Commission may issue such additional reports as it may deem desirable.

ARTICLE X

Other compacts and activities

Nothing in this compact shall be construed to impair, or otherwise affect the jurisdiction of any interstate agency in which any party State participates nor to abridge, impair, or otherwise affect the provisions of any compact to which any one or more of the party States may be a party, nor to supersede, diminish, or otherwise affect any obligation assumed under any such compact; nor shall anything in this compact be construed to discourage additional interstate compacts among some or all of the party States or the establishment of intergovernmental agencies in subareas of the region. Nothing in this compact shall be construed to limit the jurisdiction or activities of any participating government, agency, or officer thereof, or any private person or agency.

ARTICLE XI

Enactment

This compact shall become effective when entered into and enacted into law by any three of the States of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont. Thereafter it shall become effective with respect to any other aforementioned State upon its enacting this compact into law.

ARTICLE XII

Withdrawal

This compact shall continue in force and remain binding upon each party State until renounced by it. Renunciation of this compact must be preceded by sending 3 years' notice in writing of intention to withdraw from the compact to the Governor each of the other States party hereto.

ARTICLE XIII

Construction and severability

The provisions of this compact shall be severable and if any phrase, clause, sentence, or provision of this compact is declared to be unconstitutional or the applicability thereof, to any State, agency, person, or circumstance is held invalid, the constitutionality of the remainder of this compact and the applicability thereof, to any other State, agency, person, or circumstance shall not be affected thereby. It is the legislative intent that the provisions of this compact be reasonably and liberally construed.

PRESENTATION OF NEW ENGLAND COUNCIL
BEFORE PUBLIC WORKS COMMITTEE, APRIL
27, 1965STATEMENT OF EDWIN W. WEBBER, DIRECTOR OF
INTERSTATE RELATIONS AND NATURAL RE-
SOURCE, NEW ENGLAND COUNCIL

Mr. Chairman, I am happy to appear before this committee on behalf of the New England Council, a private nonprofit organization with offices in Boston, Mass. The council is composed of 2,200 members drawn from business, labor, education, and government within New England, and is devoted to the development of a sound and dynamic region through full utilization of all its human, natural, and material resources.

It is an organization that seeks to represent all of the economic interests of the region. The council is vitally interested in S. 1648, the proposed Public Works and Economic Development Act of 1965, for a number of reasons, not the least of which is the emphasis the act gives to regionalism as a device by which joint Federal-State efforts may be undertaken toward effective treatment and solution of economic problems.

Regionalism has always been a meaningful concept to New England. It has been made much more so in recent years, due to the region's realization that total development of the region's potential is achievable only through creation of a balanced and viable economic system.

More specifically, this achievement is possible only through regional cooperation.

New England is a small region, composed of six small States. These States share a close-knit identity, and a similarity of outlook and economic interest. There are, of course, differences among the various States, some of which are economic, such as levels of income and economic resources. But in general it may be said that their size and compactness qualify them eminently for regional planning and for regionally based programs of economic development.

These six States recognize this feature as an integral part of their collective future, and have been actively seeking regional solutions to a number of common problems, including regional economic development and planning.

While our States have enjoyed some success in moving toward achievement of these regional goals, much remains to be done. We have many needs, and I would like to enumerate a few of our more basic requirements of today.

First, we need an economic system by which the benefits of economic growth created within those areas now enjoying high levels of economic activity can be spread to include those areas in New England that have lagged behind, often as a result of structural changes in the economy.

The gradual reorganization of the region's economy from manufacturing to nonmanufacturing activities has resulted in shifts in the location of our economic growth centers. This process of change, in turn, has reinforced a trend of population movement from outlying towns and villages to our expanding metropolitan areas.

The result has been that the areas most distant from these metropolitan centers have experienced chronically high rates of unemployment, as well as deterioration of their public facilities.

The stresses and strains of making up for lost tax bases have created severe burdens on the remaining economic elements of the community, now required to support facilities such as schools, water and street systems, recreation facilities, and downtown rehabilitation programs.

The problems of the expanding metropolitan area and the decline of the small community suggests the need for new solutions. The idea of organizing for development in terms of growth centers, multicounty development districts, as well as the traditional distressed redevelopment areas, seems to hold creative answers to hard problems.

It must become possible to develop, through more adequate transportation systems and better technical services, a more meaningful and complementary economic relationships between economically weaker communities and the growth centers. Such a development would go far in applying effective treatment to one of our region's basic needs.

Second, we need mechanisms by which all levels of government can work closely together in devising the coordinated system necessary for the effective, deliberate, and orderly development of the region.

Governmental efforts must be coordinated as well with private development efforts. To this end, S. 1648 would provide authority to create a series of joint Federal-State regional development commissions. This undertaking is unique in that decisionmaking would be shared by the participating States.

In New England much exists upon which to build an even stronger regional economic program. Numerous Federal, State, local, and private development efforts are underway or are being proposed.

The need for more effective coordination is clear. Before the present Congress there are other legislative proposals which have regional implications.

For example, there is the proposed Water Resource Planning Act, S. 21, H.R. 1111, which could lead to establishment of a New England Regional River Basin Commission. This agency would be charged with the responsibility for preparing comprehensive plans for the development of the region's river basins, and for related land resources.

By comparing this program with the aims of the regional commission envisioned by S. 1648, it is possible to see two activities, seeking the same basic ends, but quite possibly utilizing conflicting and competing techniques. You cannot talk about regional economic development on the one hand, and regional water resource planning and development on the other, without running the risk of repeating yourself.

There has been a growing recognition within New England of the need to avoid this type of confusion, and our New England States on their own initiative have moved on this problem by seeking creation of a New England Regional Planning Commission.

The purposes of this interstate body are to provide a mechanism by which the various statewide planning and development efforts may be coordinated, and by which a comprehensive regional plan may be developed.

This proposed interstate group is but the most recent and dramatic example of regional cooperation in New England in a number of important areas. It is our belief that already existing and proposed interstate cooperative efforts can be an extremely valuable asset in mounting the type of effective regional development program proposed by S. 1648.

Against this background of general need, namely, creation of a balanced viable economic system and coordination of governmental efforts, it is possible to single out some of New England's specific requirements. For the sake of simplicity, they may be categorized as functional and geographical.

A. Functional

1. Passenger transportation, both intercity and commuter service.
2. Urban development, particularly along the circumference of our metropolitan areas, and redevelopment of the downtown sections in our older industrial towns.
3. Comprehensive multipurpose river basin development.
4. Water and air pollution control planning.
5. A regional program to alleviate poverty.
6. A regional program for retraining and placement of workers.
7. A regional program for technological development with particular emphasis on rendering technical assistance to industries and local governments in the outlying areas.
8. A regional program for health services.
9. A coordinated regional program for outdoor recreation planning and development.
10. Optimum regional development of all power resources.
11. Development of adequate port and air facilities.

B. Geographic

We have urgent need for action programs in certain subregional areas in New England which are geographic in their context, including the following:

1. Redevelopment of the Fall River-New Bedford-Providence area which comprises major portions of Rhode Island and southeastern Massachusetts.
2. Development of northern Maine.
3. Development of northern Vermont.
4. Development of the Berkshire area, including Pittsfield and North Adams, Mass.
5. Development of the fringe areas of Boston's metropolitan area which reaches northward toward Maine and New Hampshire.

It should be stressed that this list is selective rather than exhaustive and is primarily intended to show the dimension and form of developmental needs for our region. A more complete picture is needed, and can only be obtained by systematic study of the problem.

However, if even this small list of problems is examined in terms of regional growth trends, as projected to 1976, a picture of even greater urgency for action emerges.

According to recent studies completed by the National Planning Association, the population of New England will be approximately 14 million by 1976, an increase of approximately 3 million over the present.

As a consequence, New England will have an increase in its labor force of approximately 1¼ million people by 1976. Approximately 700,000 to 800,000 new and better paying jobs are going to be required in New

England if the increased population is to be accommodated.

Furthermore, urbanization will continue to spread, and 78 percent of the population increase will occur within these urban areas. Today's major centers of population will continue to radiate outward, forming an integral part of what is referred to as the "megalopolis" of the Northeastern United States.

More urbanization means more need for recreational opportunities, but it is equally obvious that open space for such needs will be in less supply. This increased population will require newer and expanded methods of air and water pollution control, waste disposal, improved passenger transportation, and numerous other public services.

It is no less significant that there will be an increase of approximately a quarter of a million people 65 years of age and older that will have to be accommodated, and that additional health facilities will have to be constructed.

Even more dramatic in its impact is the projected increase in number of our young people. It is predicted that we will have approximately 1 million more children 14 years of age or younger coming along within the next 10 years. We will need teachers and schools in sufficient number and quality for them.

These problems are not limited to any single region. Much of our frustration in not finding quick and easy solutions to our economic difficulties has been our failure to recognize completely the regional dimensions of the task.

We believe that the willingness to experiment with new approaches to economic distress on a regional basis represents a promising step toward balanced economic growth.

We would like to thank you for this opportunity to appear before the committee to comment on certain aspects of this significant legislation.

Mr. RANDOLPH. Mr. President, will the capable Senator from Massachusetts yield?

Mr. KENNEDY of Massachusetts. I yield.

Mr. RANDOLPH. Mr. President, the State of Massachusetts is incorporated certainly within an area that could well provide a proving ground for these programs, including the program of public works and development facilities.

At present, 116 projects in West Virginia amounting to \$22 million, are eligible for moving forward and employing people in the construction of needed facilities.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. MUSKIE. Mr. President, I yield the Senator 1 minute.

The PRESIDING OFFICER. The Senator from West Virginia is recognized for 1 minute.

Mr. RANDOLPH. Mr. President, I am most appreciative, as I am sure other Senators are, of the support given the pending proposal by the Senator from Massachusetts.

Mr. KENNEDY of Massachusetts. Mr. President, I appreciate the remarks of the Senator from West Virginia. The Senator is one without peer in understanding the concept of regional development. He has devoted his great energy and conviction to this bill and to the regional approach. The people of my State—and the people of New England—very much appreciate his understanding and support.

We recognize that New England must come up with a program and the kind of study that will demonstrate the need for this special and far-reaching assistance.

I am convinced that we have the facts to justify our program and receive the support of Congress. All we ask is that there be thorough consideration of the needs of our less developed areas.

Mr. President, I yield back the remainder of my time.

Mr. MUSKIE. Mr. President, I yield myself 30 seconds.

The PRESIDING OFFICER. The Senator from Maine is recognized for 30 seconds.

Mr. MUSKIE. Mr. President, I compliment the distinguished Senator from Massachusetts for the contribution which he has made over the course of the past several months to the development of the regional concept upon which the important title V of the bill is based.

The Senator and I have worked closely. I know that he has worked closely with Senators from other areas of the country which could conceivably take advantage of that title, the development of the regional concept, the administration support for it, and the effort needed to bring the legislation to the floor.

It has been a privilege and a stimulating experience for me to work with the Senator. I congratulate him and take this opportunity to make his contribution clear on the record.

Mr. LAUSCHE. Mr. President—
The PRESIDING OFFICER. How much time does the Senator yield?

Mr. MUSKIE. Mr. President, I yield 5 minutes to the Senator from Ohio.

The PRESIDING OFFICER. The Senator from Ohio is recognized for 5 minutes.

Mr. LAUSCHE. Mr. President, I understand that the Senator from Kentucky has offered an amendment that would reduce the authorization of \$400 million, provided for in title I, to \$325 million.

Mr. COOPER. The Senator is correct. That is the pending amendment.

Mr. LAUSCHE. Mr. President, do I correctly understand that if the amount were cut to \$325 million, it would still be \$75 million more than the administration requested?

Mr. COOPER. The Senator is correct. The administration asked for an authorization of \$250 million.

Mr. LAUSCHE. The bill, instead of providing \$250 million, would make \$400 million available in the form of grants.

Mr. COOPER. The Senator is correct.

Mr. LAUSCHE. Do I correctly understand that there are other acts now on the books that have a relationship to the objective of this bill, which is, supposedly, to help areas in which unemployment exists. Those acts are the Appalachian Act, the Economic Opportunity Act, and the Manpower Retraining Act. The pending bill, if enacted into law, would be the fourth program to cover the same field of activity.

Mr. COOPER. The Senator is correct. The acts which the Senator has enumerated are related. However, they have different specific purposes.

We discussed on the floor today the Appalachian program. That program goes more to the basic structure of the area—such as roads, multicounty hospitals, timber and land management, vocational training, and local public facilities.

The Economic Opportunity Act has as its chief purpose, educational and job opportunities. The Manpower Retraining Act would train individuals in the development of skills. I know these programs well, and I have worked in support of them.

The pending bill would appropriate money for grants or loans to encourage the establishment of commercial or industrial enterprises which would have long-term opportunities. The bill has a specific objective and differs from the other acts. However, it is true that they are all related in that they try to improve educational and employment opportunities for the people.

The PRESIDING OFFICER. The time of the Senator from Ohio has expired.

Mr. MUSKIE. Mr. President, I yield myself 4 minutes.

The PRESIDING OFFICER. The Senator from Maine is recognized for 4 minutes.

Mr. MUSKIE. Mr. President, there is very little duplication between the programs. They are all carefully separated. For example, the ARA program, which is current and has been in existence for 4 years, included a manpower retraining program which we eliminated from this program.

Mr. COOPER. Mr. President, I yield myself 2 minutes.

The PRESIDING OFFICER. The Senator from Kentucky is recognized for 2 minutes.

Mr. COOPER. Mr. President, I did not offer my amendment because a number of bills contain similar proposals. I merely ask that the amount be reduced because the administration asked for only \$250 million and \$325 million is all that has been shown to be adequately usable; after this program has been in operation, there may be further use shown to be required. This would be a new program in the sense that its purpose is long time employment opportunities, rather than emergency employment opportunities, and the money is to be more carefully spent.

The pending bill, if enacted into law, would develop new and specific criteria which, I assume, will take some time for the Secretary to apply and use to determine what additional use of money may be needed.

I believe that it is reasonable to say that the Government cannot successfully spend more than \$325 million on this program, based on the information and testimony given the committees. That is my judgment. I have worked on these bills and know something about them. I know something of their practical application.

With respect to the emergency public works program, we had to work quickly and approve applications to put people to work. That was the objective of the bill. However, this is a different kind of bill.

Mr. LAUSCHE. Mr. President, were there any new developments in the economy that occurred between the time the administration requested that \$250 million be appropriated and the time the committee recommended that \$400 million be appropriated?

Mr. COOPER. Yes. I believe that there was a small change in the unemployment rate after the bill was introduced. Second, there is a proposed cut in excise taxes, which is designed to stimulate the economy and to provide additional work as demand increases.

Mr. LAUSCHE. If there were developments, they were developments that would militate against the raising of the request, and support a reduction of \$250 million.

Mr. COOPER. That is correct.

Mr. McNAMARA. Mr. President, I yield myself 2 minutes.

The real developments between the time the administration sent the bill to Congress and the time the committee acted on it were during the hearings on the bill. There were long hearings and, on the basis of the committee hearings, some members were convinced after hearing the evidence that there should be provided \$500 million a year for a 5-year period for public works; but we were able to prevail upon those members, after listening to the hearings, that we could make a better case, and a good case, for \$400 million. I have already made the case in the RECORD, so far as I am concerned.

Mr. LAUSCHE. Mr. President, will the Senator yield to me?

Mr. COOPER. I yield 1 minute to the Senator from Ohio.

Mr. LAUSCHE. What the Senator has said refers to no new developments for the program. That which the committee had, the administration had when it asked for \$250 million a year. I do not think it can be refuted that the economy is stronger on this day than it was on the day the President recommended \$250 million.

Mr. MUSKIE. Mr. President, I yield myself 1 minute.

On the point just mentioned, I say to the Senator from Ohio that the bill was conceived in a period of unparalleled national prosperity. We needed no direct evidence that the country was prosperous. But we felt, and still feel after all the hearings on the bill that, in spite of general national prosperity, there are pockets of depressed areas, areas that are not enjoying prosperity, areas of high unemployment. The situation of such areas has not improved since the bill was reported from the committee.

Mr. LAUSCHE. But the administration knew about those areas.

I will ask another question. What will Congress really do when we get into a depression? What is it going to do when, in a period of great abundance, we are talking about spending that which revenues do not justify?

Mr. MUSKIE. We are trying to build into the economic structure machinery and safeguards that will avoid the heart-rending depressions that destroy a country.

Mr. LAUSCHE. I have heard that statement before. It touches the heart

and makes one sympathetic, but it is not related to reality.

Mr. MUSKIE. Mr. President, I yield 2 minutes to the Senator from West Virginia [Mr. RANDOLPH].

Mr. RANDOLPH. Mr. President, I have listened to the remarks of the Senator from Ohio, as well as those of other Senators.

I say to the Senator from Ohio that there are now pending in the State of Ohio 68 projects, amounting to \$12,500,000. We do not look upon those projects in any way as boondoggling, but as investments. When sewage treatment plants are built in a local community, it is something that strengthens the economy in that community of Ohio. The Public Works Committee in the past reported a bill in an amount far in excess of what has been reported in this case for accelerated public works. It was not enacted, but the committee had done that prior to last year. There are bills containing larger amounts than that contained in this bill. It was my intention that the amount of \$250 million be increased to \$500 million. I offered an amendment to that effect, which is at the table, and which has been signed by 25 other Senators. We have lowered the amount to \$400 million, as reported in the bill before us, in an attempt to compromise.

Mr. LAUSCHE. Mr. President, may I have half a minute to reply?

Mr. MUSKIE. I yield half a minute to the Senator.

Mr. LAUSCHE. The Senator from West Virginia pointed out that there were 68 applicants.

Mr. RANDOLPH. Sixty-eight projects.

Mr. LAUSCHE. Sixty-eight projects. The more money that is made available, the greater the number of applicants. There were no applicants before this bill came into existence. If the amount were raised to \$650 million, there would be 130 applicants.

Mr. RANDOLPH. I do not know if the Senator was against the accelerated public works program, but I point out that his State and the people of Ohio were greatly benefited by it. I have referred to pending projects, requiring \$12½ million.

Mr. McNAMARA. Mr. President, I yield 2 minutes to the Senator from Maryland.

Mr. TYDINGS. Mr. President, I take this opportunity to congratulate the distinguished senior Senator from Michigan [Mr. McNAMARA] for the excellent job the Public Works Committee has done in bringing this bill to the floor so quickly. It will provide a great deal of assistance to communities throughout the country which are economically underdeveloped and distressed.

My own State of Maryland is now benefiting from the Appalachia bill. But Appalachia is not the only depressed and underdeveloped area in Maryland. We have in the Chesapeake Bay area, both on the Eastern Shores and in southern Maryland, serious economic hardship.

In fact, Mr. President, Maryland shares with its sister States of Delaware and Virginia a depressed economy in the entire Chesapeake Bay area. The bay is

our greatest natural resource in Maryland, but it has been misused and abused for many years. We now have serious problems of pollution, obnoxious aquatic plants, of drastically reduced shellfish and shellfish production. Many of our bay fishermen find their catches dwindling every year. Our oyster catch last year was one-tenth of what it was in 1890.

Title V of the bill provides for the creation of regional planning commissions to deal with the problems of depressed areas that occur in two or more States. I note that on page 17 of the committee report, the committee states that this title was developed to meet the needs of such depressed areas as the upper Great Plains, the Ozarks, and the upper Great Lakes, and perhaps New England.

I would like to propound this question to the distinguished Senator from Michigan: Whether this list is exclusive or whether it might be possible for other regions in the country to qualify for assistance under the title?

Mr. McNAMARA. I assure the Senator from Maryland that this is not an exclusive list, but is intended to be merely a list of examples of areas. It does not preclude such areas as the Senator has in mind.

Mr. TYDINGS. Am I correct, then, in assuming that if the Chesapeake Bay area, including parts of Maryland, Virginia, and possibly Delaware, could qualify under the standards set forth in section 501 of the bill, it would be possible to establish a Chesapeake Bay Regional Development Commission under title V?

Mr. McNAMARA. Yes.

Mr. TYDINGS. I am pleased to have that assurance from the distinguished senior Senator from Michigan. As the Record will show, there are a number of counties located in this area that have already been designated as depressed areas under the Area Redevelopment Act. In my own State of Maryland, Somerset and Dorchester Counties on the Eastern Shore, and Calvert County in southern Maryland, have already been so designated. In Delaware, Kent and Sussex Counties have been designated depressed areas under the Proxmire amendment to the Area Redevelopment Act. Finally, in Virginia the northern neck counties of Westmoreland, Lancaster, Richmond, and Northumberland have been designated as depressed areas.

It would be my hope and expectation that the States of the Chesapeake Bay would be able to utilize the provisions of this act to begin to solve some of the problems of economic depression in the Chesapeake Bay.

Mr. McNAMARA. The Senator mentioned title 5. I am sure the Senator recognizes that this title provides only for planning money. That is what the Senator has referred to.

The PRESIDING OFFICER. Who yields time?

Mr. McNAMARA. Mr. President, I yield 3 minutes to the Senator from West Virginia.

Mr. BYRD of West Virginia. Mr. President, I wish to express my strong

support of S. 1648, the Public Works and Economic Development Act of 1965, with amendments as proposed by the Senate Public Works Committee. This legislation is of historical significance in its dramatic approach to the problems of economically distressed areas, and I am pleased to have joined as a cosponsor of the measure.

This bill serves as a recognition on the part of the Federal Government that the vast majority of these areas cannot, within their own resources, initially provide the basic community needs which industry looks for and has a right to expect when seeking new plant locations for business expansion. The bill provides an inducement to industry, not only to accelerate its expansion programs, but also to locate in areas where new employment opportunities will have the greatest economic impact.

The experimental Area Redevelopment Act program has already demonstrated the value of Federal assistance to those areas of high unemployment and low family income. It has given new hope to the people in these areas and provided a stimulus for uniting in a cooperative effort toward a common goal—achieving economic stability.

The preparation of the overall economic development program under ARA was a large undertaking. For many areas of my State of West Virginia, it constituted the first organized effort at long-range planning and practical, coordinated determination on the direction to be taken in promoting economic growth.

But the development of a program was only the first step up the long trail toward economic recovery and only a few communities have been successful, thus far, in attracting a new industry. One of the greatest deterrents has been the inadequacy of basic community services, such as water and sewage facilities. Because of the intense competition for new industry throughout the United States, plant locaters will not even look at a proposed site where basic community services do not already exist, or cannot be readily expanded to satisfy their requirements.

A further deterrent in many areas of greatest economic need was the ARA statutory requirement that 10 percent of the project cost be provided by local or State funds as equity capital or as a loan repayable only after the Federal loan had been repaid in full. In some instances, intensive effort by the local development organization failed to raise the amount of money needed and the industrial prospect located in some other area. In other instances, the community was forced to turn away a second industrial prospect because its funds were tied up for such a long period as a result of participation in an earlier project.

The people of West Virginia recognized that ARA could provide them with an opportunity never before envisioned to help them on the road to economic recovery and they worked tirelessly and diligently to avail themselves of this opportunity. Not all their efforts were successful, but they have made a start.

They have been stimulated into activity and are ready to intensify this activity under the new legislation. ARA has approved 16 industrial and commercial loans; 17 public facility loans and grants; 30 technical assistance projects; and 49 training programs in West Virginia, as of the first quarter of this year. It has invested \$42,111,000 in these 112 projects which will create 4,835 direct jobs.

The accelerated public works program provided an additional source of assistance for obtaining needed public facilities. And 303 projects were approved in West Virginia with a total cost of \$79,674,000, of which \$42,543,000 was provided by APW. These projects will provide an estimated 52,125 man-months of labor.

The Public Works and Economic Development Act of 1965 not only combines the best features of both ARA and APW but it also follows the concept of the Appalachia Regional Development Act by encouraging regional development planning. It has my full and wholehearted support.

I wish to compliment my colleague from West Virginia, the Honorable JENNINGS RANDOLPH, for his effective and constructive work on this measure in the Public Works Committee. I pledge my full efforts toward securing the necessary funding to implement this authorization bill as such time as it may be before the Senate Appropriations Committee, of which I am a member.

It is my sincere belief that the planning and assistance envisioned under S. 1648 offer the sorely needed further opportunity for distressed areas to move toward long-range economic development and to consolidate past gains made under the previous Federal programs.

Mr. McNAMARA. Mr. President, I yield 3 minutes to the Senator from Connecticut.

Mr. DODD. Mr. President, I am extremely pleased that the Senate is moving surely toward final approval this afternoon of the vastly important Public Works and Economic Development Act of 1965.

I have long supported legislation to provide the tools, the training, the advice, and the planning necessary to realize the full economic potential of every area of our Nation.

I have been a sponsor of bills to establish an effective framework for Federal State, and local planning to achieve the necessary environment and facilities for establishment of improved, stable, and diversified local economies and enhanced living conditions.

My sponsorship and vote for the Appalachia bill and my sponsorship of the predecessor bill to S. 1648 illustrate my continuing interest in this approach to local, State, and regional economic problems.

The signing into law of the Public Works and Economic Development Act of 1965 will represent a milestone of effective Federal Government cooperation with State and local governments and private industry to bring all areas of the American economy up to their

potential, to eliminate poverty, and to provide full employment.

This bill addresses itself to the nationwide problem of underemployment of people, machinery, and resources. In short, it addresses itself to waste.

These problems of waste of human and industrial potential are common to many areas of our Nation.

They are of concern to all.

They prevent all our people from fulfilling and sharing in our national wealth and prosperity.

They rob us all by retarding our full national economic potential.

These problems are a particular and unique concern to New England, the cradle of industrial America, and to my own State of Connecticut.

The traditional technology and industry which New England nurtured for the new America a century and a half ago have been, in too many cases, outpaced by technological advance, displaced by lower costs elsewhere, or replaced by new forms of industry employing fewer persons.

The textile, shoe, and fishing industries and the decline of railroad transportation are cases in point.

As a result, New England's employment has declined, its new investment in plant has been retarded, and the personal income levels have lagged behind the national growth rates.

I am gratified to be able to report that industrial development and personal income in my own State of Connecticut have set a faster pace than most other areas of New England and by and large compare favorably with the national average.

But we in Connecticut have never rested on our oars in pursuing full utilization of our State's human and industrial potential.

We cannot afford to do so now.

This act will provide the people of my State, the people of New England, and the people of all the United States the planning and the financing to bring every area of the Nation up to its full economic promise.

The Public Works and Economic Development Act of 1965 will help put an end to waste of national resources—human, industrial, and natural.

By doing so, the act will provide all our people a richer and fuller participation in our national life.

I hope that the New England States will work together and with the Federal Government, so that the people who live in these six States can benefit from this new program.

Mr. McNAMARA. Mr. President, I yield 2 minutes to the Senator from South Dakota.

Mr. McGOVERN. Mr. President, as a coauthor of S. 1648 and as one who is concerned with the development of an effective area assistance act, I want to congratulate the Public Works Committee on the pending bill.

I believe that the approach that has been fashioned in this act for aiding areas of lagging economic growth will prove much more effective than the old Area Redevelopment Act. I am especially pleased that the criteria for qual-

ification of areas of below average development have been modified to include measures other than unemployment alone.

My own State of South Dakota is an agricultural State. Decline in farm numbers and farm employment in the State has been barely offset by an increase in tourism and development of minor industries. For the most part, industrial development has passed us by at this point in our history.

In spite of lagging economic growth, we do not have excessive unemployment. We train our young people, and they migrate to other States in search of employment. Our outmigration of persons seeking employment was slightly greater than the total number of new entrants into the labor force in the State in the 1950-60 decade. We have been transferring our employment problems—along with a sizable investment in training and education of young people—to other areas. To the extent that the South Dakota economy, and the whole Upper Great Plains economy, can be developed, we will lessen the problems of other States and cities.

I am strongly of the opinion that the measure now pending will be of real assistance to the Upper Great Plains, to my State, and to the sound economic growth of the Nation as a whole.

The Public Works Committee has reported a splendid bill, and I urge that it be enacted.

Mr. McNAMARA. Mr. President, I suggest the absence of a quorum, and I ask unanimous consent that it be charged to neither side.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. BASS in the chair). Without objection, it is so ordered.

Mr. McNAMARA. Mr. President, on behalf of the Senator from Kentucky [Mr. COOPER], I ask for the yeas and nays on his amendment.

The yeas and nays were ordered.

Mr. MUSKIE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The hour of 4:45 p.m. having arrived, the question is on agreeing to the amendment of the Senator from Kentucky [Mr. COOPER].

On this question the yeas and nays have been ordered; and the clerk will call the roll.

The legislative clerk called the roll.

Mr. LONG of Louisiana. I announce that the Senator from North Carolina [Mr. ERVIN], the Senator from Tennes-

see [Mr. GORE], the Senator from Hawaii [Mr. INOUE], the Senator from Washington [Mr. MAGNUSON], the Senator from Wyoming [Mr. McGEE], the Senator from Oregon [Mrs. NEUBERGER], and the Senator from Georgia [Mr. RUSSELL] are absent on official business.

I also announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Mississippi [Mr. EASTLAND], the Senator from North Carolina [Mr. JORDAN], the Senator from Connecticut [Mr. RIBICOFF], and the Senator from Florida [Mr. SMATHERS] are necessarily absent.

On this vote, the Senator from Wyoming [Mr. McGEE] is paired with the Senator from Nebraska [Mr. CURTIS].

If present and voting, the Senator from Nebraska would vote "yea" and the Senator from Wyoming would vote "nay."

On this vote, the Senator from Hawaii [Mr. INOUE] is paired with the Senator from Nebraska [Mr. HRUSKA].

If present and voting, the Senator from Nebraska would vote "yea" and the Senator from Hawaii would vote "nay."

On this vote, the Senator from Connecticut [Mr. RIBICOFF] is paired with the Senator from Iowa [Mr. MILLER].

If present and voting, the Senator from Iowa would vote "yea" and the Senator from Connecticut would vote "nay."

On this vote, the Senator from Florida [Mr. SMATHERS] is paired with the Senator from Wyoming [Mr. SIMPSON].

If present and voting, the Senator from Wyoming would vote "yea" and the Senator from Florida would vote "nay."

I further announce that, if present and voting, the Senator from North Carolina [Mr. ERVIN] and the Senator from North Carolina [Mr. JORDAN] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Nebraska [Mr. CURTIS], the Senator from Iowa [Mr. MILLER], and the Senator from Wyoming [Mr. SIMPSON] are necessarily absent.

The Senator from Nebraska [Mr. HRUSKA] is absent on official business.

On this vote, the Senator from Nebraska [Mr. CURTIS] is paired with the Senator from Wyoming [Mr. McGEE]. If present and voting, the Senator from Nebraska would vote "yea" and the Senator from Wyoming would vote "nay."

On this vote, the Senator from Nebraska [Mr. HRUSKA] is paired with the Senator from Hawaii [Mr. INOUE]. If present and voting, the Senator from Nebraska would vote "yea" and the Senator from Hawaii would vote "nay."

On this vote, the Senator from Iowa [Mr. MILLER] is paired with the Senator from Connecticut [Mr. RIBICOFF]. If present and voting, the Senator from Iowa would vote "yea" and the Senator from Connecticut would vote "nay."

On this vote, the Senator from Wyoming [Mr. SIMPSON] is paired with the Senator from Florida [Mr. SMATHERS]. If present and voting, the Senator from Wyoming would vote "yea" and the Senator from Florida would vote "nay."

The result was announced, yeas 31, nays 53, as follows:

[No. 100 Leg.]

YEAS—31

Aiken	Fannin	Prouty
Allott	Hickenlooper	Robertson
Bennett	Holland	Saltonstall
Boggs	Javits	Scott
Byrd, Va.	Jordan, Idaho	Talmadge
Carlson	Kuchel	Thurmond
Case	Lausche	Tower
Cooper	Morton	Williams, Del.
Cotton	Mundt	Young, N. Dak.
Dirksen	Murphy	
Dominick	Pearson	

NAYS—53

Bartlett	Hartke	Morse
Bass	Hayden	Moss
Bayh	Hill	Muskie
Bible	Jackson	Nelson
Brewster	Kennedy, Mass.	Pastore
Burdick	Kennedy, N.Y.	Pell
Byrd, W. Va.	Long, Mo.	Proxmire
Cannon	Long, La.	Randolph
Church	Mansfield	Russell, S.C.
Clark	McCarthy	Smith
Dodd	McClellan	Sparkman
Douglas	McGovern	Stennis
Ellender	McIntyre	Symington
Fong	McNamara	Tydings
Fulbright	Metcalf	Williams, N.J.
Gruening	Mondale	Yarborough
Harris	Monroney	Young, Ohio
Hart	Montoya	

NOT VOTING—16

Anderson	Inouye	Ribicoff
Curtis	Jordan, N.C.	Russell, Ga.
Eastland	Magnuson	Simpson
Ervin	McGee	Smathers
Gore	Miller	
Hruska	Neuberger	

So Mr. COOPER's amendment was rejected.

Mr. MANSFIELD. Mr. President, I announce that if the Senator from Washington [Mr. MAGNUSON] were present and voting, he would vote "nay."

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendment to be proposed, the question is on the engrossment and third reading of the bill.

The bill (S. 1648) was ordered to be engrossed for a third reading and was read the third time.

Mr. MANSFIELD. Mr. President, I ask for the yeas and nays on passage of the bill.

The yeas and nays were ordered.

The PRESIDING OFFICER. The hour of 5 o'clock p.m., having arrived, the vote on the passage of the pending bill is in order. The bill having been read the third time, and the yeas and nays having been ordered on the passage of the bill, the question is, Shall it pass?

The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KUCHEL (when his name was called). On this vote I have a pair with the distinguished senior Senator from Nebraska [Mr. HRUSKA]. If he were present and voting, he would vote "nay." If I were at liberty to vote, I would vote "yea." I withhold by vote.

Mr. YOUNG of North Dakota (when his name was called). On this vote I have a pair with the junior Senator from Hawaii [Mr. INOUE]. If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." I withhold my vote.

The rollcall was concluded.

Mr. LONG of Louisiana. I announce that the Senator from North Carolina [Mr. ERVIN], the Senator from Tennessee [Mr. GORE], the Senator from Hawaii [Mr. INOUE], the Senator from Wash-

ington [Mr. MAGNUSON], the Senator from Wyoming [Mr. McGEE], the Senator from Oregon [Mrs. NEUBERGER], and the Senator from Georgia [Mr. RUSSELL] are absent on official business.

I also announce that the Senator from Mississippi [Mr. EASTLAND], the Senator from North Carolina [Mr. JORDAN], the Senator from Connecticut [Mr. RIBICOFF], and the Senator from Florida [Mr. SMATHERS] are necessarily absent.

On this vote, the Senator from Nebraska [Mr. CURTIS] is paired with the Senator from Wyoming [Mr. McGEE].

If present and voting, the Senator from Wyoming would vote "yea" and the Senator from Nebraska would vote "nay."

On this vote, the Senator from Connecticut [Mr. RIBICOFF] is paired with the Senator from Iowa [Mr. MILLER].

If present and voting, the Senator from Connecticut would vote "yea," and the Senator from Iowa would vote "nay."

On this vote, the Senator from Florida [Mr. SMATHERS] is paired with the Senator from Wyoming [Mr. SIMPSON].

If present and voting, the Senator from Florida would vote "yea," and the Senator from Wyoming would vote "nay."

I further announce that, if present and voting, the Senator from Oregon [Mrs. NEUBERGER] and the Senator from North Carolina [Mr. ERVIN] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from Nebraska [Mr. CURTIS], the Senator from Iowa [Mr. MILLER], and the Senator from Wyoming [Mr. SIMPSON] are necessarily absent.

The Senator from Nebraska [Mr. HRUSKA] is absent on official business.

On this vote, the Senator from Nebraska [Mr. CURTIS] is paired with the Senator from Wyoming [Mr. McGEE]. If present and voting, the Senator from Nebraska would vote "nay" and the Senator from Wyoming would vote "yea."

On this vote, the Senator from Iowa [Mr. MILLER] is paired with the Senator from Connecticut [Mr. RIBICOFF]. If present and voting, the Senator from Iowa would vote "nay" and the Senator from Connecticut would vote "yea."

On this vote, the Senator from Wyoming [Mr. SIMPSON] is paired with the Senator from Florida [Mr. SMATHERS]. If present and voting, the Senator from Wyoming would vote "nay" and the Senator from Florida would vote "yea."

The pairs of the Senator from Nebraska [Mr. HRUSKA], the Senator from California [Mr. KUCHEL], and the Senator from North Dakota [Mr. YOUNG] have been previously announced.

The result was announced—yeas 71, nays 12, as follows:

[No. 101 Leg.]

YEAS—71

Aiken	Church	Hart
Anderson	Clark	Hartke
Bartlett	Cooper	Hayden
Bass	Cotton	Hill
Bayh	Dirksen	Jackson
Bible	Dodd	Javits
Boggs	Douglas	Kennedy, Mass.
Brewster	Ellender	Kennedy, N.Y.
Burdick	Fannin	Lausche
Byrd, W. Va.	Fong	Long, Mo.
Cannon	Fulbright	Long, La.
Carlson	Gruening	Mansfield
Case	Harris	McCarthy

McClellan
McGovern
McIntyre
McNamara
Metcalf
Mondale
Monroney
Montoya
Morse
Morton
Moss

Murphy
Muskie
Nelson
Pastore
Pearson
Pell
Prouty
Proxmire
Randolph
Russell, S.C.
Saltonstall

Scott
Smith
Sparkman
Stennis
Symington
Talmadge
Tydings
Williams, N.J.
Yarborough
Young, Ohio

NAYS—12

Allott
Bennett
Byrd, Va.
Dominick

Hickenlooper
Holland
Jordan, Idaho
Mundt

Robertson
Thurmond
Tower
Williams, Del.

NOT VOTING—17

Curtis
Eastland
Ervin
Gore
Hruska
Inouye

Jordan, N.C.
Kuchel
Magnuson
McGee
Miller
Neuberger

Ribicoff
Russell, Ga.
Simpson
Smathers
Young, N. Dak.

So the bill (S. 1648) was passed.

Mr. RANDOLPH. Mr. President, I move that the Senate reconsider the vote by which the bill was passed.

Mr. MUSKIE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MANSFIELD. Mr. President, I announce that if the Senator from Washington [Mr. MAGNUSON] were present and voting, he would vote "yea."

PASSAGE OF PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT

Mr. KENNEDY of New York. Mr. President, passage by the Senate today of the Public Works and Economic Development Act is most gratifying. I voted for this bill because it offers the communities of New York as well as of the whole country an opportunity to participate in the economic well-being of the Nation. Under this bill, communities and counties can band together in economic development districts to improve employment and encourage the expansion of industry. Cities and towns will be able to build needed public facilities such as waterlines, police and fire stations, research centers and industrial facilities.

I am particularly pleased that the Senate accepted the committee amendment providing that counties eligible for assistance under ARA on or after April 1, 1965, will also qualify for funds under the new act. Hamilton County, which was just designated as a redevelopment area, would be eligible under the new program. Cayuga and Cattaraugus Counties, which are losing their designation, would also still be eligible for assistance under the new program.

Another Committee amendment which the Senate accepted authorized \$400 million rather than the original \$250 million for the community development phase of the program. This larger sum will provide the needed funds for this important work.

It is now up to the communities of New York and the Nation, to use this assistance for the benefit of all our less fortunate citizens.

NEED FOR NEW DEPRESSED AREAS BILL

Mr. CLARK. Mr. President, the bill which the Senate has just passed provides

for new and streamlined redevelopment for distressed areas. In addition to providing more effective help to areas with high unemployment, it will also help communities hard hit by defense installations shutdowns and plant closures.

The bill embraces most of the recommendations made last year by the subcommittee of which I am chairman, the Subcommittee on Unemployment and Manpower of the Committee on Labor and Public Welfare.

It includes provisions for making Federal economic aid available to nondistressed communities faced by imminent closure of a defense installation. Many such communities, such as the Greater Harrisburg area in my own State, are not presently eligible for such assistance. With this assistance now available, a full kit of planning, technical, and financial aid will be available to help Greater Harrisburg adjust to the impact of the closure of the Olmsted Air Force Base when and if it comes.

The bill includes another of our subcommittee recommendations by permitting groups of counties or even groups of States to band together, pool their resources and launch a broad-scale attack on their economic problems. Experience has demonstrated how difficult it is for each separate county—hobbled by little money and little manpower—to rebuild its economy.

Congress has already passed another of our recommendations by consolidating the old area redevelopment retraining programs with the Manpower Development and Training Act, thus cutting red-tape to a minimum.

Finally, the bill is in closer accord with our subcommittee findings on the need for public works assistance in distressed areas than the original administration request. It has increased the authorization for public works grants from \$250 to \$400 million. This is much closer to the \$470 million backlog of already approved but unfunded projects filed by distressed communities under the old Accelerated Public Works program.

In Pennsylvania alone, we have an \$88 million backlog of approved community public works in distressed communities awaiting funds. This includes \$12 million for hospitals, \$10 million for water lines, \$30 million for sewers and sewage treatment facilities, and \$17 million for streets and roads.

AUTHORIZATION OF APPROPRIATIONS FOR NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 175, H.R. 7717.

The PRESIDING OFFICER (Mr. Bass in the chair). The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 7717) to authorize appropriations to the National Aeronautics and Space Administration for research and development, construction of facilities, and adminis-

trative operations, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Aeronautics and Space Sciences with amendments on page 1, at the beginning of line 5, to strike out "\$5,183,844,850" and insert "\$5,196,826,350"; in line 3, after the word "astronomy", to strike out "\$4,537,121,000" and insert "\$4,533,350,000"; on page 2, line 1, after the word "Apollo", to strike out "\$2,967,385,000" and insert "\$2,973,385,000"; in line 3, after the word "astronomy", to strike out "\$160,500,000" and insert "\$165,900,000"; in line 12, after the word "development", to strike out "\$60,600,000" and insert "\$63,600,000"; in line 14, after the word "procurement", to strike out "\$179,500,000" and insert "\$178,700,000"; in line 20 after the word "systems", to strike out "\$33,000,000" and insert "\$27,000,000"; in line 24, after the word "propulsion", to strike out "\$51,200,000" and insert "\$36,200,000"; on page 3, line 2, after the word "acquisition", to strike out "\$242,321,000" and insert "\$246,200,000"; in line 5, after the word "utilization", to strike out "\$5,000,000" and insert "\$4,750,000"; in line 8, after the word "acquisitions", to strike out "\$60,675,000" and insert "\$67,376,350"; after line 10, to insert:

(2) Electronics Research Center, Cambridge, Massachusetts, \$10,000,000;

At the beginning of line 13, to strike out "(2)" and insert "(3)"; at the beginning of line 15, to strike out "(3)" and insert "(4)"; in line 16, after the word "Florida", to strike out "\$7,854,400" and insert "\$8,195,000"; at the beginning of line 17, to strike out "(4)" and insert "(5)"; at the beginning of line 19, to strike out "(5)" and insert "(6)"; at the beginning of line 21, to strike out "(6)" and insert "(7)"; in line 22, after the word "Texas", to strike out "\$3,953,300" and insert "\$4,180,000"; at the beginning of line 23, to strike out "(7)" and insert "(8)"; in line 24, after the word "Alabama", to strike out "\$4,291,100" and insert "\$2,309,450"; on page 4, at the beginning of line 1, to strike out "(8)" and insert "(9)"; in line 2, after the word "Louisiana", to strike out "\$269,500" and insert "\$284,750"; at the beginning of line 3, to strike out "(9)" and insert "(10)"; in line 4, to strike out "\$1,905,600" and insert "\$1,910,450"; at the beginning of line 5, to strike out "(10)" and insert "(11)"; at the beginning of line 7, to strike out "(11)" and insert "(12)"; in the same line, after the word "locations", to strike out "\$19,871,400" and insert "\$20,182,700"; at the beginning of line 9, to strike out "(12)" and insert "(13)"; in line 10, after the word "for", to strike out "\$7,215,700" and insert "\$5,000,000"; in line 11, after the word "operations", to strike out "\$586,048,850" and insert "\$596,100,000"; on page 5, line 15, after the numeral "(2)", to strike out "contracts may be entered into under the 'Administrative operations' appropriation for maintenance and operation of facilities,

and for other services, to be provided during the fiscal year following that for which the appropriation is made" and insert "maintenance and operation of facilities, and support services contracts may be entered into under the 'Administrative operations' appropriation for periods not in excess of twelve months beginning at any time during the fiscal year"; on page 6, line 22, after the numeral "(10)", to strike out "and"; in the same line, after the numeral "(11)", to insert a comma and "and (12)"; on page 7, line 2, after the word "of", to strike out "\$53,459,300" and insert "\$62,376,350"; and on page 9, line 12, after "Sec. 5.", to strike out "It is the sense of Congress that it is in the national interest that consideration be given to geographical distribution of Federal research funds whenever feasible and that the National Aeronautics and Space Administration should explore ways and means of distributing its research and development funds on a geographical basis whenever feasible and use such other measures as may be practicable toward this end" and insert "It is the sense of Congress that it is in the national interest that consideration be given to geographical distribution of Federal research funds whenever feasible, and that the National Aeronautics and Space Administration should explore ways and means of distributing its research and development funds whenever feasible".

SEVENTEENTH INTERNATIONAL PUBLISHERS CONGRESS

Mr. JAVITS. Mr. President, on September 20, 1963, the distinguished chairman of the Foreign Relations Committee [Mr. FULBRIGHT], together with the then Senator HUMPHREY and Senators CLARK, DIRKSEN, ERVIN, HICKENLOOPER, JORDAN of North Carolina, Keating, KUCHEL, SALTONSTALL, SCOTT, and myself, introduced a resolution (S.J. Res. 120) extending an official welcome to the book and music publishers from some 40 countries throughout the world who would attend the 17th Congress of the International Publishers Association in Washington, D.C., from May 30 to June 5, 1965. This resolution was passed by the Senate on February 7, 1964, passed by the House of Representatives on April 6, 1964, and enacted into law on April 17, 1964.

This week, the 17th International Publishers Congress is meeting in Washington, D.C., under the sponsorship of the American Book Publishers' Council, Inc., and Music Publishers Association, Inc., in what will hopefully be a fruitful exchange of ideas and the basis for warm and lasting relationships. The meeting marks the first time in its 70-year history that the International Publishers Association will have conducted its meeting in the United States. It is attended by approximately 800 publishers from the United States and abroad. I believe I speak for the sponsors of that measure and many other of my colleagues in extending a warm welcome to the publishers from abroad. I take particular pride in expressing these words of welcome in

view of the fact that the State of New York, which I have the honor of representing, is considered by many to be the publishing center of the world and has contributed greatly to the development of publishing.

MAY 1—LAW DAY, U.S.A.

Mr. KUCHEL. Mr. President, the lawyers of America have undertaken a public service in sponsoring May 1 as Law Day, U.S.A. In a recent issue of the Los Angeles, Calif., Bar Bulletin, the distinguished president of the Los Angeles County Bar Association, Mr. Edward S. Shattuck, wrote an excellent article describing what May Day, U.S.A., means to every American, under the Constitution, and contrasted it with what May Day means to communism, on the other side of the Iron Curtain.

I commend the article to the reading of all Senators, and I ask unanimous consent that it be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

MAY 1—LAW DAY, U.S.A.

(By Edward S. Shattuck)

May 1 is Law Day, U.S.A. What will it mean to the American people in this year 1965? What will be its impact upon citizens of other nations around the world? Can and should the lawyers of the United States lead a determined effort to make this year's Law Day purposeful and effective both at home and abroad? These are questions I have asked myself over and over again and, with your indulgence, I would now like you to share my thoughts and conclusions.

May 1 has long been a day set aside by Communist nations for bringing forth their armed might and parading it before the world. It has been a day when Communist dictators have wantonly indulged themselves and their people in excessive abuses to our country, falsely proclaiming us to be imperialists and aggressors.

In this posture of May 1, the American Bar Association suggested that we offset this bawdy demonstration of the Communist world by declaring through the President of the United States that May 1 each year should be set aside as Law Day, U.S.A. Throughout the land we should utilize it to give recognition and thanks for our government of the people, by the people, and for the people—a government of law and not of men—a government by our duly elected representatives, not a government imposed upon us by self-appointed dictators. In this manner—so we reasoned—we would call attention of peoples all over the world to the contrast between citizens living in our Nation under the Constitution of the United States guaranteeing the individual rights of every person, and the citizens living under Communist regimes where individual rights depend upon the whims of the dictators of the moment.

Will May 1, 1965, utilized for this purpose in the United States, ring true in the minds and hearts of our own people? Will it create the worldwide image of contrast between our people and people in Communist nations—the objective of Law Day, U.S.A.? I have concluded that the answer depends upon what action is taken by the lawyers of America—the very ones who conceived of Law Day, U.S.A. in the first place.

On March 16, 1965, the President of the United States, addressing a joint session of Congress, stated the issue we must face on Law Day in these eloquent and simple words: "This was the first Nation in the history of the world to be founded with a purpose.

The great phrases of that purpose are still found in every American heart, North and South: 'All men are created equal'—'Government by consent of the governed'—'Give me liberty or give me death.' Those are not just clever words or empty theories. In their name Americans have fought and died for two centuries and today are risking their lives.

"Those words are a promise to every citizen that he shall share in the dignity of man. This dignity cannot be found in a man's possessions or his power or his position. It rests on his right to be treated as a man equal in opportunity to all others. It says that he shall share in freedom, choose his leaders, educate his children, provide for his family according to his ability and merits as a human being.

"To apply any other test—to deny a man his hopes because of his color or race, his religion or the place of his birth—is not only to do injustice, it is to deny America and to dishonor the dead who gave their lives for freedom."

The President was addressing himself primarily to the fact that we have not carried out the clear mandate of the 15th amendment to our own Constitution because we, in some instances, have denied American citizens the right to vote in the selection of their leaders. The challenge of his speech went much deeper. It said what should be and, in most cases, is in the mind and heart of every American citizen. The time for universal justice for every person in our Nation is now. The time to end forever bigotry, intolerance, and discrimination in America is now.

Universal justice, the end to bigotry, intolerance, and discrimination, which must come unless we are to sound like hypocrites before world opinion, cannot be accomplished by laws alone. Laws will help, as they always do when a few people resist the unalienable rights of others. The real challenge, however, is to arouse our conscience and to implant a determination in the heart and mind of every American that in his day-to-day life and in every way within his power he shall seek justice for every American and do not act which may be rooted in bigotry or intolerance or that could result in discrimination.

If Law Day, U.S.A. in 1965 is to ring true to our own people at home and to the people abroad, we as lawyers must use our inherent ability to speak and write by reiterating publicly in speeches and privately in correspondence our belief in the great purpose of our country. We must let the people know that our learned profession believes deeply that all men are created equal, are entitled to equal opportunity and must always stand equal before the bar of justice. We must be willing and anxious, at every opportunity, to defend the rights of Americans, all Americans, to vote, to the equal protection of law, to petition the Government, to peaceably assemble, to pray in private or in public, and to exercise fully every other right preserved by the U.S. Constitution. We must have the courage to insist on these rights being recognized and at the same time, to insist that we and those we seek to help, who are demonstrating, do so in a lawful manner.

Cannot the members of the bar be effective in this fight for freedom for all? In these turbulent days in which we live, cannot lawyers put their full strength back of the wheel which is now in motion? I am sure we can and we must if Law Day, U.S.A. in 1965 is going to be impressive either at home or abroad.

So, what can we do? As individual lawyers we can write letters all over the country. At the time of the American Revolution, and again when the great moral issue of slavery confronted our Nation, and during this century, when we were called upon

to defend liberty throughout the world, lawyers exchanged letters with each other and wrote profusely to their laymen friends espousing the cause of freedom. If everyone of our 6,000 members wrote 10 such letters before May 1, 1965, and asked every person to whom he wrote to do the same, the Los Angeles County Bar Association alone would reach 600,000 people. Will you do it?

Will you also seize on every opportunity to speak out? Lawyers are eloquent. Speak out among your neighbors, at social gatherings and in public addresses. Give the leadership to public opinion. Our knowledge of history and law is respected by our neighbors, friends and the public. We have a unique influence because of our education and our professional standing.

Finally, I have proposed to the board of trustees—I hope that by the time this reaches print the Board will have approved—that the Los Angeles County Bar Association ask every major bar association in America to join us in this "lawyers' crusade for freedom."

A fire has been kindled by the President. Can we make Law Day, U.S.A. in 1965 purposeful and effective so the flame will heighten and the fire will spread? I know we can and I believe we will.

EXTENSION OF BOUNDARIES OF THE KANIKSU NATIONAL FOREST, IDAHO

Mr. CHURCH. Mr. President, I ask that the Chair lay before the Senate a message from the House of Representatives on S. 435.

The PRESIDING OFFICER (Mr. BASS in the chair) laid before the Senate the amendment of the House of Representatives to the bill (S. 435) to extend the boundaries of the Kaniksu National Forest in the State of Idaho, and for other purposes, which was, to strike out all after the enacting clause and insert:

That, the Secretary of Agriculture is authorized to acquire by exchange, purchase, or otherwise, the real property described in section 3 of this Act. Upon such acquisition the boundaries of the Kaniksu National Forest are extended to include such real property.

SEC. 2. In the acquisition of the real property described in section 3, the Secretary of Agriculture shall be guided by the following policies:

(1) He should make every reasonable effort to acquire the property by negotiated purchase.

(2) The property should be appraised at its fair market value by the Secretary of Agriculture before the initiation of negotiations, and the owner or his designated representative should be given an opportunity to accompany the appraiser during an inspection of the property.

SEC. 3. The real property authorized to be acquired under authority of this Act is more particularly described as follows:

Township 63 north, range 4 west, Boise meridian:

Section 18, southeast quarter southeast quarter; section 19, northeast quarter northeast quarter, lot 3 (southeast quarter northeast quarter); section 20, southwest quarter northwest quarter; section 33, lot 1 (northeast quarter northwest quarter), lot 2 (southeast quarter northwest quarter), lot 3 (northeast quarter southeast quarter), lot 6 (southeast quarter southwest quarter), west half southwest quarter northeast quarter, west half northwest quarter southeast quarter, southwest quarter southeast quarter.

Township 63 north, range 5 west, Boise meridian:

89TH CONGRESS
1ST SESSION

S. 1648

IN THE HOUSE OF REPRESENTATIVES

JUNE 2, 1965

Referred to the Committee on Public Works

AN ACT

To provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the “Public Works and
4 Economic Development Act of 1965”.

5 STATEMENT OF PURPOSE

6 SEC. 2. The Congress declares that the maintenance of
7 the national economy at a high level is vital to the best
8 interests of the United States, but that some of our regions,

1 counties, and communities are suffering substantial and per-
2 sistent unemployment and underemployment; that such un-
3 employment and underemployment cause hardship to many
4 individuals and their families, and waste invaluable human
5 resources; that to overcome this problem the Federal Gov-
6 ernment, in cooperation with the States, should help areas
7 and regions of substantial and persistent unemployment and
8 underemployment to take effective steps in planning and
9 financing their public works and economic development; that
10 Federal financial assistance, including grants for public works
11 and development facilities to communities, industries, enter-
12 prises, and individuals in areas needing development should
13 enable such areas to help themselves achieve lasting improve-
14 ment and enhance the domestic prosperity by the establish-
15 ment of stable and diversified local economies and improved
16 local conditions: *Provided*, That such assistance is preceded
17 by and consistent with sound, long-range economic planning;
18 and that under the provisions of this Act new employment
19 opportunities should be created by developing and expand-
20 ing new and existing public works and other facilities and
21 resources rather than by merely transferring jobs from one
22 area of the United States to another.

TITLE I—GRANTS FOR PUBLIC WORKS AND
DEVELOPMENT FACILITIES

SEC. 101. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary of Commerce (hereinafter referred to as the Secretary) is authorized—

(1) to make direct grants for the acquisition or development of land and improvements for public works, public service, or development facility usage, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, including related machinery and equipment, within a redevelopment area, if he finds that—

(A) the project for which financial assistance is sought will directly or indirectly (i) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities, (ii) otherwise assist in the creation of additional long-term employment opportu-

1 nities for such area, or (iii) primarily benefit the
2 long-term unemployed and members of low-income
3 families or otherwise substantially further the ob-
4 jectives of the Economic Opportunity Act of 1964;

5 (B) the project for which a grant is requested
6 will fulfill a pressing need of the area, or part
7 thereof, in which it is, or will be, located; and

8 (C) the area for which a project is to be under-
9 taken has an approved overall economic develop-
10 ment program as provided in section 202 (b) (10)
11 and such project is consistent with such program;

12 (2) to make supplementary grants in order to
13 enable the States and other entities within redevelop-
14 ment areas to take maximum advantage of designated
15 Federal grant-in-aid programs (as hereinafter defined),
16 direct grants-in-aid authorized under this section, and
17 Federal public works projects for which they are eligible
18 but for which, because of their economic situation, they
19 cannot supply the required matching share.

20 (b) Subject to subsection (c) hereof, the amount of
21 any direct grant under this section for any project shall
22 not exceed 50 per centum of the cost of such project.

23 (c) The amount of any supplementary grant under this
24 section for any project shall not exceed the applicable per-
25 centage established by regulations promulgated by the Secre-

1 tary, but in no event shall the non-Federal share of the
2 aggregate cost of any such project (including assumptions of
3 debt) be less than 20 per centum of such cost. Supple-
4 mentary grants shall be made by the Secretary, in accord-
5 ance with such regulations as he shall prescribe, by increas-
6 ing the amounts of direct grants authorized under this section
7 or by the payment of funds appropriated under this Act to
8 the heads of the departments, agencies, and instrumen-
9 talities of the Federal Government responsible for the
10 administration of the applicable Federal programs. Not-
11 withstanding any requirement as to the amount or sources of
12 non-Federal funds that may otherwise be applicable to the
13 Federal program involved, funds provided under this subsec-
14 tion shall be used for the sole purpose of increasing the Fed-
15 eral contribution to specific projects in redevelopment areas
16 under such programs above the fixed maximum portion of
17 the cost of such project otherwise authorized by the applica-
18 ble law. The term "designated Federal grant-in-aid pro-
19 grams," as used in this subsection, means such existing or
20 future Federal grant-in-aid programs assisting in the con-
21 struction or equipping of facilities as the Secretary may, in
22 furtherance of the purposes of this Act, designate as eligible
23 for allocation of funds under this section. In determining the
24 amount of any supplementary grant available to any project
25 under this section, the Secretary shall take into consideration

1 the relative needs of the area, the nature of the project to be
2 assisted, and the amount of such fair user charges or other
3 revenues as the project may reasonably be expected to gen-
4 erate in excess of those which would amortize the local share
5 of initial costs and provide for its successful operation and
6 maintenance (including depreciation).

7 (d) The Secretary shall prescribe rules, regulations, and
8 procedures to carry out this section which will assure that
9 adequate consideration is given to the relative needs of
10 eligible areas. In prescribing such rules, regulations, and
11 procedures the Secretary shall consider among other relevant
12 factors (1) the severity of the rates of unemployment in the
13 eligible areas and the duration of such unemployment and
14 (2) the income levels of families and the extent of under-
15 employment in eligible areas.

16 (e) Except for projects specifically authorized by
17 Congress, no financial assistance shall be extended under
18 this section with respect to any public service or develop-
19 ment facility which would compete with an existing pri-
20 vately owned public utility rendering a service to the public
21 at rates or charges subject to regulation by a State or Federal
22 regulatory body, unless the State or Federal regulatory body
23 determines that in the area to be served by the facility for
24 which the financial assistance is to be extended there is a
25 need for an increase in such service (taking into considera-

1 tion reasonably foreseeable future needs) which the existing
2 public utility is not able to meet through its existing facilities
3 or through an expansion which it agrees to undertake.

4 (f) The Secretary shall prescribe regulations which will
5 assure that appropriate local governmental authorities have
6 been given a reasonable opportunity to review and comment
7 upon proposed projects under this section.

8 SEC. 102. Not more than 15 per centum of the appro-
9 priations made pursuant to this title may be expended in any
10 one State.

11 SEC. 103. There is hereby authorized to be appropriated
12 not to exceed \$400,000,000 for the fiscal year ending June
13 30, 1966, and for each fiscal year thereafter through the
14 fiscal year ending June 30, 1970.

15 TITLE II—OTHER FINANCIAL ASSISTANCE

16 PUBLIC WORKS AND DEVELOPMENT FACILITY LOANS

17 SEC. 201. (a) Upon the application of any State, or
18 political subdivision thereof, Indian tribe, or private or pub-
19 lic nonprofit organization or association representing any
20 redevelopment area or part thereof, the Secretary is author-
21 ized to purchase evidence of indebtedness and to make loans
22 to assist in financing the purchase or development of land
23 and improvements for public works, public service, or devel-
24 opment facility usage, and the acquisition, construction, reha-
25 bilitation, alteration, expansion, or improvement of such

1 facilities, including related machinery and equipment, within
2 a redevelopment area, if he finds that—

3 (1) the project for which financial assistance is
4 sought will directly or indirectly—

5 (A) tend to improve the opportunities, in the
6 area where such project is or will be located, for the
7 successful establishment or expansion of industrial or
8 commercial plants or facilities,

9 (B) otherwise assist in the creation of addi-
10 tional long-term employment opportunities for such
11 area, or

12 (C) primarily benefit the long-term unem-
13 ployed and members of low-income families or
14 otherwise substantially further the objectives of the
15 Economic Opportunity Act of 1964;

16 (2) the funds requested for such project are not
17 otherwise available from private lenders or from other
18 Federal agencies on terms which in the opinion of the
19 Secretary will permit the accomplishment of the project;

20 (3) the amount of the loan plus the amount of other
21 available funds for such project are adequate to insure
22 the completion thereof;

23 (4) there is a reasonable expectation of repayment;
24 and

25 (5) such area has an approved overall economic

development program as provided in section 202 (b) (10) and the project for which financial assistance is sought is consistent with such program.

(b) Subject to section 701 (5), no loan, including renewals or extensions thereof, shall be made under this section for a period exceeding forty years, and no evidence of indebtedness maturing more than forty years from the date of purchase shall be purchased under this section.

Such loans shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed one-half of 1 per centum per annum.

(c) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this section and section 202: *Provided*, That annual appropriations for the purpose of purchasing evidences of indebtedness, making and participating in loans, and guaranteeing loans shall not exceed \$170,000,000, for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1970.

1 (d) Except for projects specifically authorized by Con-
2 gress, no financial assistance shall be extended under this
3 section with respect to any public service or development
4 facility which would compete with an existing privately
5 owned public utility rendering a service to the public at rates
6 or charges subject to regulation by a State or Federal regula-
7 tory body, unless the State or Federal regulatory body deter-
8 mines that in the area to be served by the facility for which
9 the financial assistance is to be extended there is a need
10 for an increase in such service (taking into consideration
11 reasonably foreseeable future needs) which the existing
12 public utility is not able to meet through its existing facilities
13 or through an expansion which it agrees to undertake.

14 (e) The Secretary shall prescribe regulations which will
15 assure that appropriate local governmental authorities have
16 been given a reasonable opportunity to review and comment
17 upon proposed projects under this section.

18 LOANS AND GUARANTEES

19 SEC. 202. (a) The Secretary is authorized (1) to
20 purchase evidences of indebtedness and to make loans (which
21 for purposes of this section shall include participations in
22 loans) to aid in financing any project within a redevelop-
23 ment area for the purchase or development of land and facili-
24 ties (including machinery and equipment) for industrial or

1 commercial usage, including the construction of new build-
2 ings, the rehabilitation of abandoned or unoccupied buildings,
3 and the alteration, conversion, or enlargement of existing
4 buildings; (2) to guarantee loans for working capital made
5 to private borrowers by private lending institutions in con-
6 nection with projects in redevelopment areas assisted under
7 subsection (a) (1) hereof, upon application of such institu-
8 tion and upon such terms and conditions as the Secretary
9 may prescribe: *Provided, however,* That no such guarantee
10 shall at any time exceed 90 per centum of the amount of the
11 outstanding unpaid balance of such loan; and (3) to contract
12 to pay, and to pay annually, for not more than ten years, to
13 or on behalf of private business entities amounts sufficient to
14 reduce by 2 percentage points the interest paid by such en-
15 tities on loans which are obtained from non-Government
16 sources, which are not guaranteed by any Government
17 agency, which provide for annual amortization of principal,
18 and the proceeds of which are used for purposes for which
19 the Secretary is authorized to purchase evidences of indebt-
20 edness or make loans under this section: *Provided, however,*
21 That subject to limitations in annual appropriation Acts, the
22 annual cost of new contracts approved in any one year shall
23 not exceed \$5,000,000.

24 (b) Financial assistance under this section shall be on

1 such terms and conditions as the Secretary determines, sub-
2 ject, however, to the following restrictions and limitations:

3 (1) Such financial assistance shall not be extended to
4 assist establishments relocating from one area to another or
5 to assist subcontractors whose purpose is to divest, or whose
6 economic success is dependent upon divesting, other con-
7 tractors or subcontractors of contracts theretofore customarily
8 performed by them: *Provided, however,* That such limitation
9 shall not be construed to prohibit assistance for the expansion
10 of an existing business entity through the establishment of a
11 new branch, affiliate, or subsidiary of such entity if the Secre-
12 tary finds that the establishment of such branch, affiliate, or
13 subsidiary will not result in an increase in unemployment of
14 the area of original location or in any other area where such
15 entity conducts business operations, unless the Secretary has
16 reason to believe that such branch, affiliate, or subsidiary is
17 being established with the intention of closing down the
18 operations of the existing business entity in the area of its
19 original location or in any other area where it conducts such
20 operations.

21 (2) Such assistance shall be extended only to applicants,
22 both private and public (including Indian tribes), which
23 have been approved for such assistance by an agency or in-
24 strumentality of the State or political subdivision thereof in
25 which the project to be financed is located, and which agency

1 or instrumentality is directly concerned with problems of
2 economic development in such State or subdivision.

3 (3) The project for which financial assistance is sought
4 must be reasonably calculated to provide more than a
5 temporary alleviation of unemployment or underemployment
6 within the redevelopment area wherein it is or will be
7 located.

8 (4) No loan or guarantee shall be extended hereunder
9 unless the financial assistance applied for is not otherwise
10 available from private lenders or from other Federal agencies
11 on terms which in the opinion of the Secretary will permit
12 the accomplishment of the project.

13 (5) The Secretary shall not make any loan without a
14 participation unless he determines that the loan cannot be
15 made on a participation basis.

16 (6) No evidences of indebtedness shall be purchased
17 and no loans shall be made or guaranteed unless it is deter-
18 mined that there is reasonable assurance of repayment.

19 (7) Subject to section 701 (5) of this Act, no loan,
20 including renewals or extension thereof, may be made here-
21 under for a period exceeding twenty-five years and no
22 evidences of indebtedness maturing more than twenty-five
23 years from date of purchase may be purchased hereunder:
24 *Provided*, That the foregoing restrictions on maturities shall
25 not apply to securities or obligations received by the Secre-

1 tary as a claimant in bankruptcy or equitable reorganization
2 or as a creditor in other proceedings attendant upon insol-
3 vency of the obligor.

4 (8) Loans made and evidences of indebtedness pur-
5 chased under this section shall bear interest at a rate not
6 less than a rate determined by the Secretary of the Treasury
7 taking into consideration the current average market yield on
8 outstanding marketable obligations of the United States with
9 remaining periods to maturity comparable to the average
10 maturities of such loans, adjusted to the nearest one-eighth
11 of 1 per centum, plus such additional charge, if any, toward
12 covering other costs of the program as the Secretary may
13 determine to be consistent with its purpose.

14 (9) Loan assistance shall not exceed 65 per centum
15 of the aggregate cost to the applicant (excluding all other
16 Federal aid in connection with the undertaking) of acquiring
17 or developing land and facilities (including machinery and
18 equipment), and of constructing, altering, converting, reha-
19 bilitating, or enlarging the building or buildings of the par-
20 ticular project, and shall, among others, be on the condition
21 that—

22 (A) other funds are available in an amount which,
23 together with the assistance provided hereunder, shall
24 be sufficient to pay such aggregate cost;

(B) not less than 15 per centum of such aggregate cost be supplied as equity capital or as a loan repayable in no shorter period of time and at no faster an amortization rate than the Federal financial assistance extended under this section is being repaid, and if such a loan is secured, its security shall be subordinate and inferior to the lien or liens securing such Federal financial assistance: *Provided, however,* That, except in projects involving financial participation by Indian tribes, not less than 5 per centum of such aggregate cost shall be supplied by the State or any agency, instrumentality, or political subdivision thereof, or by a community or area organization which is nongovernmental in character, unless the Secretary shall determine in accordance with objective standards promulgated by regulation that all or part of such funds are not reasonably available to the project because of the economic distress of the area or for other good cause, in which case he may waive the requirement of this provision to the extent of such unavailability, and allow the funds required by this subsection to be supplied by the applicant or by such other non-Federal source as may reasonably be available to the project;

(C) to the extent the Secretary finds such action

1 necessary to encourage financial participation in a
2 particular project by other lenders and investors, and
3 except as otherwise provided in subparagraph (B), any
4 Federal financial assistance extended under this section
5 may be repayable only after other loans made in con-
6 nection with such project have been repaid in full, and
7 the security, if any, for such Federal financial assistance
8 may be subordinate and inferior to the lien or liens
9 securing other loans made in connection with the same
10 project.

11 (10) No such assistance shall be extended unless there
12 shall be submitted to and approved by the Secretary an
13 overall program for the economic development of the area
14 and a finding by the State, or any agency, instrumentality,
15 or local political subdivision thereof, that the project for
16 which financial assistance is sought is consistent with such
17 program: *Provided*, That nothing in this Act shall authorize
18 financial assistance for any project prohibited by laws of
19 the State or local political subdivision in which the project
20 would be located, nor prevent the Secretary from requiring
21 such periodic revisions of previously approved overall eco-
22 nomic development programs as he may deem appropriate.

ECONOMIC DEVELOPMENT REVOLVING FUND

SEC. 203. Funds obtained by the Secretary under section 201, loan funds obtained under section 403, and collections and repayments received under this Act, shall be deposited in an economic development revolving fund (hereinafter referred to as the "fund"), which is hereby established in the Treasury of the United States, and which shall be available to the Secretary for the purpose of extending financial assistance under sections 201, 202, and 403, and for the payment of all obligations and expenditures arising in connection therewith. There shall also be credited to the fund such funds as have been paid into the area redevelopment fund or may be received from obligations outstanding under the Area Redevelopment Act. The fund shall pay into miscellaneous receipts of the Treasury, following the close of each fiscal year, interest on the amount of loans outstanding under this Act computed in such manner and at such rate as may be determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the

1 average maturities of such loans, adjusted to the nearest one-
2 eighth of 1 per centum, during the month of June preceding
3 the fiscal year in which the loans were made.

4 TITLE III—TECHNICAL ASSISTANCE, RESEARCH,
5 AND INFORMATION

6 SEC. 301. (a) In carrying out his duties under this Act
7 the Secretary is authorized to provide technical assistance
8 which would be useful in alleviating or preventing conditions
9 of excessive unemployment or underemployment (1) to
10 areas which he has designated as redevelopment areas under
11 this Act, and (2) to other areas which he finds have sub-
12 stantial need for such assistance. Such assistance shall in-
13 clude project planning and feasibility studies, management
14 and operational assistance, and studies evaluating the needs
15 of, and developing potentialities for, economic growth of such
16 areas. Such assistance may be provided by the Secretary
17 through members of his staff, through the payment of funds
18 authorized for this section to other departments or agencies of
19 the Federal Government, through the employment of private
20 individuals, partnerships, firms, corporations, or suitable in-
21 stitutions, under contracts entered into for such purposes, or
22 through grants-in-aid to appropriate public or private non-
23 profit State, area, district, or local organizations. The Secre-
24 tary, in his discretion, may require the repayment of

1 assistance provided under this subsection and prescribe the
2 terms and conditions of such repayment.

3 (b) The Secretary is authorized to make grants to
4 defray not to exceed 75 per centum of the administrative
5 expenses of organizations which he determines to be qualified
6 to receive grants-in-aid under subsection (a) hereof. In
7 determining the amount of the non-Federal share of such
8 costs or expenses, the Secretary shall give due consideration
9 to all contributions both in cash and in kind, fairly evaluated,
10 including but not limited to space, equipment, and services.
11 Where practicable, grants-in-aid authorized under this sub-
12 section shall be used in conjunction with other available
13 planning grants, such as urban planning grants authorized
14 under the Housing Act of 1954, as amended, and highway
15 planning and research grants authorized under the Federal
16 Aid Highway Act of 1962, to assure adequate and effective
17 planning and economical use of funds.

18 (c) To assist in the long-range accomplishment of the
19 purposes of this Act, the Secretary, in cooperation with other
20 agencies having similar functions, shall establish and con-
21 duct a continuing program of study, training, and research
22 to (A) assist in determining the causes of unemployment,
23 underemployment, underdevelopment, and chronic depression
24 in the various areas and regions of the Nation, (B) assist in

1 the formulation and implementation of national, State, and
2 local programs which will raise income levels and otherwise
3 produce solutions to the problems resulting from these con-
4 ditions, and (C) assist in providing the personnel needed to
5 conduct such programs. The program of study, training, and
6 research may be conducted by the Secretary through mem-
7 bers of this staff, through payment of funds authorized for
8 this section to other departments or agencies of the Federal
9 Government, or through the employment of private indi-
10 viduals, partnerships, firms, corporations, or suitable institu-
11 tions, under contracts entered into for such purposes, or
12 through grants to such individuals, organizations, or institu-
13 tions, or through conferences and similar meetings organized
14 for such purposes. The Secretary shall make available to
15 interested individuals and organizations the results of such
16 research. The Secretary shall include in his annual report
17 under section 706 a detailed statement concerning the study
18 and research conducted under this section together with his
19 findings resulting therefrom and his recommendations for
20 legislative and other action.

21 (d) The Secretary shall aid redevelopment areas
22 and other areas by furnishing to interested individuals,
23 communities, industries, and enterprises within such areas
24 any assistance, technical information, market research, or
25 other forms of assistance, information, or advice which would

1 be useful in alleviating or preventing conditions of excessive
2 unemployment or underemployment within such areas. The
3 Secretary may furnish the procurement divisions of the vari-
4 ous departments, agencies, and other instrumentalities of the
5 Federal Government with a list containing the names and
6 addresses of business firms which are located in redevelop-
7 ment areas and which are desirous of obtaining Government
8 contracts for the furnishing of supplies or services, and
9 designating the supplies and services such firms are engaged
10 in providing.

11 (e) The Secretary shall establish an independent study
12 board consisting of governmental and nongovernmental ex-
13 perts to investigate the effects of Government procurement,
14 scientific, technical, and other related policies, upon regional
15 economic development. Any Federal officer or employee
16 may, with the consent of the head of the department or
17 agency in which he is employed, serve as a member of
18 such board, but shall receive no additional compensation for
19 such service. Other members of such board may be com-
20 pensated in accordance with the provisions of section 701
21 (10). The board shall report its findings, together with
22 recommendations for the better coordination of such policies,
23 to the Secretary, who shall transmit the report to the Con-
24 gress not later than two years after the enactment of this Act.

25 SEC. 302. There is hereby authorized to be appropriated

1 \$25,000,000 annually for the purposes of this title, for the
2 fiscal year ending June 30, 1966, and for each fiscal year
3 thereafter through the fiscal year ending June 30, 1970.

4 TITLE IV—AREA AND DISTRICT ELIGIBILITY

5 PART A—REDEVELOPMENT AREAS

6 AREA ELIGIBILITY

7 SEC. 401. (a) The Secretary shall designate as “re-
8 development areas”—

9 (1) those areas in which he determines, upon the
10 basis of standards generally comparable with those set
11 forth in paragraphs (A) and (B), that there has ex-
12 isted substantial and persistent unemployment for an
13 extended period of time. There shall be included among
14 the areas so designated any area—

15 (A) where the Secretary of Labor finds that
16 the current rate of unemployment, as determined
17 by appropriate annual statistics for the most recent
18 available calendar year, is 6 per centum or more
19 and has averaged at least 6 per centum for the
20 qualifying time periods specified in paragraph (B) ;
21 and

22 (B) where the Secretary of Labor finds that
23 the annual average rate of unemployment has been
24 at least—

25 (i) 50 per centum above the national aver-

age for three of the preceding four calendar years, or

(ii) 75 per centum above the national average for two of the preceding three calendar years, or

(iii) 100 per centum above the national average for one of the preceding two calendar years.

The Secretary of Labor shall find the facts and provide the data to be used by the Secretary in making the determinations required by this subsection;

(2) those additional areas which have a median family income not in excess of 40 per centum of the national median, as determined by the most recent available statistics for such areas;

(3) those additional Federal or State Indian reservations or trust or restricted Indian-owned land areas which the Secretary, after consultation with the Secretary of the Interior or an appropriate State agency, determines manifest the greatest degree of economic distress on the basis of unemployment and income statistics and other appropriate evidence of economic underdevelopment;

(4) upon request of such areas, those additional areas in which the Secretary determines that the loss,

1 removal, curtailment, or closing of a major source of
2 employment has caused or threatens to cause within
3 three years of the date of the request an unusual and
4 abrupt rise in unemployment of such magnitude that the
5 unemployment rate for the area can reasonably be ex-
6 pected to exceed the national average by 50 per centum
7 or more unless assistance is provided. Notwithstanding
8 any provision of subsection 401 (b) to the contrary, an
9 area designated under the authority of this paragraph
10 may be given a reasonable time after designation in
11 which to submit the overall economic development pro-
12 gram required by subsection 202 (b) (10) of this Act;

13 (5) notwithstanding any provision of this section
14 to the contrary, those additional areas which were desig-
15 nated redevelopment areas under the Area Redevelop-
16 ment Act on or after April 1, 1965: *Provided, however,*
17 That the continued eligibility of such areas after the first
18 annual review of eligibility conducted in accordance with
19 section 402 of this Act shall be dependent on their
20 qualification for designation under the standards of eco-
21 nomic need set forth in subsections (a) (1) through
22 (a) (4) of this section.

23 (b) The size and boundaries of redevelopment areas
24 shall be as determined by the Secretary: *Provided, however,*
25 That—

1 (1) no area shall be designated until it has an ap-
2 proved overall economic development program in ac-
3 cordance with subsection 202 (b) (10) of this Act;

4 (2) any area which does not submit an acceptable
5 overall economic development program in accordance
6 with subsection 202 (b) (10) of this Act within a rea-
7 sonable time after notification of eligibility for designa-
8 tion, shall not thereafter be designated prior to the next
9 annual review of eligibility in accordance with section
10 402 of this Act;

11 (3) no area shall be designated which does not
12 have a population of at least one thousand five hundred
13 persons, except for areas designated under subsection
14 401 (a) (3), which shall have a population of not less
15 than one thousand persons; and

16 (4) except for areas designated under subsections
17 (a) (3) and (a) (4) hereof, no area shall be designated
18 which is smaller than a "labor area" (as defined by the
19 Secretary of Labor), a county, or a municipality with
20 a population of over two hundred and fifty thousand,
21 whichever in the opinion of the Secretary is appropriate.

22 (c) Upon the request of the Secretary, the Secretary
23 of Labor, the Secretary of Agriculture, the Secretary of the
24 Interior, and such other heads of agencies as may be appro-

1 priate are authorized to conduct such special studies, obtain
2 such information, and compile and furnish to the Secretary
3 such data as the Secretary may deem necessary or proper
4 to enable him to make the determinations provided for in
5 this section. The Secretary shall reimburse when appro-
6 priate, out of any funds appropriated to carry out the pur-
7 poses of this Act, the foregoing officers for any expenditures
8 incurred by them under this section.

9 (d) As used in this Act, the term "redevelopment
10 area" refers to any area within the United States which
11 has been designated by the Secretary as a redevelopment
12 area.

13 ANNUAL REVIEW OF AREA ELIGIBILITY

14 SEC. 402. The Secretary shall conduct an annual review
15 of the eligibility of all areas designated or in accordance with
16 section 401 of this Act, and on the basis thereof may termi-
17 nate or modify the designations of such areas in accordance
18 with objective standards which he shall prescribe by regu-
19 lation. No area previously designated shall retain its desig-
20 nated status unless it maintains a currently approved overall
21 economic development program in accordance with subsection
22 202 (b) (10). No termination of eligibility shall (1) be
23 made without thirty days' prior notification to the area
24 concerned, (2) affect the validity of any application filed,
25 or contract or undertaking entered into, with respect to such

1 area pursuant to this Act prior to such termination, (3)
2 prevent any such area from again being designated a redevelop-
3 opment area under section 401 of this Act if the Secretary
4 determines it to be eligible under such section, or (4) be
5 made in the case of any designated area where the Secretary
6 determines that an improvement in the unemployment rate of
7 a designated area is primarily the result of increased employ-
8 ment in occupations not likely to be permanent. The Secre-
9 tary shall keep the departments and agencies of the Federal
10 Government, and interested State or local agencies, advised
11 at all times of any changes made hereunder with respect to
12 the classification of any area.

13 PART B—ECONOMIC DEVELOPMENT DISTRICTS

14 SEC. 403. (a) In order that economic development
15 projects of broader geographical significance may be planned
16 and carried out, the Secretary is authorized—

17 (1) to designate appropriate “economic develop-
18 ment districts” within the United States with the concur-
19 rence of the States in which such districts will be wholly
20 or partially located, if—

21 (A) the proposed district is of sufficient size or
22 population, and contains sufficient resources, to foster
23 economic development on a scale involving more
24 than a single redevelopment area;

1 (B) the proposed district contains two or more
2 redevelopment areas;

3 (C) the proposed district contains one or more
4 redevelopment areas or economic development cen-
5 ters identified in an approved district overall eco-
6 nomic development program as having sufficient size
7 and potential to foster the economic growth activi-
8 ties necessary to alleviate the distress of the re-
9 development areas within the district; and

10 (D) the proposed district has a district overall
11 economic development program which includes ade-
12 quate land use and transportation planning and con-
13 tains a specific program for district cooperation, self-
14 help, and public investment and is approved by the
15 State or States affected and by the Secretary;

16 (2) to designate as "economic development cen-
17 ters," in accordance with such regulations as he shall pre-
18 scribe, such areas as he may deem appropriate, if—

19 (A) the proposed center has been identified
20 and included in an approved district overall eco-
21 nomic development program and recommended by
22 the State or States affected for such special desig-
23 nation;

24 (B) the proposed center is geographically and
25 economically so related to the district that its eco-

1 nomic growth may reasonably be expected to con-
2 tribute significantly to the alleviation of distress in
3 the redevelopment areas of the district; and

4 (C) the proposed center does not have a popu-
5 lation in excess of two hundred and fifty thousand
6 according to the last preceding Federal census.

7 (3) to provide financial assistance in accordance
8 with the criteria of sections 101, 201, and 202 of this
9 Act, except as may be herein otherwise provided, for
10 projects in economic development centers designated
11 under subsection (a) (2) above, if—

12 (A) the project will further the objectives of
13 the overall economic development program of the
14 district in which it is to be located;

15 (B) the project will enhance the economic
16 growth potential of the district or result in addi-
17 tional long-term employment opportunities com-
18 mensurate with the amount of Federal financial
19 assistance requested; and

20 (C) the amount of Federal financial assistance
21 requested is reasonably related to the size, popula-
22 tion, and economic needs of the district;

23 (4) subject to the 20 per centum non-Federal share
24 required for any project by subsection 101(c) of this

1 Act, to increase the amount of grant assistance author-
2 ized by section 101 for projects within redevelopment
3 areas (designated under section 401), by an amount
4 not to exceed 10 per centum of the aggregate cost of any
5 such project, in accordance with such regulations as he
6 shall prescribe, if—

7 (A) the redevelopment area is situated within
8 a designated economic development district and is
9 actively participating in the economic development
10 activities of the district; and

11 (B) the project is consistent with an approved
12 district overall economic development program.

13 (b) In designating economic development districts and
14 approving district overall economic development programs
15 under subsection (a) of this section, the Secretary is author-
16 ized, under regulations prescribed by him—

17 (1) to invite the several States to draw up proposed
18 district boundaries and to identify potential economic
19 development centers;

20 (2) to cooperate with the several States—

21 (A) in sponsoring and assisting district eco-
22 nomic planning and development groups, and

23 (B) in assisting such district groups to formu-
24 late district overall economic development programs;

25 (3) to encourage participation by appropriate local

1 governmental authorities in such economic development
2 districts.

3 (c) The Secretary shall by regulation prescribe stand-
4 ards for the termination or modification of economic develop-
5 ment districts and economic development centers designated
6 under the authority of this section.

7 (d) As used in this Act, the term “economic develop-
8 ment district” refers to any area within the United States
9 composed of cooperating redevelopment areas and, where
10 appropriate, designated economic development centers and
11 neighboring counties or communities, which has been desig-
12 nated by the Secretary as an economic development district.

13 (e) As used in this Act, the term “economic develop-
14 ment center” refers to any area within the United States
15 which has been identified as an economic development center
16 in an approved district overall economic development pro-
17 gram and which has been designated by the Secretary as
18 eligible for financial assistance under sections 101, 201, and
19 202 of this Act in accordance with the provisions of this
20 section.

21 (f) For the purpose of this Act the term “local govern-
22 ment” means any city, county, town, parish, village, or other
23 general-purpose political subdivision of a State.

24 (g) There is hereby authorized to be appropriated not to

1 exceed \$50,000,000 annually for financial assistance extended
2 under the provisions of subsections (a) (3) and (a) (4)
3 hereof.

4 (h) In order to allow time for adequate and careful dis-
5 trict planning, subsection (g) of this section shall not be
6 effective until one year from the date of enactment.

7 TITLE V—REGIONAL ACTION PLANNING
8 COMMISSIONS

9 ESTABLISHMENT OF REGIONS

10 SEC. 501. The Secretary is authorized to designate ap-
11 propriate “economic development regions” within the United
12 States with the concurrence of the States in which such regions
13 will be wholly or partially located if he finds (A) that there
14 is a relationship between the areas within such region geo-
15 graphically, culturally, historically, and economically, (B)
16 that with the exception of Alaska and Hawaii, the region is
17 within contiguous States, and (C) upon consideration of the
18 following matters, that the region has lagged behind the
19 whole Nation in economic development:

20 (1) the rate of unemployment is substantially above
21 the national rate;

22 (2) the median level of family income is signifi-
23 cantly below the national median;

24 (3) The level of housing, health, and educational
25 facilities is substantially below the national level;

(4) the economy of the area has traditionally been dominated by a single industry;

(5) the rate of outmigration of labor or capital or both is substantial;

(6) the area is adversely affected by changing industrial technology;

(7) the area is adversely affected by changes in national defense facilities or production; and

(8) indices of regional production indicate a growth rate substantially below the national average.

REGIONAL COMMISSIONS

SEC. 502. (a) Upon designation of development regions, the Secretary shall invite and encourage the States wholly or partially located within such regions to establish appropriate multistate regional commissions.

(b) Each such commission shall be composed of one Federal member, hereinafter referred to as the "Federal co-chairman", appointed by the President by and with the advice and consent of the Senate, and one member from each participating State in the region. Each State member may be the Governor, or his designee, or such other person as may be provided by the law of the State which he represents. The State members of the commission shall elect a cochairman of the commission from among their number.

1 (c) Decisions by a regional commission shall require
2 the affirmative vote of the Federal cochairman and of a
3 majority, or at least one if only two, of the State members.
4 In matters coming before a regional commission, the Federal
5 cochairman shall, to the extent practicable, consult with the
6 Federal departments and agencies having an interest in the
7 subject matter.

8 (d) Each State member of a regional commission shall
9 have an alternate, appointed by the Governor or as other-
10 wise may be provided by the law of the State which he
11 represents. The President, by and with the advice and
12 consent of the Senate, shall appoint an alternate for the Fed-
13 eral cochairman of each regional commission. An alter-
14 nate shall vote in the event of the absence, death, disability,
15 removal, or resignation of the State or Federal cochairman
16 for which he is an alternate.

17 (e) The Federal cochairman to a regional commission
18 shall be compensated by the Federal Government from funds
19 authorized by this Act at level IV of the Federal Executive
20 Salary Schedule. His alternate shall be compensated by the
21 Federal Government from funds authorized by this Act at
22 not to exceed the maximum scheduled rate for grade GS-18
23 of the Classification Act of 1949, as amended, and when not
24 actively serving as an alternate for the Federal cochairman
25 shall perform such functions and duties as are delegated to

1 him by the Federal cochairman. Each State member and
2 his alternate shall be compensated by the State which they
3 represent at the rate established by the law of such State.

4 (f) If the Secretary finds that the State of Alaska or
5 the State of Hawaii meets the requirements for an economic
6 development region, he may establish a Commission for
7 either State in a manner agreeable to him and to the Gov-
8 ernor of the affected State.

9 FUNCTIONS OF COMMISSION

10 SEC. 503. (a) In carrying out the purposes of this Act,
11 each Commission shall with respect to its region—

12 (1) advise and assist the Secretary in the identifica-
13 tion of optimum boundaries for multistate economic
14 development regions;

15 (2) initiate and coordinate the preparation of long-
16 range overall economic development programs for such
17 regions;

18 (3) foster surveys and studies to provide data
19 required for the preparation of specific plans and pro-
20 grams for the development of such regions;

21 (4) advise and assist the Secretary and the States
22 concerned in the initiation and coordination of economic
23 development districts, in order to promote maximum
24 benefits from the expenditure of Federal, State, and local
25 funds;

1 (5) promote increased private investment in such
2 regions;

3 (6) prepare legislative and other recommendations
4 with respect to both short-range and long-range pro-
5 grams and projects for Federal, State, and local agencies;

6 (7) develop, on a continuing basis, comprehensive
7 and coordinated plans and programs and establish pri-
8 orities thereunder, giving due consideration to other
9 Federal, State, and local planning in the region;

10 (8) conduct and sponsor investigations, research,
11 and studies, including an inventory and analysis of the
12 resources of the region, and, in cooperation with Fed-
13 eral, State and local agencies, sponsor demonstration
14 projects designed to foster regional productivity and
15 growth;

16 (9) review and study, in cooperation with the
17 agency involved, Federal, State, and local public and
18 private programs and, where appropriate, recommend
19 modifications or additions which will increase their
20 effectiveness in the region;

21 (10) formulate and recommend, where appropriate,
22 interstate compacts and other forms of interstate coopera-
23 tion, and work with State and local agencies in develop-
24 ing appropriate model legislation; and

25 (11) provide a forum for consideration of problems

1 of the region and proposed solutions and establish and
2 utilize, as appropriate, citizens and special advisory
3 councils and public conferences.

4 (b) The Secretary shall present such plans and pro-
5 posals of the commissions as may be transmitted and recom-
6 mended to him (but are not authorized by any other section
7 of this Act) first for review by the Federal agencies pri-
8 marily interested in such plans and proposals and then,
9 together with the recommendations of such agencies, to the
10 President for such action as he may deem desirable.

11 (c) The Secretary shall provide effective and con-
12 tinuing liaison between the Federal Government and each
13 regional commission.

14 (d) Each Federal agency shall, consonant with law
15 and within the limits of available funds, cooperate with such
16 commissions as may be established in order to assist them
17 in carrying out their functions under this section.

18 (e) Each regional commission may, from time to time,
19 make additional recommendations to the Secretary and
20 recommendations to the State Governors and appropriate
21 local officials, with respect to—

22 (1) the expenditure of funds by Federal, State,
23 and local departments and agencies in its region in
24 the fields of natural resources, agriculture, education.

1 training, health and welfare, transportation, and other
2 fields related to the purposes of this Act; and

3 (2) such additional Federal, State, and local legis-
4 lation or administrative actions as the commission
5 deems necessary to further the purposes of this Act.

6 PROGRAM DEVELOPMENT CRITERIA

7 SEC. 504. In developing recommendations for programs
8 and projects for future regional economic development, and
9 in establishing within those recommendations a priority
10 ranking for such programs and projects, the Secretary shall
11 encourage each regional commission to follow procedures
12 that will insure consideration of the following factors:

13 (1) the relationship of the project or class of proj-
14 ects to overall regional development including its loca-
15 tion in an area determined by the State to have a
16 significant potential for growth;

17 (2) the population and area to be served by the
18 project or class of projects including the relative per
19 capita income and the unemployment rates in the area;

20 (3) the relative financial resources available to the
21 State or political subdivisions or instrumentalities thereof
22 which seek to undertake the project;

23 (4) the importance of the project or class of proj-
24 ects in relation to other projects or classes of projects
25 which may be in competition for the same funds;

(5) the prospects that the project, on a continuing rather than a temporary basis, will improve the opportunities for employment, the average level of income, or the economic and social development of the area served by the project.

REGIONAL TECHNICAL AND PLANNING ASSISTANCE

SEC. 505. (a) The Secretary is authorized to provide to the commissions technical assistance which would be useful in aiding the commissions to carry out their functions under this Act and to develop recommendations and programs. Such assistance shall include studies and plans evaluating the needs of, and developing potentialities for, economic growth of such regions, and research on improving the conservation and utilization of the human and natural resources of the region. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government, or through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants-in-aid to the commissions. The Secretary, in his discretion, may require the repayment of assistance provided under this subsection and prescribe the terms and conditions of such repayment.

(b) For the period ending on June 30 of the second

1 full Federal fiscal year following the date of establishment
2 of a commission, the administrative expenses of each com-
3 mission as approved by the Secretary shall be paid by the
4 Federal Government. Thereafter, not to exceed 50 per
5 centum of such expenses may be paid by the Federal Gov-
6 ernment. In determining the amount of the non-Federal
7 share of such costs or expenses, the Secretary shall give due
8 consideration to all contributions both in cash and in kind,
9 fairly evaluated, including but not limited to space, equip-
10 ment, and services.

11 (c) There is hereby authorized to be appropriated
12 \$15,000,000 annually for the purposes of this section.

13 ADMINISTRATIVE POWERS OF REGIONAL COMMISSIONS

14 SEC. 506. To carry out its duties under this Act, each
15 regional commission is authorized to—

16 (1) adopt, amend, and repeal bylaws, rules, and
17 regulations governing the conduct of its business and
18 the performance of its functions;

19 (2) appoint and fix the compensation of an execu-
20 tive director and such other personnel as may be neces-
21 sary to enable the commission to carry out its functions,
22 except that such compensation shall not exceed the
23 salary of the alternate to the Federal cochairman on the
24 commission and no member, alternate, officer, or em-
25 ployee of such commission, other than the Federal co-

1 chairman on the commission and his staff and his
2 alternate, and Federal employees detailed to the com-
3 mission under clause (3), shall be deemed a Federal
4 employee for any purpose;

5 (3) request the head of any Federal department or
6 agency (who is hereby so authorized) to detail to
7 temporary duty with the commission such personnel
8 within his administrative jurisdiction as the commission
9 may need for carrying out its functions, each such detail
10 to be without loss of seniority, pay, or other employee
11 status;

12 (4) arrange for the services of personnel from any
13 State or local government or any subdivision or agency
14 thereof, or any intergovernmental agency;

15 (5) make arrangements, including contracts, with
16 any participating State government for inclusion in a
17 suitable retirement and employee benefit system of such
18 of its personnel as may not be eligible for, or continue in,
19 another governmental retirement or employee benefit
20 system, or otherwise provide for such coverage of its per-
21 sonnel, and the Civil Service Commission of the United
22 States is authorized to contract with such commission
23 for continued coverage of commission employees, who at
24 date of commission employment are Federal employees,

1 in the retirement program and other employee benefit
2 programs of the Federal Government;

3 (6) accept, use, and dispose of gifts or donations
4 of services or property, real, personal, or mixed, tangible
5 or intangible;

6 (7) enter into and perform such contracts, leases,
7 cooperative agreements, or other transactions as may be
8 necessary in carrying out its functions and on such
9 terms as it may deem appropriate, with any department,
10 agency, or instrumentality of the United States or with
11 any State, or any political subdivision, agency, or in-
12 strumentality thereof, or with any person, firm, asso-
13 ciation, or corporation;

14 (8) maintain an office in the District of Columbia
15 and establish field offices at such other places as it may
16 deem appropriate; and

17 (9) take such other actions and incur such other
18 expenses as may be necessary or appropriate.

19 INFORMATION

20 SEC. 507. In order to obtain information needed to carry
21 out its duties, each regional commission shall—

22 (1) hold such hearings, sit and act at such times
23 and places, take such testimony, receive such evidence,
24 and print or otherwise reproduce and distribute so much
25 of its proceedings and reports thereon as it may deem

1 advisable, a cochairman of such commission, or any
2 member of the commission designated by the commis-
3 sion for the purpose, being hereby authorized to admin-
4 ister oaths when it is determined by the commission
5 that testimony shall be taken or evidence received under
6 oath;

7 (2) arrange for the head of any Federal, State, or
8 local department or agency (who is hereby so author-
9 ized, to the extent not otherwise prohibited by law) to
10 furnish to such commission such information as may be
11 available to or procurable by such department or
12 agency; and

13 (3) keep accurate and complete records of its
14 doings and transactions which shall be made available
15 for public inspection.

16 PERSONAL FINANCIAL INTERESTS

17 SEC. 508. (a) Except as permitted by subsection (b)
18 hereof, no State member or alternate and no officer or em-
19 ployee of a regional commission shall participate personally
20 and substantially as member, alternate, officer, or employee,
21 through decision, approval, disapproval, recommendation,
22 the rendering of advice, investigation, or otherwise, in any
23 proceeding, application, request for a ruling or other determi-
24 nation, contract, claim, controversy, or other particular
25 matter in which, to his knowledge, he, his spouse, minor

1 child, partner, organization (other than a State or political
2 subdivision thereof) in which he is serving as officer, director,
3 trustee, partner, or employee, or any person or organization
4 with whom he is serving as officer, director, trustee, partner,
5 or employee, or any person or organization with whom he
6 is negotiating or has any arrangement concerning prospective
7 employment, has a financial interest. Any person who shall
8 violate the provisions of this subsection shall be fined not
9 more than \$10,000, or imprisoned not more than two years,
10 or both.

11 (b) Subsection (a) hereof shall not apply if the State
12 member, alternate, officer, or employee first advises the
13 regional commission involved of the nature and circum-
14 stances of the proceeding, application, request for a ruling
15 or other determination, contract, claim, controversy, or other
16 particular matter and makes full disclosure of the financial
17 interest and receives in advance a written determination
18 made by such Commission that the interest is not so sub-
19 stantial as to be deemed likely to affect the integrity of the
20 services which the Commission may expect from such State
21 member, alternate, officer, or employee.

22 (c) No State member of a regional commission, or his
23 alternate, shall receive any salary, or any contribution to or
24 supplementation of salary for his services on such commission
25 from any source other than his State. No person detailed

1 to serve a regional commission under authority of clause
2 (4) of section 506 shall receive any salary or any contribu-
3 tion to or supplementation of salary for his services on such
4 commission from any source other than the State, local, or
5 intergovernmental department or agency from which he was
6 detailed or from such commission. Any person who shall
7 violate the provisions of this subsection shall be fined not
8 more than \$5,000, or imprisoned not more than one year, or
9 both.

10 (d) Notwithstanding any other subsection of this sec-
11 tion, the Federal cochairman and his alternate on a re-
12 gional commission and any Federal officers or employees
13 detailed to duty with it pursuant to clause (3) of section
14 10 shall not be subject to any such subsection but shall
15 remain subject to sections 202 through 209 of title 18,
16 United States Code.

17 (e) A regional commission may, in its discretion,
18 declare void and rescind any contract or other agreement
19 pursuant to the Act in relation to which it finds that there
20 has been a violation of subsection (a) or (c) of this section,
21 or any of the provisions of sections 202 through 209, title 18,
22 United States Code.

23 ANNUAL REPORTS

24 SEC. 509. Each regional commission established pur-
25 suant to this Act shall make a comprehensive and detailed

1 annual report each fiscal year to the Congress with respect to
2 such commission's activities and recommendations for pro-
3 grams. The first such report shall be made for the first
4 fiscal year in which such commission is in existence for more
5 than three months. Such reports shall be printed and trans-
6 mitted to the Congress not later than January 31 of the
7 calendar year following the fiscal year with respect to which
8 the report is made.

9 TITLE VI—ADMINISTRATION

10 SEC. 601. (a) The Secretary shall administer this Act
11 and, with the assistance of an Assistant Secretary of Com-
12 merce, in addition to those already provided for, shall super-
13 vise and direct the Administrator created herein, and
14 coordinate the Federal cochairmen appointed heretofore or
15 subsequent to this Act. The Assistant Secretary created by
16 this section shall be appointed by the President by and with
17 the advice and consent of the Senate and shall be compensated
18 at the rate provided for level IV of the Federal Executive
19 Salary Schedule. Such Assistant Secretary shall perform
20 such functions as the Secretary may prescribe. There shall
21 be appointed by the President, by and with the advice and
22 consent of the Senate, an Administrator for Economic Devel-
23 opment who shall be compensated at the rate provided for level
24 V of the Federal Executive Salary Schedule who shall per-
25 form such duties as are assigned by the Secretary.

1 (b) Subsections (d) and (e) of section 303 of the
2 Federal Executive Salary Act of 1964 are hereby amended
3 by adding the positions established by subsection (a) hereof.

4 ADVISORY COMMITTEE ON REGIONAL ECONOMIC

5 DEVELOPMENT

6 SEC. 602. The Secretary shall appoint a National Pub-
7 lic Advisory Committee on Regional Economic Development
8 which shall consist of twenty-five members and shall be
9 composed of representatives of labor, management, agricul-
10 ture, State and local governments, and the public in general.
11 From the members appointed to such Committee the Secre-
12 tary shall designate a Chairman. Such Committee, or any
13 duly established subcommittee thereof, shall from time to
14 time make recommendations to the Secretary relative to the
15 carrying out of his duties under this Act. Such Committee
16 shall hold not less than two meetings during each calendar
17 year.

18 CONSULTATION WITH OTHER PERSONS AND AGENCIES

19 SEC. 603. (a) The Secretary is authorized from time
20 to time to call together and confer with any persons, includ-
21 ing representatives of labor, management, agriculture, and
22 government, who can assist in meeting the problems of area
23 and regional unemployment or underemployment.

24 (b) The Secretary may make provision for such con-
25 sultation with interested departments and agencies as he may

1 deem appropriate in the performance of the functions vested
2 in him by this Act.

3 TITLE VII—MISCELLANEOUS

4 POWERS OF SECRETARY

5 SEC. 701. In performing his duties under this Act, the
6 Secretary is authorized to—

7 (1) adopt, alter, and use a seal, which shall be
8 judicially noticed;

9 (2) hold such hearings, sit and act at such times
10 and places, and take such testimony, as he may deem
11 advisable;

12 (3) request directly from any executive depart-
13 ment, bureau, agency, board, commission, office, inde-
14 pendent establishment, or instrumentality information,
15 suggestions, estimates, and statistics needed to carry out
16 the purposes of this Act; and each department, bureau,
17 agency, board, commission, office, establishment, or in-
18 strumentality is authorized to furnish such information,
19 suggestions, estimates, and statistics directly to the
20 Secretary;

21 (4) under regulations prescribed by him, assign
22 or sell at public or private sale, or otherwise dispose
23 of for cash or credit, in his discretion and upon such
24 terms and conditions and for such consideration as he
25 shall determine to be reasonable, any evidence of debt,

1 contract, claim, personal property, or security assigned
2 to or held by him in connection with loans made or
3 evidences of indebtedness purchased under this Act, and
4 collect or compromise all obligations assigned to or held
5 by him in connection with such loans or evidences of
6 indebtedness until such time as such obligations may be
7 referred to the Attorney General for suit or collection;

8 (5) further extend the maturity of or renew any
9 loan made or evidence of indebtedness purchased under
10 this Act, beyond the periods stated in such loan or evi-
11 dence of indebtedness or in this Act, for additional pe-
12 riods not to exceed ten years, if such extension or re-
13 newal will aid in the orderly liquidation of such loan or
14 evidence of indebtedness;

15 (6) deal with, complete, renovate, improve, mod-
16 ernize, insure, rent, or sell for cash or credit, upon such
17 terms and conditions and for such consideration as he
18 shall determine to be reasonable, any real or personal
19 property conveyed to, or otherwise acquired by, him in
20 connection with loans made or evidences of indebtedness
21 purchased under this Act;

22 (7) pursue to final collection, by way of compro-
23 mise or other administrative action, prior to reference
24 to the Attorney General, all claims against third parties
25 assigned to him in connection with loans made or evi-

1 dences of indebtedness purchased under this Act. This
2 shall include authority to obtain deficiency judgments or
3 otherwise in the case of mortgages assigned to the Sec-
4 retary. Section 3709 of the Revised Statutes, as
5 amended (41 U.S.C. 5), shall not apply to any contract
6 of hazard insurance or to any purchase or contract for
7 services or supplies on account of property obtained by
8 the Secretary as a result of loans made or evidences of
9 indebtedness purchased under this Act if the premium
10 therefor or the amount thereof does not exceed \$1,000.
11 The power to convey and to execute, in the name of the
12 Secretary, deeds of conveyance, deeds of release, assign-
13 ments and satisfactions of mortgages, and any other writ-
14 ten instrument relating to real or personal property or
15 any interest therein acquired by the Secretary pursuant
16 to the provisions of this Act may be exercised by the
17 Secretary or by any officer or agent appointed by him for
18 that purpose without the execution of any express dele-
19 gation of power or power of attorney;

20 (8) acquire, in any lawful manner, any property
21 (real, personal, or mixed, tangible or intangible), when-
22 ever deemed necessary or appropriate to the conduct
23 of the activities authorized in sections 201, 202, 301,
24 403, and 503 of this Act;

25 (9) in addition to any powers, functions, privileges,

1 and immunities otherwise vested in him, take any and
2 all actions, including the procurement of the services
3 of attorneys by contract, determined by him to be neces-
4 sary or desirable in making, purchasing, servicing, com-
5 promising, modifying, liquidating, or otherwise admin-
6 istratively dealing with or realizing on loans made or
7 evidences of indebtedness purchased under this Act;

8 (10) employ experts and consultants or organiza-
9 tions therefor as authorized by section 15 of the Admin-
10 istrative Expenses Act of 1946 (5 U.S.C. 55a), com-
11 pensate individuals so employed at rates not in excess
12 of \$100 per diem, including travel time, and allow
13 them, while away from their homes or regular places
14 of business, travel expenses (including per diem in
15 lieu of subsistence) as authorized by section 5 of such
16 Act (5 U.S.C. 73b-2) for persons in the Government
17 service employed intermittently, while so employed:
18 *Provided, however,* That contracts for such employment
19 may be renewed annually;

20 (11) sue and be sued in any court of record of a
21 State having general jurisdiction or in any United States
22 district court, and jurisdiction is conferred upon such
23 district court to determine such controversies without
24 regard to the amount in controversy; but no attachment,
25 injunction, garnishment, or other similar process, mesne

1 or final, shall be issued against the Secretary or his prop-
2 erty. Nothing herein shall be construed to except the
3 activities under this Act from the application of sec-
4 tions 507 (b) and 2679 of title 28, United States Code,
5 and of section 367 of the Revised Statutes (5 U.S.C.
6 316) ; and

7 (12) establish such rules, regulations, and pro-
8 cedures as he may deem appropriate in carrying out
9 the provisions of this Act.

10 SAVINGS PROVISIONS

11 SEC. 702. (a) No suit, action, or other proceeding law-
12 fully commenced by or against the Administrator or any
13 other officer of the Area Redevelopment Administration in
14 his official capacity or in relation to the discharge of his
15 official duties under the Area Redevelopment Act, shall
16 abate by reason of the taking effect of the provisions of this
17 Act, but the court may, on motion or supplemental petition
18 filed at any time within twelve months after such taking
19 effect, showing a necessity for the survival of such suit,
20 action, or other proceeding to obtain a settlement of the
21 questions involved, allow the same to be maintained by or
22 against the Secretary or the Administrator or such other
23 officer of the Department of Commerce as may be appro-
24 priate.

25 (b) Except as may be otherwise expressly provided in

1 this Act, all powers and authorities conferred by this Act
2 shall be cumulative and additional to and not in derogation
3 of any powers and authorities otherwise existing. All rules,
4 regulations, orders, authorizations, delegations, or other ac-
5 tions duly issued, made, or taken by or pursuant to applicable
6 law, prior to the effective date of this Act, by any agency,
7 officer, or office pertaining to any functions, powers, and
8 duties under the Area Redevelopment Act shall continue in
9 full force and effect after the effective date of this Act until
10 modified or rescinded by the Secretary or such other officer
11 of the Department of Commerce as, in accordance with appli-
12 cable law, may be appropriate.

13 TRANSFER OF FUNCTIONS AND EFFECTIVE DATE

14 SEC. 703. (a) The functions, powers, duties, and au-
15 thorities and the assets, funds, contracts, loans, liabilities,
16 commitments, authorizations, allocations, and records which
17 are vested in or authorized to be transferred to the Secretary
18 of the Treasury under section 29 (b) of the Area Redevelop-
19 ment Act, and all functions, powers, duties, and authorities
20 under section 29 (c) of the Area Redevelopment Act are
21 hereby vested in the Secretary.

22 (b) The President may designate a person to act as
23 Administrator under this Act until the office is filled as pro-
24 vided in this Act or until the expiration of the first period

1 of sixty days following the effective date of this Act, which-
2 ever shall first occur. While so acting such person shall
3 receive compensation at the rate provided by this Act for
4 such office.

5 (c) The provisions of this Act shall take effect upon
6 enactment unless herein explicitly otherwise provided.

7 (d) Notwithstanding any requirements of this Act re-
8 lating to the eligibility of areas, projects for which applica-
9 tions are pending before the Area Redevelopment Admin-
10 istration on the effective date of this Act shall for a period of
11 one year thereafter be eligible for consideration by the Secre-
12 tary for such assistance under the provisions of this Act as
13 he may determine to be appropriate.

14 **SEPARABILITY**

15 SEC. 704. Notwithstanding any other evidence of the
16 intent of Congress, it is hereby declared to be the intent of
17 Congress that if any provision of this Act or the application
18 thereof to any persons or circumstances shall be adjudged
19 by any court of competent jurisdiction to be invalid, such
20 judgment shall not affect, impair, or invalidate the remainder
21 of this Act or its application to other persons and circum-
22 stances, but shall be confined in its operation to the provision
23 of this Act or the application thereof to the persons and
24 circumstances directly involved in the controversy in which
25 such judgment shall have been rendered.

APPLICATION OF ACT

SEC. 705. As used in this Act, the terms "State", "States", and "United States" include the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.

ANNUAL REPORT

SEC. 706. The Secretary shall make a comprehensive and detailed annual report to the Congress of his operations under this Act for each fiscal year beginning with the fiscal year ending June 30, 1966. Such report shall be printed and shall be transmitted to the Congress not later than January 3 of the year following the fiscal year with respect to which such report is made.

USE OF OTHER FACILITIES

SEC. 707. (a) Where practicable in carrying out the provisions of this Act the Secretary may use the available services and facilities of other agencies and instrumentalities of the Federal Government, but only with their consent and on a reimbursable basis. The foregoing requirement shall be implemented by the Secretary in such a manner as to avoid the duplication of existing staffs and facilities in any agency or instrumentality of the Federal Government. The Secretary is authorized to delegate to the heads of other departments and agencies of the Federal Government any of the Secretary's functions, powers, and duties under this Act as

1 he may deem appropriate, and to authorize the redelegation
2 of such functions, powers, and duties by the heads of such
3 departments and agencies.

4 (b) Departments and agencies of the Federal Govern-
5 ment shall exercise their powers, duties, and functions in
6 such manner as will assist in carrying out the objectives of
7 this Act.

8 (c) Funds authorized to be appropriated under this Act
9 may be transferred between departments and agencies of the
10 Government, if such funds are used for the purposes for
11 which they are specifically authorized and appropriated.

12 APPROPRIATION

13 SEC. 708. There are hereby authorized to be appropri-
14 ated such sums as may be necessary to carry out the provi-
15 sions of this Act. Appropriations authorized under this Act
16 shall remain available until expended unless otherwise pro-
17 vided by appropriations Acts.

18 PENALTIES

19 SEC. 709. (a) Whoever makes any statement knowing
20 it to be false, or whoever willfully overvalues any security,
21 for the purpose of obtaining for himself or for any applicant
22 any financial assistance under section 101, 201, 202, or 403
23 or any extension thereof by renewal, deferment or action, or
24 otherwise, or the acceptance, release, or substitution of secu-
25 rity therefor, or for the purpose of influencing in any way

1 the action of the Secretary, or for the purpose of obtaining
2 money, property, or anything of value, under this Act, shall
3 be punished by a fine of not more than \$10,000 or by im-
4 prisonment for not more than five years, or both.

5 (b) Whoever, being connected in any capacity with the
6 Secretary, in the administration of this Act (1) embezzles,
7 abstracts, purloins, or willfully misapplies any moneys, funds,
8 securities, or other things of value, whether belonging to him
9 or pledged or otherwise entrusted to him, or (2) with intent
10 to defraud the Secretary or any other body politic or cor-
11 porate, or any individual, or to deceive any officer, auditor,
12 or examiner, makes any false entry in any book, report, or
13 statement of or to the Secretary, or without being duly
14 authorized draws any order or issues, puts forth, or assigns
15 any note, debenture, bond, or other obligation, or draft, bill
16 of exchange, mortgage, judgment, or decree thereof, or (3)
17 with intent to defraud participates or shares in or receives
18 directly or indirectly any money, profit, property, or benefit
19 through any transaction, loan, grant, commission, contract,
20 or any other act of the Secretary, or (4) gives any unau-
21 thorized information concerning any future action or plan of
22 the Secretary which might affect the value of securities, or
23 having such knowledge invests or speculates, directly or
24 indirectly, in the securities or property of any company or

1 corporation receiving loans, grants, or other assistance from
2 the Secretary, shall be punished by a fine of not more than
3 \$10,000 or by imprisonment for not more than five years,
4 or both.

5 EMPLOYMENT OF EXPEDITERS AND ADMINISTRATIVE

6 EMPLOYEES

7 SEC. 710. No financial assistance shall be extended by
8 the Secretary under section 101, 201, 202, or 403 to any
9 business enterprise unless the owners, partners, or officers
10 of such business enterprise (1) certify to the Secretary the
11 names of any attorneys, agents, and other persons engaged
12 by or on behalf of such business enterprise for the purpose
13 of expediting applications made to the Secretary for assist-
14 ance of any sort, under this Act, and the fees paid or to be
15 paid to any such person; and (2) execute an agreement
16 binding such business enterprise, for a period of two years
17 after such assistance is rendered by the Secretary to such
18 business enterprise, to refrain from employing, tendering any
19 office or employment to, or retaining for professional services,
20 any person who, on the date such assistance or any part
21 thereof was rendered, or within one year prior thereto, shall
22 have served as an officer, attorney, agent, or employee,
23 occupying a position or engaging in activities which the
24 Secretary shall have determined involve discretion with
25 respect to the granting of assistance under this Act.

PREVAILING RATE OF WAGE AND FORTY-HOUR WEEK

SEC. 711. All laborers and mechanics employed by contractors or subcontractors on projects assisted by the Secretary under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5). The Secretary shall not extend any financial assistance under section 101, 201, 202, or 403 for such a project without first obtaining adequate assurance that these labor standards will be maintained upon the construction work. The Secretary of Labor shall have, with respect to the labor standards specified in this provision, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 133z-15), and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c).

RECORD OF APPLICATIONS

SEC. 712. The Secretary shall maintain as a permanent part of the records of the Department of Commerce a list of applications approved for financial assistance under section 101, 201, 202, or 403, which shall be kept available for public inspection during the regular business hours of the Department of Commerce. The following information shall be posted in such list as soon as each application is approved;

1 (1) the name of the applicant and, in the case of corporate
2 applications, the names of the officers and directors thereof,
3 (2) the amount and duration of the loan or grant for which
4 application is made, (3) the purposes for which the pro-
5 ceeds of the loan or grant are to be used, and (4) a general
6 description of the security offered in the case of a loan.

7 RECORDS AND AUDIT

8 SEC. 713. (a) Each recipient of assistance under this
9 Act shall keep such records as the Secretary shall prescribe,
10 including records which fully disclose the amount and the
11 disposition by such recipient of the proceeds of such assist-
12 ance, the total cost of the project or undertaking in connec-
13 tion with which such assistance is given or used, and the
14 amount and nature of that portion of the cost of the project
15 or undertaking supplied by other sources, and such other
16 records as will facilitate an effective audit.

17 (b) The Secretary and the Comptroller General of the
18 United States, or any of their duly authorized representa-
19 tives, shall have access for the purpose of audit and examina-
20 tion to any books, documents, papers, and records of the
21 recipient that are pertinent to assistance received under this
22 Act.

23 CONFORMING AMENDMENT

24 SEC. 714. All benefits heretofore specifically made avail-
25 able (and not subsequently revoked) under other Federal

1 programs to persons or to public or private organizations,
2 corporations, or entities in areas designated by the Secretary
3 as “redevelopment areas” under section 5 of the Area Re-
4 development Act, are hereby also extended, insofar as prac-
5 ticable, to such areas as may be designated as “redevelop-
6 ment areas” or “economic development centers” under the
7 authority of section 401 or 403 of this Act: *Provided, how-*
8 *ever,* That this section shall not be construed as limiting such
9 administrative discretion as may have been conferred under
10 any other law.

11 SEC. 715. All financial and technical assistance author-
12 ized under this Act shall be in addition to any Federal assist-
13 ance previously authorized, and no provision hereof shall be
14 construed as authorizing or permitting any reduction or
15 diminution in the proportional amount of Federal assistance
16 to which any State or other entity eligible under this Act
17 would otherwise be entitled under the provisions of any other
18 Act.

Passed the Senate June 1, 1965.

Attest:

FELTON M. JOHNSTON,
Secretary.

AN ACT

To provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

JUNE 2, 1965

Referred to the Committee on Public Works

Digest of CONGRESSIONAL PROCEEDINGS

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

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HIGHLIGHTS: House passed bill to continue Reorganization Act. Rep. Nelsen reported new claims of "political arm twisting" in REA. Rep. Sweeney spoke in support of public-works economic-development bill. Rep. Cleveland recommended his humane-treatment research bill. Several Reps. discussed farm-labor shortage in Calif. Senate reported Treasury-Post Office-Executive Office appropriation bill. Sen. Anderson introduced and discussed cotton bill.

HOUSE

1. REORGANIZATION. Passed without amendment S. 1135, to extend to December 31, 1968, the President's power to submit reorganization plans. This bill will now be sent to the President. pp. 11942-3, 11945-50
2. PERSONNEL. Rep. Nelsen inserted an article claiming new "political arm twisters" in REA and inserted his correspondence on the matter with the Civil Service Commission and the Justice Department. pp. 11943-5
Rep. Olsen, Mont., recommended legislation to encourage early retirement. pp. 12003-4

Received from the Civil Service Commission a proposed bill to provide for payment of travel cost for applicants invited by a department to visit it for purposes connected with employment; to Government Operations Committee. p. 12031

The Post Office and Civil Service Committee voted to report (but did not actually report) H. R. 242, to extend the apportionment requirement to temporary summer employment. p. D479

3. ECONOMIC POLICY. Rep. Vanik criticized the recent speech by Federal Reserve Chairman Martin in which he had raised the possibility of a recession. p.11965
4. POLLUTION. Rep. McCarthy stated that industry should share part of the responsibility in cleaning up air and water pollution and waste treatment. p. 11966
5. TRANSPORTATION. Rep. Bulski said a proposed increase in Federal taxes alarms the trucking industry and inserted a letter from the American Trucking Association. pp. 12011-3

6. PUBLIC WORKS; ECONOMIC DEVELOPMENT. Rep. Sweeney spoke in favor of H. R. 6991, the public-works economic-development bill, and commended ARA's achievements. pp. 11968-70

7. COTTON. Rep. Landrum announced plans for construction of a new textile mill in Jefferson, Ga., and said this shows faith in continuation of the one-price cotton system. pp. 11973-4
8. RESEARCH. Rep. Cleveland spoke in favor of H. R. 5647, to provide for humane treatment of laboratory animals. p. 11974
9. BUDGETING. Rep. Curtis spoke in favor of legislation to "modernize congressional review over the budgetary process. pp. 11984-7
10. FARM LABOR. Rep. Talcott and others discussed the farm-labor situation in Calif and whether provision should be made for Mexican labor. pp. 11990-98
11. OPINION POLL. Rep. Ashbrook inserted the results of a poll of his constituents regarding their opinion on various issues. p. 12009
12. FOREIGN AID. Received from the President proposed amendments to the request for appropriations for the mutual defense and development programs (H. Doc. 197). p. 12031

Received the report of the International Bank for Reconstruction and Development on assistance to private enterprise through the International Finance Corporation, etc. (H. Doc. 198).

13. APPROPRIATIONS. The Appropriations Committee reported the legislative appropriation bill, H. R. 8775 (H. Rept. 442). pp. 12031-2
14. WATERSHEDS. Received from the Budget Bureau reports on plans for works of improvement under the Watershed Protection and Flood Prevention Act for Crooked Creek, Ala.; Haney Creek, Ark.; Upper Crooked Creek, Ark.; Muddy Fork of Silver Creek, Ind.; Cub Creek, Nebr.; Assumpink Creek, N. J.; St. Thomas Lodema, N. Dak; and Buffalo Creek, Ohio; to Agriculture Committee. Also Lower Little Tallapoosa River, Ga.; Uncle Tom Creek, Okla.; Wilson Spring Creek, Tenn.; Attoyac Bayou, Tex.; Castleman Creek, Tex.; Donahoe Creek, Tex.; to Public Works Committee. p. 12031

the freight car shortage in the RECORD at this point:

ARTICLE IN WALL STREET JOURNAL

(By James R. Macdonald)

CHICAGO—Railroads and shippers are suffering from one of the severest shortages of freight cars ever experienced at this time of year.

Shippers are demanding about 7,500 more cars daily than the railroads can provide. That's more than double the deficit of a year ago and nearly as bad as last fall when the shortage climbed to a post-Korean war record of 10,000 cars. Shippers fear the shortage will get far more critical as the year goes along, particularly this fall when harvesting is in full swing and Christmas merchandise is moving to retailers.

The car shortage already is severe enough to cause some companies to curtail operations and to boost the shipping costs of many others being forced to shift to more expensive types of transportation. The present pinch partly reflects traffic snarls resulting from floods along the Mississippi River and in the Pacific Northwest. But the shortage, in the main, is a consequence of the biggest peacetime business boom in the Nation's history. The railroads simply have been unable—or in some cases unwilling—to add new cars to their fleets at a fast enough pace to meet rising demand from shippers.

WOOD MILLS SUFFER MOST

Plywood mills in the Northwest are among the hardest hit by the car drought. At least six mills have been forced to close down in recent weeks for periods ranging from 1 day to a full week because they couldn't get enough freight cars, reports Edmund Hilton, Jr., traffic manager for the American Plywood Association in Tacoma, Wash. "Countless others came so close to having to shut down that getting just one or two cars at the last minute made the difference," he adds.

But complaints are coming from a wide variety of shippers, including cement manufacturers, sand and gravel producers, fertilizer firms, and even the U.S. Army which recently found itself short of cars needed to ship ammunition destined for Vietnam.

"We've had a terrible time getting cars since the first of the year," says Robert Strange, assistant vice president of sales for Truax-Traer Coal Co. He says the company has been forced to close down two of its strip mines for 3 or 4 days a month because of the shortage.

Philip M. Corby, traffic manager for Evans Grain Co., Salina, Kans., says one day recently he phoned five railroads in an attempt to obtain 175 boxcars to ship grain from the company's 90 elevators in Kansas, Nebraska, Iowa, and Colorado. He was unable to turn up a single car.

COSTLIER PHONE BILLS

"The amount of money I'm spending on phone calls to scrounge up some cars would capitalize a small bank," laments L. J. Childs, general traffic manager for Massey-Ferguson, Ltd., Toronto farm equipment maker. Even so, he is having only limited success in solving his transport problems. He says a few days ago he asked a railroad serving 1 of the company's plants for 75 flatcars to ship 150 grain harvesting combines. "They told me their road didn't have that many empty flatcars on their entire system and the best they could do would be to try to get me 25 within 3 or 4 days," he declares. "This really hurts when dealers are on the phone screaming for delivery."

Some farm machinery makers, attempting to rush new equipment to their dealers as the new growing season gets underway, are switching to other forms of transportation, despite often higher costs. J. I. Case Co., Racine, Wis., normally divides its shipments about equally between rail and truck. "Lately, because of the shortage of railroad

cars, we've been averaging about 75 percent truck and 25 percent rail," James Pavel, Case traffic manager, says. He notes the cost of those shipments shifted to trucks averages 10 percent higher than by rail.

Similarly, Inland Steel Co., Chicago, reports the company has experienced "a substantial increase in our costs because railroad cars haven't been available when we need them." When this happens, Inland is forced to store the steel and costs are boosted because of the extra handling.

RAILS SUFFERING, TOO

Railroads, too, have been hurt by the car shortage. Jervis Langdon, Jr., chairman of the Chicago, Rock Island & Pacific Railroad, says the severe shortage of freight cars was "the major factor" in the Rock Island's first quarter earnings decline. The road reported a net loss of \$2,711,073 in the quarter ended March 31, compared with a profit of \$753,676 a year earlier.

Robert S. Macfarlane, Northern Pacific Railway president, says thus far in 1965 his road has turned away roughly \$1.5 million worth of freight "because we didn't have enough freight cars. This really hurts because of the risk that much of this business went over to competing trucklines and we may never get it back again."

The shortage will persist through the summer and grow much more severe in the fall, most railroadmen and shippers predict. The peak in rail freight movement usually comes when newly harvested crops and Christmas merchandise are both in transit.

"It's already touch and go as to whether I'll be able to meet my daily car requirements," says Peter Vinsavage, traffic manager at the Herrin, Ill., washing machine plant of the Norge division of Borg-Warner Corp. "We use mostly boxcars so we compete directly with the grain industry for cars. If the shortage is bad now, it probably will be much worse at harvest."

Railroads are spending at a record level for new cars to ease the shortage but can't obtain them fast enough to solve the problem. Capital spending by railroads, mostly for new rolling stock, will reach a record \$1.6 billion this year, the Association of American Railroads estimates. This would top last year's expenditures of \$1,417,000,000, the previous record, and would compare with \$1 billion spent in 1963.

This spending step-up, however, has not been enough to stem the long decline in the size of the U.S. rail car fleet. The railroads placed 68,043 new freight cars in service last year, nearly double the 1963 total, yet there were fewer cars at the end of 1964 than at the beginning. Specifically, the fleet at the close of last year included 1,492,000 cars, down from the 1,512,000 total of a year earlier. A high "retirement" rate on old cars too far deteriorated to be worth repairing accounts for the downtrend.

Even with this year's record capital spending, the car fleet probably will continue to shrink, railmen say. But they note that the trend toward fewer cars—while worrisome—isn't as bad as it first might appear. Many of today's new cars are much larger than earlier models. This is demonstrated by the fact that railroads last year handled 659 billion ton-miles of freight, a 60-percent increase from 1925, when the number of rail cars hit a peak of 2,357,000.

But while the newer cars themselves may be larger, they are far more specialized than ever before and can be used by fewer types of shippers. A good illustration is the rail tri-level auto rack car. While it can haul three or four times as many new cars as the old boxcar, it's pretty much limited to auto traffic. The old boxcar, however, could unload its autos and pick up a return load of grain. It's mostly these older garden-variety of boxcars that are being retired.

So shippers generally are critical of the fleet's decline and many railroad officials

complain about it, too. The critics contend that part of the downtrend can be traced to the relatively low rental rates which railroads pay each other for the use of cars moving over their tracks. The rate structure, they say, is such that it's often cheaper to pay the rental on a car than to purchase new ones and so many lines—particularly the financially pressed ones in the East—have resorted to this tactic.

This is still the case, shippers contend, even though a new rate structure calling for rents ranging from \$2.15 a day for cars valued below \$1,000 to \$12.88 for those worth more than \$35,000 was adopted early last year. Before, the daily rental rate was \$2.88 per car regardless of value. Many argue the new rate still isn't high enough to encourage new-car building.

Critics are hoping that some help will come from a bill now being considered by the Senate Commerce Committee. The measure would prod railroads to return empty cars to their owners faster by providing for higher rental rates; this, it is believed, would force car-short roads to step up construction of new cars. In brief, the bill would give the Interstate Commerce Commission authority to set rental rates at a level which would both fairly compensate the owning railroad and insure an adequate national supply of cars.

But at least one shipping group isn't waiting for congressional action on the car shortage. The Southwest Oregon Shippers' Traffic Assn., which has 42 lumber, plywood, and particle board mills in its membership, is threatening to boycott railroads that aren't moving to increase the car supply. "We can easily determine which roads are building cars and have our interests in mind," says O. L. Stewart, executive secretary. "For those that are not, we will simply suggest to our members that they route their traffic around those lines if possible."

Mr. Stewart estimates his group accounts for about 60,000 carloads of traffic annually, with each carload worth an average of \$1,000 in freight revenue to the railroads.

PRIVATE IMMIGRATION BILLS

(Mr. FEIGHAN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. FEIGHAN. Mr. Speaker, the heavy schedule of hearings by the full Judiciary Committee, together with hearings by Subcommittee No. 1 on pending immigration legislation, has reduced the time normally available for consideration of private bills introduced by Members. The subcommittee appreciates the patience of the Members under these circumstances and I wish to announce that henceforth Wednesday of each week will be devoted exclusively to the consideration of private bills. If circumstances permit, additional days will be set aside for the consideration of these bills.

THEIR REWARD IS POVERTY

(Mr. ICHORD asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ICHORD. Mr. Speaker, the Armed Services Committee, of which I am a member, will soon consider a military pay increase and I take the floor this day to bring attention to a problem which rapidly approaches a crisis nature. The men and women who choose to dedicate a good portion of their lives so

that this Nation may remain mighty are the victims of one of the most brutal inequities of our time. To say that military personnel are underpaid is perhaps as great an understatement as saying Cassius Clay is sometimes a bit opinionated.

In this day of megatons and satellites it seems a bit strange we would be willing to place our national security on the line merely because we fail to adequately reward our service people. You might say I overemphasize the magnitude of this problem. If you believe that, I intend to convey to you certain facts that serve to stress the need for a long overdue reappraisal of our pay policies.

Fact No. 1: Since 1952 military pay has increased 36 percent. Civil service pay increased 46 percent in the same period. Production workers enjoy 53 percent more today than in 52. Professional and technical workers bring home 56 percent more. In addition to these discrepancies so-called "fringe benefits" have more than quadrupled for civilian and civil service personnel since 1946. Therefore service-connected fringes are less desirable than ever before. The archaic argument of these services fringes has lost its validity.

Fact No. 2: The reenlistment rates in all the services are decreasing at an alarming rate. The Army regular enlistment rate has dropped from approximately 53 percent in 1962 to 50 percent in 1964. That represents a loss of the most highly skilled men in the Armed Forces. The Navy slid from 50 percent in 1962 to 38 percent in 1964. The Marines dropped from 42 to 30 percent and the Air Force fell from 71 to 58 percent. Every single man who is represented in these figures is highly trained and experienced.

Inductee reenlistment rates are shockingly small. In 1962 the Army retained 20.1 percent of those they drafted. Last year this figure plummeted to an all time low, 3.6 percent. When you realize that it takes about \$5,500 per man or more to train these people, a 96.4-percent loss is akin to the burning of millions of dollars. You ask why we are losing this many trained men? We shall see.

Fact No. 3: I, as a Member of this body and as a citizen of the United States, relate this fact to you with great shame. A recent survey indicates that over 5,000 Air Force men are on relief. That is not all—55,000 more of the same group are eligible for these payments but do not accept them. Had enough? Try to swallow this one—169,000 have an annual income below the level set by the Government as poverty status. That is just the Air Force. Approximately one-half million service people, almost one of every four are, by our own standards, living in poverty. Is this the reward for service to country, a life of poverty? Under these conditions it does not surprise me that a young man would be reluctant to seek a military career.

Fact No. 4: Under the present circumstances the military cannot exercise selectivity in selection of career personnel. This more than anything is cause for alarm. The armed services are forced to accept inferior personnel be-

cause they have no choice. Pardon me, they do have a choice, that being, an inferior man or no man at all. To illustrate this point I direct you to the score required on the AFOQT test given men desirous of entering the Air Force ROTC program. In 1957 a man had to score 63 to qualify. Today he need only score 52. When you consider we will spend tens of thousands of dollars to train this man, this easing of requirements points to eventual mediocrity in our services. We must attract the best men possible if we are to remain strong.

In light of the above, I must work to increase the 4.8-percent increase proposed by the administration. Besides being too small it provides the least amount of raise for those who need it most. Budgetary considerations are paramount when reviewing most legislation, however, when the question is our national defense, security and survival must be given the highest priority. We spend over \$50 billion a year keeping this Nation secure. I think an additional billion is not a high price to pay for an insurance policy which covers our annual defense investment. In any event a military pay raise should have the highest priority of any of our spending requirements. Raising the military pay is not at all the same as buying tanks, missiles, and rockets. We would realize a great return on this investment. We are losing over a half a billion dollars annually already due to falling reenlistment rates. Some of that would certainly be saved if by raising these pay rates more qualified men could afford to stay in the service.

The time has come when this body must decide in which direction we are to move. Either we create a pay policy which provides incentive and allows selectivity or we take our chances with our present policy which is resulting in creeping mediocrity among service personnel. The stakes could not be higher. I am confident this 89th Congress will face up to this situation and enact legislation which will enable our servicemen to live in reasonable comfort and security without undue economic hardship and loss of dignity. We must act soon or opportunity to correct these inequities will suddenly slip away.

CHANGES IN THE METALLIC CONTENT OF SOME U.S. COINS

(Mr. FASCELL asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. FASCELL. Mr. Speaker, the report of the results of the Treasury's study of the country's silver situation, and the recommendations for changes in the metallic content of some U.S. coins has now been presented to the Congress. The report has been long and eagerly awaited, because its findings and recommendations should put the Congress into position to deal fully with the coin shortage which the country has been encountering.

The Legal and Monetary Affairs Subcommittee of the House Committee on Government Operations, of which I am

chairman, has long concerned itself with the coin-shortage problems. We have held public hearings and have issued two reports on coin shortages.

Since our studies began last year, the former drastic penny shortage has been completely eradicated, and the nickel shortage has been relieved to the point where it, too, is well on the way to extinction.

Elimination of shortages of dimes, quarters, halves, and silver dollars has been greatly complicated by the fact that the Treasury's supply of silver has rapidly been shrinking. Important decisions on the questions of how best to relieve the shortages in those coins have been frustrated by the silver shortage. It is for that reason that the Treasury has had the entire silver situation under study for a long time, and has tested numerous alloys as possible substitutes for the present silver content of our subsidiary coins.

We realized that the problem of finding alloy substitutes which could be produced rapidly in huge quantities and yet economically was a massive undertaking. On the other hand the businesses and the people of the country were entitled to have adequate supplies of coins with which to conduct their affairs. We, therefore, urged the Treasury to move ahead as rapidly as possible in making their studies and in making their recommendations to the Congress.

Now that the report has been issued I trust that it will receive the immediate consideration of and action by the committees of the Congress which are authorized to deal with coinage and appropriations matters.

THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

(Mr. SWEENEY asked and was given permission to address the House for 1 minute, to revise and extend his remarks, and to include extraneous matter.)

Mr. SWEENEY. Mr. Speaker, Congress will soon be voting on a measure of vital importance to the citizens of more than 1,000 economically depressed areas in our country—the Public Works and Economic Development Act of 1965—H.R. 6991.

This bill, not unlike a famous headache remedy, is a combination of proven ingredients—including the successful Accelerated Public Works Act, the major provisions of the Area Redevelopment Act, and the regional development approach of the Appalachia Development Act applied to other areas.

The key elements of this legislation are unquestionably effective tools for building economic viability.

The Area Redevelopment Act is the first, successful step in the economic development concept. Since the act was passed in 1961, ARA has created 115,000 new jobs, helped to retrain 41,000 jobless workers and approved financial assistance for 550 projects totaling \$268 million.

Ohio has successfully shared in the ARA program. Our State has received ARA loans and grants totaling \$1.7 mil-

tion, and occupational training projects totaling \$868,000. Purchases of equipment directly related to ARA projects in other States have brought to Ohio \$7.7 million in new business.

In addition, the accelerated public works program, administered by ARA, has invested \$27.1 million in Ohio's future industrial growth by building access roads, new sewage disposal plants, new water systems and other facilities necessary to attract industry.

Our local experiences with ARA have been duplicated in scores of communities throughout the country. The conclusion is inescapable: ARA has made a promising start toward the revitalization of distressed economies. We have learned that such a program can make a big difference in helping communities to help themselves.

For example, in Greenfield, Ohio, ARA has provided funds for the Collins Packing Co. to expand its facilities through the purchase of land, buildings and equipment. This plant is now employing 85 full-time employees.

In Junction City, Ohio, ARA loaned \$86,000 to a local clay manufacturing plant to purchase and rehabilitate a similar facility in town that had ceased operations and was closed. This plant is now fully operational and well on the way toward providing some 90 full-time jobs.

In Aurora, Ohio, ARA provided \$167,000 to build new waterlines to the town's industrial park. The new water will be used by two new industries, and possibly a third, with a total potential of 195 new jobs.

In Cleveland, ARA has provided \$727,000 for a 3-year project of the Cleveland Small Business Opportunity & Development Corp. to help stimulate and create employment opportunities in that city through the establishment of new small businesses.

These are only a few highlights of ARA's accomplishments in Ohio. At the conclusion of my remarks, I will seek permission to enter into the RECORD a more detailed statistical summary of ARA projects in my State. I believe this summary will demonstrate the kinds of programs that ARA has initiated to bring meaningful economic progress during the past 4 years.

H.R. 6991 is the logical successor to this pioneering program. This bill recognizes that economic development takes place at many different levels and requires help at all of them. There is the local economic development center; there is the redevelopment area—which is usually a county or a city of 250,000 or more; there is the multicounty eco-

nomic development district; and, finally, the multistate action planning region.

The new program provides considerably more by way of grants for facilities which support economic development than did the ARA program. A total of \$250 million annually is authorized for grants, in contrast to the \$75 million for grants over a 4-year period under ARA.

The new program will also be easier to administer since many administrative criteria have been simplified. And, most important, it will be possible to concentrate help in areas of the greatest need. I believe it is vital that we move ahead with H.R. 6991 to meet the problems involving wasted human and natural resources.

The majority of Americans who live in comfort and security cannot fully comprehend the frustrations and despair of many of our less fortunate citizens who are trapped in a vicious cycle of poverty. The world of the poor is literally a world apart from the bustling towns and commercial centers of America. But it is a very real world, nevertheless. And its presence is felt by us all.

Poverty means fewer customers for American manufacturers and businessmen.

Poverty means larger tax payments by prosperous areas to help pay for costly welfare programs, and to make up for

smaller tax receipts from the distressed regions.

Poverty means that our national economic growth is being held back by our inability to use the full potential of our national resources.

President Johnson has recognized the impact of poverty on our national growth and welfare. But the President has also emphasized the moral nature of the struggle in drafting this new and expanded program. "It has a call," he said, "upon the moral conscience of every American citizen. * * * These conditions of our depressed areas can and must be righted. In this generation they will be righted."

These courageous words are the philosophic roots of H.R. 6991, a bill that brings to our economically depressed communities the tools for a brighter tomorrow.

Mr. Speaker, I include in the RECORD a summary of ARA activities in the State of Ohio:

[From the U.S. Department of Commerce, Area Redevelopment Administration]

SUMMARY OF ACTIVITY FOR THE STATE OF OHIO, AS OF APRIL 30, 1965

(By Congressman ROBERT E. SWEENEY)

Counties and cities eligible for ARA assistance: Adams, Belmont, Brown, Carroll, Clermont, Gallia, Guernsey, Highland, Hocking, Jackson, Lawrence, Meigs, Morgan, Noble, Perry, Pike, Ross, Scioto, Washington, city of Cleveland and city of Toledo.

Financial assistance projects approved

	ARA amount	Employment potential
Jefferson Development Corp. (industrial-commercial loan).....	\$211,000	66
Arcadia Rest Home, Inc. (industrial-commercial loan).....	128,000	25
Cincinnati Box & Partition Co. (industrial-commercial loan).....	138,000	17
Summit Acres (industrial-commercial loan).....	94,000	14
Fabricators, Inc. (industrial-commercial loan).....	57,000	23
Village of Aurora (public facility loan and grant).....	160,000	195
Collins Packing Co. (industrial-commercial loan).....	213,000	85
Mecto, Inc. (industrial-commercial loan).....	70,000	26
Greenfield Printing & Publishing Co. (industrial-commercial loan).....	99,000	6
Junction City Clay Co. (industrial-commercial loan).....	86,000	90
Health Services, Inc. (industrial-commercial loan).....	141,000	20
Adalet Manufacturing Co. (industrial-commercial loan).....	437,900	17
Total, 12 projects.....	1,834,900	584
Pending: None.		

Technical assistance projects approved

	ARA Amount
University of Ohio: New products and industries survey for southeast Ohio.....	\$80,000
Jack Drilling Co.: Test drill and equipment for rock salt wells.....	125,000
University of Ohio: Establish regional development institute.....	116,000
Corplan Associates: Economic development program to minimize impact of Army depot closure.....	36,000
City of Ashtabula:	
Study to develop recreational marina.....	12,000
Pilot study to develop growth opportunities.....	37,000
City of Conneaut: Financial and technical feasibility of lake front improvement.....	32,000
Candeub, Cabot & Associates: Demonstration program to identify industrial sites.....	24,000
City of Cleveland: Job opportunity and building and land survey.....	72,000
Stanley Engineering Co.: Feasibility study of establishing commercial docking facility in Scioto County.....	26,000
University of Toledo: Feasibility of establishing a farmers wholesale and retail market.....	3,000
City of Toledo: Study of needs and financial operating experience of proposed convention exhibition hall.....	22,500
City of Cleveland: Small Business Opportunity and Development Corp.: Create, maintain, and stimulate employment opportunity in Greater Cleveland area (establishment of new small businesses).....	242,429
Total, 13 projects.....	827,920
Pending: Total, 4 projects.....	400,700

Occupational training projects approved

	ARA amount	Trainees
Lumber grader.....	\$16,775	15
Home attendant (adult).....	3,262	20
Nurse aid.....	3,752	20
Clerk-stenographer.....	14,937	20
Nurse aid.....	3,472	20
Machine tool operator.....	45,099	48
Do.....	27,832	24
Stenographer.....	37,828	40
Spray painter.....	15,951	25
Auto service station mechanic.....	15,951	25
Clerk, general office.....	43,768	50
Clerk-typist.....	54,679	75
Do.....	32,872	50
Burrer, hand.....	16,443	25
Maintenance man, building.....	23,115	25
Bench assembler (machine and electrical products).....	13,987	25
Custodial worker-maintenance Janitor I.....	23,190	25
Clerk-typist.....	17,662	25
Flame cutter operator.....	16,491	25
Combination welder.....	19,978	20
Nurse aid (medical service geriatrics).....	56,100	160
Short order cook.....	17,183	25
Electrical appliance repairman.....	22,385	25
Cashier-grocery checker.....	11,899	25
Electronic mechanic.....	58,780	60
Do.....	47,213	60
Nurse aid.....	4,130	20
Do.....	4,194	20
Do.....	7,982	40
Nurse aid (medical service).....	4,489	24
Home attendant.....	2,803	15
Bookkeeper II.....	13,187	14
Clerk-stenographer.....	22,787	25
Nurse aid.....	4,052	25
Do.....	3,919	25
Do.....	3,805	25
Salesperson (general).....	13,467	25
Nurse aid.....	7,610	50
Do.....	2,942	16
Extruder operator (plastic material).....	3,484	10
Home attendant (adult care).....	2,183	12
Auto transmission repairman.....	50,020	40
Ignition and carburetor mechanic.....	21,274	20
Hospital orderly.....	3,179	16
Auto service station attendant mechanic.....	29,052	36
Welder, combination.....	32,071	32
Clerk-typist.....	37,000	40
Diesel mechanic, entry.....	18,558	16
Bookkeeping machine operator.....	32,187	18
Clerk-stenographer.....	37,956	40
Total, 50 projects.....	1,022,935	1,561

SUMMARY OF ACTIVITIES FOR THE STATE OF OHIO

1. Approved financial assistance projects

On December 21, 1962, ARA approved a section 6 loan for \$128,050 to the Arcadia Rest Home to purchase an existing motel, enlarge it and convert it into a 60-bed nursing home. This project, while not fully operational, is now well on the way toward providing adequate nursing home facilities in the area and will ultimately create 25 new jobs.

On June 25, 1963, we approved a section 7 loan and a section 8 grant totaling \$167,000 for the village of Aurora for waterlines to their industrial park. This will affect two new industries and negotiations are now underway for a third new plant with a total potential of approximately 195 new jobs.

On March 6, 1963, ARA approved a section 6 loan to Cincinnati Box & Partition Co., Williamsburg, Ohio, for \$137,845 to purchase land, building, and equipment to produce paper boxes for packaging purposes. There had been some difficulty after approval in closing loan because of site location, but this plant is now being developed and has a potential employment of 30.

On March 19, 1962, ARA approved a section 6 loan to Collins Packing Co., Greenfield, Ohio, for \$212,700 to expand its hog-dressing facilities through the purchase of land, buildings, and equipment. This plant is now employing 85 full-time employees. Further employment is provided through the purchase of hogs from nearby farms in the area. The company is now planning further expansion through the SBA 502 program.

On April 15, 1963, we approved a section 6 loan in the amount of \$88,400 for equipment to Fabricators, Inc., to expand facilities for machinery component manufacturing. This plant is now fully operational and employing 24 full-time people. They are currently exploring possibilities of a further expansion.

On June 13, 1963, ARA approved a section 6 loan to Greenfield Printing Co., Greenfield, Ohio, for a new building to expand printing facilities. This plant is now fully operational and employs 14 full-time employees.

On June 30, 1964, we approved a section 6 loan to Health Services, Inc., Marietta, Ohio, to construct and equip a nursing home. Some problems developed in closing the loan but are now being worked out. This project will employ 16 full-time employees.

On August 29, 1963, we approved a section 6 loan to Junction City Clay, Junction City, Ohio, for \$86,000 to purchase and rehabilitate an existing clay manufacturing plant which had ceased operations and was closed. This plant is now fully operational and while it experienced some initial operating difficulties, it is now well on the way toward providing about 90 full-time jobs.

On June 22, 1964, ARA approved a section 6 loan in the amount of \$141,000 to the Jefferson Development Corp. (a local group) to build a new building for lease to the Nutone Co. to manufacture wooden kitchen cabinets. This plant was formally dedicated in October 1964 and has a potential employment of 66 new jobs.

On April 16, 1963, we approved a section 6 loan to Mecto, Inc., Greenfield, Ohio, to establish a new plant manufacturing mechanics handtools. This plant is now fully operational with a potential employment of 26 new jobs.

On June 25, 1963, we approved a section 6 loan to Summit Acres, Inc., Caldwell, Ohio, to establish a 33-bed nursing home at an ARA cost of \$96,200. This project has not gotten off the ground as yet. It seems doubtful whether the applicant is ready or willing to accept the authorization.

2. Pending technical assistance projects

Drainage and flood control study in Guernsey and Noble Counties.....	\$30,000
Study of economic development for city of Martins Ferry, Belmont County.....	16,000
Southeast Ohio designated counties, development program for Ohio Valley.....	350,000
Industrial survey, Brown County, Ohio.....	4,700

Total, 4 projects..... 400,700

TRIBUTE TO J. EDGAR HOOVER

(Mr. MARTIN of Alabama asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MARTIN of Alabama. Mr. Speaker, this Congress and this Nation is duty bound to pay tribute to a man who, for 41 years of dedicated service, has headed the Federal Bureau of Investigation; tribute to a man who has stood steadfast against the cries of pressure groups who would subvert the purpose of the organization he has led to an eminence that places it in a category alone. He has labored with infinite pains to make this organization at once incorruptible and notably successful in the discharge of its duties.

I hail J. Edgar Hoover—who amid the trials and tribulations of our people, amid clouds and shadows that surround us, against restless voices that say the end justifies the means, has refused to bow

to clamor and stands now a shining beacon, a rock, a fortress of democracy.

At a time when many men in office, many courts of justice, many legislative assemblies have been willing to twist and distort the high purpose of their own and of his Department, this man has stood firm. Fortunately for all Americans, the attacks that have sought to move him from duty have been as pebbles against a suit of armor. For this man is clothed in the armor of democracy and he has vowed that the Federal Bureau of Investigation will never become a tool of tyranny. Declining to be accuser, prosecutor, judge or jury, J. Edgar Hoover has kept clearly before this Nation the function of his great Department. Thank God.

In this day, when small men cry for vengeance by whatever means, we have among us this "tall man, sun crowned, who lives above the fog"—an example of high courage and impregnable honor to the whole Nation.

UNIFORM PROCEDURES LEGISLATION NEEDED TO ESTABLISH A POLICY FOR THE ACQUISITION OF REAL PROPERTY

(Mr. MIZE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MIZE. Mr. Speaker, I am introducing a bill today to establish a Federal policy of uniform procedures for the acquisition of real property by the various agencies and branches of the U.S. Government. This bill also provides for the relocation payments for persons displaced by activities under any such programs.

During the past few years there has been a growing number of complaints concerning the fairness of the land acquisition procedures followed by local agencies acquiring land in the course of public improvement programs carried on with the aid of Federal funds. There has been particular concern over the lack of uniformity in these land acquisition procedures. It should be the responsibility of Congress to assure that programs receiving substantial Federal support are carried out in such a manner as to minimize the hardships which often result from the acquisition of land by eminent domain in the course of federally assisted programs.

This bill provides that the agency or applicant make every reasonable effort to acquire the real property by negotiated purchase with appraisal of the property to take place before the initiation of negotiations and the owner having an opportunity to accompany the appraiser during his inspection of the property.

Other provisions of this bill include the right of the owner to keep possession of his property until he is paid the agreed purchase price arrived at by negotiation or not less than 75 percent of the most recent and reasonable price if the amount of it is in dispute. No construction may be scheduled if a person is lawfully occupying the property without at least 90 days written notice to the person of the date on which the construction is scheduled to begin. Also, the Government is

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
Washington, D. C. 20250
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For actions of June 17, 1965
89th-1st; No. 110

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HIGHLIGHTS: House committee voted to report public works-economic development
11. Sen. McGovern introduced and discussed bill to provide food for peaceful
development program.

SENATE

1. EXCISE TAXES. Both Houses agreed to the conference report on H. R. 8371, to re-
duce or repeal certain excise taxes. This bill will now be sent to the Presi-
dent. pp. 13572-80, 13462-6
2. WOOL SUPPORTS. Sen. Moss objected to "a proposal from the Department of Agricul-
ture for a sliding scale system of support payments to woolgrowers." p. 13521
3. SALT-WATER RESEARCH. Sen. Mansfield spoke in favor of S. 24, providing for addi-
tional research on changing salt water to fresh water. pp. 13520-1
4. RECLAMATION. Passed as reported S. 32, to authorize the Southern Nevada Water
Project. pp. 13513-15
5. WILDERNESS. Sen. McGovern inserted an article favoring S. 107, to include the

Lincoln Back Country in the wilderness system. p. 13522

6. LIVESTOCK MARKETING. Sen. McGovern inserted a speech on the importance of the livestock terminal markets. pp. 13568-9
7. LEGISLATIVE ACCOMPLISHMENTS. Majority Leader Mansfield commended congressional accomplishments so far this year and inserted a summary of the actions. pp. 13536-40
8. D. C. APPROPRIATION BILL, H. R. 6453, was made the unfinished business. pp. 13565-6
9. ADJOURNED until Mon., June 21. p. 13594

HOUSE

10. PUBLIC WORKS; ECONOMIC DEVELOPMENT. The "Daily Digest" states that the Public Works Committee on June 16 voted to report (but did not actually report) S. 1648 (amended), the proposed Public Works and Economic Development Act of 1965. p. D544
A subcommittee of the Public Works Committee voted to report to the full committee H. R. 6790 (amended), to increase the limitation on emergency relief for the repair or reconstruction of highways under 23 U.S.C. 125. p. D544
11. APPROPRIATIONS. The Appropriations Committee reported H. R. 9220, the public works appropriation bill, 1966 (H. Rept. 527), and H. R. 9221, the Defense Department appropriation bill, 1966 (H. Rept. 528). p. 13496
12. PERSONNEL. The Post Office and Civil Service Committee reported with amendment H. R. 8469, to provide certain increases in annuities payable from the civil service retirement and disability fund (H. Rept. 529). p. 13496
13. FOREIGN AID. Conferees were appointed on H. R. 7750, the foreign aid authorization bill (p. 13461). Senate conferees had already been appointed.
Rep. Morgan inserted an article, "Government Charges 23 Concerns Diverted \$13.7 Million of Grains Aided for Austria," which states the "Government is seeking damages and penalties of about \$3 million" and commended USDA for its part in this investigation. pp. 12493-4
14. FARM LABOR. Rep. Talcott stated that the "'A-team' program being promoted by the Department of Labor--squad of high school students with little or no training in farmwork--has not yet been helpful; in fact, it has been detrimental." p. 13482
15. CIVIL RIGHTS. Rep. Fraser commended USDA on the implementation of title VI of the Civil Rights Act and praised Secretary Freeman for "his efforts to fully enforce the law of the land." pp. 13483-5
16. LEGISLATIVE PROGRAM. Rep. Albert announced that on Mon. H. R. 8620, to provide diversion payments on acreage affected by disaster, and S. 1796, assistance for disaster victims, will be brought up under suspension of the rules; and on Tues. and the balance of the week the House will consider the public works, the defense appropriation bills, and the cigarette labeling bill. p. 13462
17. ADJOURNED until Mon., June 21. p. 13495

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HIGHLIGHTS. House passed cigarette labeling bill. House committee reported public works and economic development bill. House Rules Committee cleared poverty bill. House committee approved feed grains title of farm bill.

HOUSE

1. CIGARETTE LABELING. Passed with amendment S. 559, to regulate the labeling of cigarettes. House conferees were appointed. pp. 13897-913
2. PUBLIC WORKS; ECONOMIC DEVELOPMENT. The Public Works Committee reported with amendment S. 1648, the proposed Public Works and Economic Development Act of 1965 (H. Rept. 539). p. 13943
3. POVERTY. The Rules Committee reported a resolution for consideration of H. R. 8283, to expand the war on poverty and enhance the effectiveness of programs under the Economic Opportunities Act of 1964. p. 13943

4. FEED GRAINS. The Agriculture Committee "approved the feed grains title, as amended by the subcommittee" on H. R. 7097, the farm bill. pp. D557-8
5. APPROPRIATIONS. Passed with amendment H. R. 9220, the public works appropriation bill, which includes funds for St. Lawrence Seaway Development Corporation, Tennessee Valley Authority, Delaware River Basin Commission, Bureau of Reclamation, etc. pp. 13870-90
Made it in order to consider a continuing resolution any day next week.
p. 13867
6. WATER PROJECTS. Received the conference report on S. 1229, to provide uniform policies with respect to recreation and fish and wildlife benefits and costs of Federal multiple-purpose water resource projects (H. Rept. 538). pp. 13867-70
7. DISASTER RELIEF. Rep. Culver spoke in favor of amending the Agriculture Acts to "take into consideration floods and other natural disasters in reference to the feed grains, cotton, and wheat programs for 1965." p. 13942
8. LEGISLATIVE PROGRAM. The Majority Leader announced that the poverty bill would be taken up following the defense appropriation bill. pp. 13942-3

SENATE

9. D. C. APPROPRIATION BILL. Passed with amendments this bill, H. R. 6453. Conferees were appointed. pp. 13819-20, 13824-38
10. EXPORT CONTROL. The Banking and Currency Committee voted to report (but did not actually report) H. R. 7105, to continue the Export Control Act for 4 years. p. D555
11. TRANSPORTATION. The Commerce Committee voted to report (but did not actually report) S. 1098, to amend the Interstate Commerce Act to insure the adequacy of the national railroad freight car supply (amended); and S. 1727, to provide for strengthening and improving the national transportation system (amended). p. D555
12. RESEARCH. The Commerce Committee voted to report (but did not actually report) S. 949, to promote economic growth by supporting State and regional centers to place the findings of science usefully in the hands of American enterprise (amended). p. D555
13. TRADE FAIRS. The Commerce Committee voted to report (but did not actually report) H. R. 4525, to continue authority to develop American-flag carriers and promote the foreign commerce of the U. S. through the use of mobile trade fairs. p. D555
14. EDUCATION. Sen. Yarborough spoke in support of his bill, S. 9, the GI education bill, and inserted several letters commending the bill. pp. 13816-7
15. ANIMAL DISEASE. Sen. Aiken inserted a USDA release, "Vermont Holds Three National Records in Animal Disease Eradication, USDA Reports." p. 13802
16. SOIL CONSERVATION. Sen. Hill inserted an editorial, "Charging for SCS Service-- A Bad Move." p. 13807

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

JUNE 22, 1965.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BLATNIK, from the Committee on Public Works,
submitted the following

REPORT

[To accompany S. 1648]

The Committee on Public Works, to whom was referred the bill (S. 1648) to provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

The amendment strikes out all of the Senate bill and inserts in lieu thereof a substitute which appears in the reported bill in italic type.

WHAT THE BILL WOULD DO

The general purpose of S. 1648 is to provide a comprehensive program of Federal assistance to help provide more jobs and higher incomes for people who live in areas where jobs are scarce or incomes are low.

Specifically, the bill would authorize the Secretary of Commerce to—

1. make grants of up to 80 percent in eligible areas for public works which are necessary for area economic development or for the objectives of the antipoverty program (sec. 101(a)(1));
2. make supplementary grants which would reduce the local share for needy communities in eligible areas down to as low as 20 percent for other Federal public works programs which require community contributions (sec. 101(a)(2));
3. make loans on favorable terms in eligible areas for public works and development facilities (sec. 201);

4. make long-term, low-cost loans in eligible areas to help establish or expand job-creating businesses (sec. 202(a)(1));

5. guarantee up to 90 percent of the outstanding balance of private loans for working capital made in connection with the expansion or establishment of businesses assisted under the program (sec. 202(a)(2));

6. help communities and businessmen find the answers to the specific economic and technical problems which are obstacles to economic growth (sec. 301(a));

7. pay up to 75 percent of the cost of providing full-time planning staff for State, district, and selected local economic development organizations (sec. 301(b));

8. undertake research on general problems of long-term unemployment and underemployment (sec. 301(c));

9. give communities information and advice on how to reduce unemployment and attain economic growth (sec. 301(d));

10. establish an independent study board to investigate the effects of Government procurement on regional economic development (sec. 301(e));

11. designate the areas which would be eligible for financial assistance on the basis of unemployment, income, and comparable criteria (sec. 401);

12. provide similar financial help to areas which suffer or are about to suffer from a sudden rise in unemployment (sec. 401(a)(4));

13. help the States and localities form larger, multicounty economic development districts and officially recognize such districts as eligible for planning assistance (sec. 403(a)(1));

14. designate economic development centers within such districts as eligible for financial assistance for projects designed to reduce district unemployment (sec. 403(a)(2));

15. make grants of up to 10 percent extra on the cost of public works or development facilities to distressed areas cooperating in a district plan, but not to exceed an 80-percent overall maximum (sec. 403(a)(4));

16. designate economic development regions composed of two or more States (sec. 501);

17. help the States establish multistate planning commissions for such regions (sec. 502);

18. provide special technical assistance to the regional planning commissions (sec. 505(a));

19. pay the necessary administrative expenses of each commission for the first 2 years of its existence, and half the expenses thereafter (sec. 505(b));

20. assign the responsibility for administering and coordinating the program to a new Assistant Secretary of Commerce and an Administrator whom the President is authorized to appoint (sec. 601);

21. appoint a National Public Advisory Committee on Regional Economic Development (sec. 602).

BACKGROUND OF THE BILL

The bill is based to a certain extent upon three previous acts, the Area Redevelopment Act, the Public Works Acceleration Act, and the Appalachian Regional Development Act.

The Area Redevelopment Act (Public Law 87-27) became law on May 1, 1961, and expires on June 30, 1965. The act enabled the establishment of a new Area Redevelopment Administration within the Department of Commerce. It provided a system for the designation of "redevelopment areas" which thereby became eligible for special financial assistance to help in the establishment or expansion of businesses which would create new employment. The act also provided a small program of grants and loans for public facilities, and a modest program of technical assistance. It also included manpower retraining, a program which was technically administered by the Department of Labor and which was recently incorporated into the Manpower Development and Training Act by the Manpower Act of 1965.

The Area Redevelopment Act was limited to a 4-year period. It was responsible for a total of 548 industrial and commercial and public facility projects by January 31, 1965. These, coupled with 1,335 technical assistance and training projects, represented a total Federal expenditure of \$302,740,000, a substantial portion of which was repayable with interest. Ultimately, these projects are expected to be responsible for the creation of over 115,000 jobs in areas where new jobs are desperately needed if the people who live there are to have opportunities for employment appropriate to a nation of our wealth and overall well-being.

It is estimated that, on the average, each of these new jobs will provide annual wages of \$4,000, or a total new payroll for depressed communities of \$460 million annually.

It is also estimated that the nonreturnable cost of each such job comes to about \$800, a relatively small amount when one considers the increased tax revenues and lower public assistance costs resulting from these new jobs.

Experience with the Area Redevelopment Act showed that the act was deficient in a number of important respects. First, insufficient provision was made for the public facilities necessary to a complete and effective program of economic development. Second, the business loan program to create new employment was too limited to be as effective as it could have been. Third, the technical assistance and research programs were inadequate. Fourth, insufficient attention was given to encouraging counties to combine to mutually solve their economic problems. Fifth, no provision was made to encourage an expanded economic growth in the natural centers of such growth, even though the accelerated development of these centers might most quickly and effectively provide jobs for the residents of the neighboring distressed areas. Sixth, no provision was made for the encouragement of economic programs on an interstate or regional basis, which is of great value in certain regions of longstanding economic distress.

The proposed legislation is designed to correct these deficiencies.

The Public Works Acceleration Act (Public Law 87-658) became law on September 14, 1962. Although it had no expiration date, its

authorization of \$900 million for public works was virtually exhausted within 2 years. The act had two basic purposes: To provide immediate temporary employment through the accelerated construction of public works in areas of at least temporary distress and to help these communities to become more attractive for industrial development and better places in which to live.

The Public Works Acceleration Act provided funds for additional Federal public works projects and for special grants-in-aid for 50 percent of the cost of community public facility projects. Grants-in-aid up to 75 percent of the cost of the project were authorized for the neediest communities.

The results of the Public Works Acceleration Act were most encouraging. A total of approximately 7,700 projects of all types, involving a total Federal expenditure of \$843 million, were approved under this law. These projects were not only responsible for an estimated 2 million man-months of onsite and offsite employment in the needy areas, but they also proved to be of significant effect in spurring economic development in areas of both temporary and long-term distress.

The economic development aspect of the public works acceleration program is still sorely needed in order to help the chronically distressed areas acquire the environmental or development facilities needed to support their self-help efforts to develop more jobs.

Consequently, the proposed legislation, while retaining many features of the Public Works Acceleration Act, is more restrictive as to area eligibility than its predecessor, and it requires with respect to most projects a general relationship to overall economic development.

The Appalachian Regional Development Act (Public Law 89-4) was enacted into law on March 9, 1965, and it is still too early to be able to draw conclusions from experience in its administration. However, in the consideration of this legislation, and in the nearly 2 years of planning which preceded its enactment, it became apparent to many Members of the Congress that there were other regions in the Nation which could benefit from the approach to regional economic development being tried in Appalachia.

Accordingly, the proposed legislation contains authority to assist other needy regions to get organized and to develop their action plans for programs of future regional economic development.

In summary, title I of the bill is most closely related to the Public Works Acceleration Act.

Titles II, III, and IV are most closely related to the Area Redevelopment Act.

Title V is most closely related to the Appalachian Regional Development Act.

Titles VI and VII are administrative in nature.

WHY THE BILL IS NEEDED

There is a single, overriding reason why a bill of this type is necessary. In the midst of unprecedented national prosperity, there still are large numbers of people who can't find jobs because they are living in areas where jobs are too scarce.

At the same time, all available evidence indicates that jobs may be created in areas of high unemployment or low incomes by pro-

viding adequate loans at attractive terms for the establishment or expansion of businesses—and the result is a net gain for both the Federal Treasury and the national economy.

It appears there is a substantial dearth of needed public facilities in our most distressed communities, and that their inability to make such improvements results in an ever-increasing loss of new job opportunities. Communities in these areas find themselves in a crippling cycle of economic deterioration. Their job deficiency reduces their tax base and makes it impossible for them to provide all of the needed public facilities, and their lack of public facilities makes it impossible for them to create new industry or to stimulate new economic activity. Only outside help can break the cycle.

Experience has shown that economic development efforts can have only limited success when they are confined to local areas and that for many areas the path to economic salvation can only be traveled in company with their neighbors in adjoining counties and States.

There are people who cannot relocate, who, for economic, social, or psychological reasons, cannot successfully make the transition from the area where they were born, own their homes, and have spent most of their lives. Many professional and business men have worked together to sustain the area, have contributed buildings and equipment, and badly need outside help to rebuild and develop their home communities. Finally, there must be taken into consideration the extent of public, social, and economic investment which already exists in these areas and which must be duplicated elsewhere at greater cost when existing communities are abandoned.

A great amount of relocation of labor has already taken place. Many young people have left distressed areas in search of places where economic opportunities are more promising. A declining population is a sure indicator of economic distress. Unfortunately, out-migration usually takes place among the prime element of the labor force, the younger, more aggressive, more productive "self-starters." Unless an alternative to out-migration can be provided, it gradually robs an area of its most important ingredient for rehabilitation, the existence of an available high-quality labor force.

Consequently, the cycle of depression for an area is a vicious cycle which feeds upon itself. Since a declining economic base results in a local inability to finance the public improvements necessary to attract new industry, the young people who are unable to secure employment and who are concerned about their economic futures are forced to leave the area. Prospective new employers thus find the area burdened not only with inadequate public facilities but with an untrained or inadequate labor force, and they turn to more attractive locations.

This legislation is designed to break this constant cycle of economic distress which has plagued, and which will continue to plague, many areas of the United States until we begin to help people to help themselves to break the pattern.

We have an ever-changing economy. In recent years the process of change has speeded up. New processes are developed. Old habits change. Resources become depleted. These great economic readjustments are necessary to the economic vitality of our Nation. There is no necessity to accept as inevitable this wreckage which the winds of economic change can leave behind. It is possible to accelerate the

necessary adjustment process. We can help areas diversify their economic base and develop economic vitality. We can encourage them to exert their own efforts more intelligently, more vigorously, more purposefully, and therefore more successfully.

This is the purpose of the proposed legislation. This is the reason this bill is urgently needed.

THE ADVANTAGES OF A COMPREHENSIVE PROGRAM

The proposed legislation offers a comprehensive program of grants and loans for public works and development facilities, loans and other assistance for commercial and industrial facilities, technical assistance, planning assistance for appropriate economic and geographic areas of all sizes, and encouragement for depressed areas to combine with their more prosperous neighbors for the benefit of all.

Each part of the program reinforces the others. Public works and related facilities are necessary to the development of new job-creating businesses, but adequate means must be available to insure the actual establishment or expansion of the new businesses. In like manner, a business loan program, useful as it may be by itself, is inevitably limited to those areas which have facilities able to support new or expanding businesses. Without a public works program to support it, its usefulness is severely limited. These problems can be partially solved through the use of technical assistance.

Another major improvement in the proposed legislation is the provision of assistance and encouragement for economic development activity to take place at the location where its effect can be most powerful. For some forms of development activity, the proper location will be the development center. For others, it will be the community or county. For others, it will be the labor market area. For others, the multi-county district. And for others, it will be the multistate region. Economic development activities are important at all levels—community, county, district, State, and region—and this bill provides encouragement and appropriate assistance at every level.

THE IMPORTANCE OF PRIVATE ENTERPRISE

The committee wishes to make it clear that one of the basic purposes of this bill is to help businessmen provide jobs in the areas where jobs are most needed. One basic method to provide jobs in distressed areas is to encourage private businessmen to establish new businesses or to expand existing businesses in distressed areas. This is a sensible approach, and it is the approach taken in this legislation. We welcome businessmen as vital and necessary partners in this war on geographic economic depression, and the Government's share of this partnership must include the special incentives of this bill, such as low-cost, long-term loans and working capital guarantees.

Those who object to the special aids and inducements afforded to businesses under this program should keep in mind that the Nation must rely on private businesses to provide the jobs to put unemployed persons back to work. Inevitably, the only other alternative is an ever-increasing system of public welfare assistance for persons who are willing and able to work.

SAFEGUARDS

The bill contains a number of safeguards which should reassure those who fear that unwise administration could result in abuses.

First, the antirelocation provisions of the Area Redevelopment Act have been strengthened to make certain that the act not only cannot be used to move businesses from one area to another, but also that it cannot be used to relocate work from one area to another.

The Secretary of Commerce, in his testimony before this committee, expressly pledged his vigorous enforcement of this provision.

The committee is convinced that the language in the act, together with the testimony of the Secretary of Commerce, insures that this legislation will not be used to relocate businesses, jobs, or work from one area to another. The purpose of this bill is to help guide a modest portion of the Nation's unparalleled economic growth into distressed areas, not to move existing economic activity.

A second safeguard against unwarranted Federal intrusion into local economic affairs are those provisions in the bill which require local initiative to bring the program into operation within an area in order to receive benefits under it.

As the President said in his message of March 25 on area and regional economic development:

No Federal plan or Federal project will be imposed on any regional, State, or local body. No area will be declared distressed by Federal decree * * *. No program or projects will be originated at the Federal level. The initiative, the ideas, and the request for assistance must all come *to* Washington, not *from* Washington.

Under this legislation, communities and areas will be required to develop their own plans. Federal assistance will be available, but the initiative must come locally. In addition, there is provision at every point for concurrence by appropriate local and State authorities.

This program is based on a partnership, not only between government and business, but also among governments—local, county, State, and Federal.

TITLE I

GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES

Title I of the bill would authorize appropriations of \$400 million annually for 5 years to pay from 50 to 80 percent of the cost of public works and development facilities (1) which would improve the opportunities for the successful establishment or expansion of industrial or commercial plants or facilities; (2) which could otherwise assist in the creation of additional long-term jobs; or (3) which would substantially further the objectives of the Economic Opportunity Act of 1964.

These objectives would be accomplished by providing direct grants of 50 percent of the cost of eligible projects, and by providing authority to make supplementary grants which would bring the Federal share up to but not to exceed 80 percent of the total cost of such projects. Supplementary grants would be available to increase the amount

of direct grants made under this title or to reduce the required local share of grant-in-aid projects approved under other Federal programs, including watershed projects.

Not more than 15 percent of the appropriations made under this title may be used in any one State.

Competition with privately owned utilities

Language is provided under sections 101(e), 201(d), and 703(e) which would prevent the act from being used for purposes which would compete with an existing private utility subject to State or Federal regulation. The Secretary would, in fact, be prohibited from financing the cost of facilities for the production, generation, or transmission of gas or electrical energy, or for the distribution of electrical energy.

The language of the bill does not prohibit financing facilities for gas distribution which do not compete with existing utilities, because the committee recognizes that assistance may be required for local communities to undertake the extension of short line distribution gas to industrial sites.

These provisions are intended to prevent the approval of projects which would compete with privately owned utilities, and the committee is confident that the Secretary of Commerce will administer the proposed act in a manner which will insure that the intended effect will be realized.

Types of facilities eligible for assistance

The use of the term "development facility" is novel and merits further definition. By the term "development facility" the committee intends to include not only public facilities as they are commonly understood, such as water or sewage systems or public buildings, but also any other type of facility undertaken by an eligible applicant which makes a general contribution to the economic development of an area, such as industrial parks, health facilities, or recreational and tourism complexes in appropriate cases.

The Secretary of Commerce stated that the following are typical examples of development facility projects which could receive assistance under the proposed act:

All types of publicly owned public utilities related to economic development, such as waterworks, water and sewer lines, waste treatment plants.

Streets and roads needed for industrial or commercial development.

Harbor facilities, railroad sidings, water reservoirs, dams, bridges.

Airports.

Industrial parks (land improvement and site utilities).

Tourism facilities.

Area vocational schools.

The committee understands the following types of facilities ordinarily would not be appropriate, since their relationship to economic development is much more tenuous:

Courthouses and townhalls.

Swimming pools not related to tourism.

Playgrounds.

The committee believes that the distinctions made by the Secretary of Commerce are sound, but it wishes to point out that the above-listed projects are examples only, and the Secretary has the flexibility to make the best possible decision regarding individual projects which will most advantageously carry out the purposes of the act.

The importance of economic effect and economic need

The committee is of the opinion that the proposed annual appropriation for title I of \$400 million, even though it is more than the administration suggested, will not be sufficient to enable the approval of all the worthy projects which will be submitted from all of the eligible areas.

It might therefore be desirable for the Secretary eventually to attempt to establish a system of priorities for the selection of projects. The system ought to include some means of assuring that expenditures are allocated as equitably as possible among the States, but it should always give primary consideration to the relative needs of areas and the overall objectives of the act.

The committee hopes that the Secretary will see to it that added weight is given to projects which have the greatest economic multiplier effect, which come from areas of most critical economic need, or which contribute most to economic growth.

How to determine economic need

The committee is aware of the fact that the criteria of economic need are many, and that the experts disagree on which criteria are most important. Some rely on rates of taxation, bonding capacity, assessed valuations, and the like. Others believe that rates of unemployment and levels of income are more appropriate. The common element in all of these approaches is an attempt to devise some sort of means test to determine a community's apparent ability to finance its own improvements.

Under the Public Works Acceleration Act, however, the Secretary of Commerce published a list of all areas eligible for assistance and then determined the level of grant assistance for each area on the basis of objective statistics, either of very high and persistent unemployment or of very low median family income.

Such a system may occasionally result in inequities, as when a poor community in a relatively well-off county is denied supplementary grant assistance on the basis of the county's moderate overall employment situation. On the other hand, levels of unemployment and rates of family income are standardized statistics generally comparable across the Nation, in contrast with levels of taxation, bonding authority, and property assessments which often lack uniformity even within a single State.

Accordingly, since virtually all areas participating in this program will be designated on the basis of need, the committee hopes that the Secretary will follow his stated intention to publish a list of all eligible areas, indicating the amount of supplementary grant, if any, which would be available for various projects in each area. A system which attempted to distinguish between areas on the basis of their apparent "ability to pay" would not seem to be appropriate to a program of this type. The distinction between areas for the purpose of supplementary grants should be based on unemploy-

ment or income with areas of high unemployment or low income generally being entitled to higher grants.

The Secretary should reserve the right to extend supplementary grants only to those projects which have a substantial economic effect.

Review by local governmental authorities

Sections 101 and 201 require the Secretary to issue regulations which will assure that appropriate local governmental authorities have been given a reasonable opportunity to review and comment upon proposed projects. The committee believes that it is important to plan and carry out economic development programs with the full cooperation and support of local governmental authorities. However, it is the intent of this language that, except for those exceptional projects which necessarily involve the cooperation and participation of many local governmental units, only one local governmental authority need review and comment on any specific project. In exceptionally large projects, involving several jurisdictions, the major political subdivisions principally affected should be afforded a similar courtesy.

The committee hopes that the Secretary will also establish procedures to make sure that reviews by local governmental authorities will not add further complications and delays to the processing of projects under this act.

Cooperation with the States

The committee is confident that the Secretary will administer the proposed act in full cooperation with the States, many of which have active and effective programs for economic development. The committee is concerned, however, that too many levels of review and comment will unnecessarily complicate and delay the processing of projects. The committee hopes that the Secretary will issue regulations to make sure that consultation with the States will not unduly hinder the expeditious administration of the program.

TITLE II

OTHER FINANCIAL ASSISTANCE

Title II provides for a program of loans for public works and development facilities, and of loans and guarantees for industrial and commercial facilities, and establishes a revolving fund.

Section 201—Loans for public works and development facilities

Section 201 provides loans up to 40 years for public works and development facilities. Eligibility criteria would be the same as for section 101 (grant) projects, with additional provisions which would make it possible for loan assistance to be provided to communities for the local share of certain direct Federal projects including cost-sharing in the case of flood control projects built by the Corps of Engineers. Grant assistance would not be available for such direct Federal projects under title I.

The interest rate for loans made under this section would be computed by taking the current average market yield for U.S. obligations with remaining maturities comparable to the average maturities for such loans and reducing it by one-half of 1 percent per annum. At

current rates, this would result in an interest rate to borrowers of $35\frac{1}{8}$ percent.

This formula provides for what amounts to an interest subsidy of one-half of 1 percent per annum for such loans. The committee believes that this subsidy is reasonable in view of the need for this program to carry out the purposes of the act and the overriding public need for providing loan funds for public works to needy communities on terms comparable to those available on the private market for the more prosperous areas.

No competition with private investment

It should be emphasized that this formula provides funds at a rate well above the current average interest cost for rated tax-exempt securities on the private market. Moreover, if this section of the act is administered in a manner comparable to the manner in which similar programs have been operated under the area redevelopment program and under the public facility loan program, all securities which the Government offers to buy under this section will first be made available to private lenders, and if their bids are made on terms which the Secretary believes would permit the accomplishment of the project, the Government will withdraw its offer to buy in favor of the private lenders.

This committee urges that this procedure be followed so that the Government will not engage in unfair competition with private lenders.

Availability of other funds

Language is provided under sections 201 and 202 (development facility and business loans) which would require the Secretary to establish, prior to the approval of any loan, that the funds are not available from other Federal agencies or from private lenders on terms which would permit the accomplishment of the project.

This would require the Secretary to make a specific finding in each case that the funds are not otherwise available on terms which would permit the accomplishment of the project within the eligible area.

Appropriation authorization

Section 201 provides authorization for an appropriation of \$170 million annually for 5 years to carry out sections 201 and 202. A question has been raised as to the advisability of dividing this authorization to provide a specific amount for section 201 and a specific amount for section 202.

In coming to the conclusion that no further breakdown should be attempted, the committee was guided in part by experience under the Area Redevelopment Act. Under this act, separate authorizations were provided for loans for commercial and industrial facilities and for loans for public facilities. Budget estimates were prepared by the Secretary and submitted to Congress each year on that basis. Congress consistently found it more convenient to appropriate a single sum for loans without distinction as to the purpose of the loan. This being so, and because it deems a broad flexibility in the use of funds to be desirable in a program of this type, the committee decided to authorize one amount for loans for both development facilities and industrial or commercial facilities.

Section 202—Loans and guarantees

Section 202 of the proposed act provides a system of (1) long-term, low-cost loans for the acquisition and development of land, buildings, machinery, and equipment for commercial and industrial usage; and (2) guarantees of private loans for working capital in connection with business loan projects.

Section 202 consists basically of the business loan provisions of the Area Redevelopment Act, improved by the addition of the loan guarantee program and less stringent provisions for community financial participation in these proprietary projects.

Loans would be available to private or public borrowers for up to 65 percent of the cost of a project and for as long as 25 years. Working capital guarantees would be available for up to 90 percent of the outstanding balance of the loan.

Interest cost

The interest on direct loans made under section 202 would be computed on the basis of the current average market yield on obligations of the United States with remaining periods to maturity equal to the average maturities of these loans, plus such additional charge, if any, as the Secretary may determine to be consistent with the purposes of the act.

At the present time, the interest rate computed on this basis would be $4\frac{1}{8}$ percent per annum, unless the Secretary determines some additional charge to be necessary.

The committee hopes that the Secretary will take into consideration the fact that the proposed formula already would have the effect of raising the rate on commercial and industrial loans above the current 4 percent ARA rate, even without an additional charge. The imposition of a further charge at this time could hamper the effectiveness of the new program at its inception.

Working capital guarantees

The provision of a working capital guarantee program under this legislation raises several questions: First, should there be a maximum duration for such loans? Second, should there be a limitation on the amount of interest charged by private lenders for guaranteed loans? Third, should working capital loans which are guaranteed also be secured by project assets? Fourth, should a premium be added to cover the costs of the guarantee?

With regard to a maximum duration for working capital loans guaranteed under this program, the committee does not see the need for a legislative provision. Since working capital loans will be made by commercial banks in most cases, they will not want to tie their capital up for long-term loans, and they can be relied on to establish conservative terms as to the duration of their loans. We believe we can also rely on the Secretary of Commerce to see to it that there is no abuse of this flexibility.

Similarly, although we believe that it may be desirable to set maximum interest rates for loans eligible for guarantees, we do not believe that it is desirable to set such maximums by law. Rates of interest change from time to time, making it necessary to vary maximums ac-

cordingly. However, the Secretary may want to establish initial maximum interest rates which may be charged on working capital loans for which guarantees are provided.

Working capital loans which are guaranteed by the Secretary should not be allowed additional liens on project assets, and we hope that appropriate procedures to this effect will be prescribed. However, we would have no objection to working capital lenders obtaining additional security outside of project assets by seeking personal guarantees, liens on receivables and inventories, and the like.

The Secretary has testified that he intends to add a premium on loans covered by working capital guarantees to reduce the cost of the guarantee program. We believe that such a charge would not be inappropriate.

Since the Secretary will have to keep an adequate reserve for the purchase of defaulted working capital loans out of the total amounts authorized for both sections 201 and 202, he will, in effect, be limited by maximum appropriations and by the need to use most of the appropriations for the other purposes authorized by title II. This being so, any further limitation would merely detract from the flexibility the committee intends that the bill should have, and would be unnecessary.

Community participation in industrial and commercial loans

The Area Redevelopment Act provided that at least 10 percent of the cost of industrial and commercial projects had to be provided by a State or local government or by an area organization either as equity capital or as a deferred loan with a lien inferior to that of the Federal Government. This provision caused considerable difficulty, especially in the most needy communities. Very few local governments have the authority to provide tax funds for projects of this type, and only a few States have helpful legislation in this regard. Hence, the prospect of raising 10 percent of the cost of \$1 or \$2 million projects from local citizens on conditions which involve substantial risks and no return of principal for as long as 25 years, defeated many promising projects at the start.

The proposed legislation would reduce the local share from 10 to 5 percent and allow for repayment concurrent with the repayment of the Federal loan. Where the local share is being supplied by a local development corporation or similar organization, all segments of the community, including the business being assisted, should be allowed to contribute to that local share. In cases of demonstrated need, the Secretary would be permitted to waive the 5 percent requirement.

Inclusion of prior-acquired assets in project costs

Prior-acquired assets should be included as a part of project cost only when such assets are an integral part of the total project, and only when the project cannot otherwise be financed. For instance, a previously acquired machine already working at full capacity normally is not to be considered a part of the new project. But if the machine were being only partially used, and could be fully used as a part of the new project, it might appropriately be included in the project, provided its inclusion was at a conservatively appraised value and not in lieu of private financing which was otherwise available.

Tax exempt industrial revenue bonds and relocation of industries

Although section 202 lays down certain conditions under which aid would be denied if its effect would be to merely transfer jobs from one area of the United States to another, the overall principle of denial if job relocation would result is broadly stated in the introductory "Statement of Purpose" of the act. It is clearly intended that aid available under all titles of the act—including grants for public works and development facilities, loans for these purposes and for industrial and commercial enterprises, technical assistance and all other forms of aid—shall be denied if it is requested for the purpose of encouraging job relocation.

Moreover, in the committee's discussion of safeguards against plant relocation under federally subsidized programs, we noted the dangers growing out of the spreading use of revenues derived from the sale of tax-free State and local bonds to improperly abet private profit-making purposes. This practice allows a locality to utilize a Federal tax subsidy—on its own initiative and regardless of whether it is depressed or not—to build plants which then are generally rented at a cutrate price under lease-purchase arrangements to businesses lured from other areas. This industrial bond financing device is now authorized by 38 States.

While this misuse of the tax-free bond issuance privilege is not within the jurisdiction of the committee, and cannot occur under this program, it is noteworthy that in 1954 the House Ways and Means Committee proposed, and the House adopted, a change in the Internal Revenue Code which would have effectively ended the practice. Unfortunately, the Senate failed to act. We now urge a further consideration of the industrial bond financing practice by the appropriate committees of the Congress.

The act does not authorize assistance to be provided to an establishment which plans to relocate or has recently relocated from one area to another or to transfer work from one area to another, where the purpose of the relocation or transfer is to avoid collective bargaining obligations or to escape from a "high wage" to a "low wage" labor market area. It has long been a recognized policy of the Government to preclude the use of Federal funds in any form for assisting the "pirating" of work, industries, or plants from one locality to another, or for financing subcontractors to enable them to undertake contracts theretofore customarily performed in another area by other subcontractors or contractors. When such pirating occurs, it merely transfers the problems of unemployment and, therefore, does not warrant assistance under this bill.

The Public Works and Economic Development Act of 1965 is not intended to authorize the use of Federal funds for grants, loans, guarantees, subsidies, purchases of indebtedness, or assistance of any kind for programs, projects, facilities, or purchases to assist relocations by highly mobile, intensely competitive industries, such as the apparel or garment industry, in which substantial unemployment and unused plant capacity exists, and in which labor turnover is high and the prior possession of a specific skill or training is not typically a prerequisite for obtaining employment. The act is not intended to give a competitive advantage to one employer over another in order to add to industrial dislocation.

Reasonable assurance of repayment

Section 202 provides that before a loan can be made the Secretary must find that there is a "reasonable assurance of repayment." It would be well to clarify the committee's intent as to the meaning of "reasonable assurance."

The committee obviously does not intend that the Secretary should approve bad loans or provide terms so liberal that unscrupulous promoters may seek to make quick profits which leave the Government holding worthless notes.

On the other hand, the committee recognizes that a program of this type may well suffer losses from defaulted loans on initially promising ventures. Where a lending program is involved, there is always a temptation to adopt conservative policies in order to avoid criticism. For some, it is more convenient to take refuge in indecision or denials of assistance than to risk the consequences of positive action.

The committee hopes that the Secretary of Commerce will be willing to take reasonable risks on behalf of the Government in the administration of this loan program. It hopes that in determining what constitutes "reasonable assurance of repayment," the Secretary will take into account the purposes of the act and will, in all prudence, take greater risks in connection with those projects which, if successful, will contribute most to the fulfillment of the purposes of the act. It should be made clear to all at the outset that the purpose of this program is to provide funds for many projects which other lenders, but for the Government's investment, would not find attractive.

Revolving fund

Section 203 of the bill provides for a revolving fund into which funds appropriated for loans and guarantees, and funds collected on outstanding loans, would be deposited; and from which the Secretary will draw funds for the purpose of providing loans and working capital guarantees. This is designed to permit a greater flexibility and continuity in the program.

TITLE III

TECHNICAL ASSISTANCE, RESEARCH, AND INFORMATION

Title III of the bill authorizes appropriations of \$25 million annually for 5 years for technical assistance, research, and information. In essence, this portion of the bill is intended to expand the type of technical assistance which was available under the Area Redevelopment Act but limited to a \$4,500,000 annual authorization. This feature of ARA was one of its most successful aspects and its expansion should be of great value in fostering economic development.

A portion of the amount authorized would be used to provide grants-in-aid of up to 75 percent of the staff and administrative costs of appropriate State, district, and in some cases local planning programs. The local share of such costs could be provided in cash or in kind.

This feature will, we are sure, be warmly welcomed by the States, whose economic development efforts have been greatly hampered by inadequate funds. It will be welcomed as well by local and county economic development leaders, whose voluntary efforts up to the

present time have placed great demands on their own free time and, in the absence of full-time staff, have not been as effective as they might have been.

The provisions of title III specifically authorize the Secretary to provide management and operational assistance to help increase employment in eligible areas. Such assistance would be provided through the employment of appropriate private individuals, firms, or institutions. Title III also contains authority to provide training for personnel needed to conduct local programs of economic development.

Finally, title III directs the appointment of an independent study board consisting of governmental and nongovernmental experts to investigate the effect of Government procurement policies on regional development. The board would have 2 years within which to present its findings. The committee wishes to stress the importance of having this board independent and free to present its findings impartially to the Congress, together with such recommendations as may be appropriate. Federal members of the board should be limited to those who have necessary information for the board.

TITLE IV

AREA AND DISTRICT ELIGIBILITY

Title IV consists of two parts, part A dealing with area eligibility and part B dealing with district eligibility.

Part A—Area eligibility

Part A prescribes the methods by which areas become eligible for the benefits of the bill. Under the bill as originally considered by the committee, there are five such ways:

1. Areas may qualify on the basis of substantial and persistent unemployment in accordance with the same criteria which existed under the Area Redevelopment Act.

2. Areas may qualify if their median annual family income is 40 percent or less of the national median. This means that counties with a median annual family income of \$2,264 or less would currently qualify.

3. Additional Federal or State Indian reservations or trust or restricted Indian-owned land areas, having a population of 1,000 or more, may become eligible when the Secretary, after consultation with the Secretary of Interior or an appropriate State agency, determines that they show a relatively high degree of economic distress.

4. An area may qualify when it suffers a sudden loss of jobs of such proportions that unemployment is likely, within a 3-year period, to reach 50 percent above the national average unless corrective measures are taken.

5. All areas eligible under the Area Redevelopment Act as of March 1, 1965, will also be eligible under the proposed legislation until a first annual review of eligibility. Thereafter, they must meet one of the first four standards for their eligibility to continue.

In addition to these five methods for areas to become eligible, the committee has added language to subsection 401(a)(1) which directs the Secretary to designate as redevelopment areas those addi-

tional areas where he determines that there has been a substantial loss of population due to lack of employment opportunity.

The committee believes that the use of unemployment statistics to determine degree of economic distress, while generally satisfactory, often results in overlooking those areas which have had serious economic trouble, but where out-migration has reduced the unemployment rate.

The boundaries of eligible areas would be determined by the Secretary, but they would be limited (except for Indian lands) to "labor areas," as defined by the Secretary of Labor, or to counties, or to municipalities with a population of 250,000 or more, whichever is most appropriate.

Instead of monthly determinations of eligibility, as under the Area Redevelopment Act, eligibility would be determined yearly on the basis of annual average unemployment figures and such other data as the Secretary may have available.

In view of the fact that 1965 data may not be promptly available, the committee's desire is that the annual review take place as soon as practicable after the 1965 annual employment figures are available, and prior to June 30, 1966.

The committee has added language to make clear that whenever areas, on the date of the annual review, do not meet the criteria for designation, their eligibility must be terminated.

The committee does not believe that applications should be invalidated simply because an area's eligibility has been suddenly terminated. Communities put a great deal of time, effort, and planning into applications for projects and it would be wrong to waste this important work. However, the Secretary ought to prescribe procedures which would permit him to invalidate applications if the applicant fails to supply necessary information within a reasonable period of time or in some other way delays the processing of an application. Every effort should be made to act upon applications on file as soon as possible after an area has lost its eligibility.

Part B—Economic development districts

Part B of title IV establishes a new program for the designation (with State concurrence) of multicounty areas called economic development districts. Each economic development district will have to have at least two redevelopment areas, and must include at least one economic development center having sufficient potential to foster economic growth. The district itself would have to be large enough to have sufficient resources to support an economic development program.

An authorization for an annual appropriation of \$50 million for 4 years is provided to assist special projects in economic development centers and to pay bonuses of up to 10 percent of the cost of all grant projects otherwise assisted under title I and located within redevelopment areas which are cooperating in district programs. In order to allow a sufficient time for planning, this authorization would not be available until a year after the date of enactment of this bill.

Technical assistance funds would be available under the title III authorization to help the States organize economic development districts, and to help the districts obtain full-time personnel to help plan programs and to help carry them out. Nevertheless, it is the

committee's intent that grants-in-aid for district planning organizations should be made to them directly from the Federal Government.

The committee considers the economic development district program to be a highly important and valuable addition to the overall Federal economic development program.

TITLE V

REGIONAL ACTION PLANNING COMMISSIONS

Title V authorizes the Secretary to designate economic development regions on the basis of a historical relationship among the areas comprising the region and upon a finding that the region is generally lagging behind the Nation in economic development. He would then invite the region thus established to form multistate regional commissions.

In form, the proposed regions and regional commissions would be similar to the Appalachian Regional Commission. In fact, title V resembles the Appalachian Regional Development Act in most organizational respects. However, the only moneys provided in title V are an authorization of \$15 million annually for 5 years for grants-in-aid to the regional commissions. These grants-in-aid would be at the rate of 100 percent for the first 2 years, after which they would be reduced to 50 percent.

Title V would make it possible for additional States outside the Appalachian region to band together with the Federal Government to develop action plans for regional development. The full cost of this effort would be borne by the Federal Government for the first 2 years. Plans and recommendations of the various commissions would be submitted directly to the Secretary of Commerce, who would become the key Federal official coordinating the various programs of regional development.

Duplication with Appalachia

Questions have arisen as to the extent to which this bill should apply to areas eligible under the Appalachian Regional Development Act. It should be kept in mind that most of the programs of this bill are not available under the Appalachian Regional Development Act, and therefore ought to be made available under this act. However, there is duplication in the provision of supplementary grants for public works.

The committee has therefore added language to the bill to make clear that a project which has been finally approved for assistance under the Appalachian program, and for which funds have been set aside, cannot receive a duplication of such assistance under this program.

Assistant Secretary of Commerce

Title VI of the bill directs that the proposed act be administered by the Secretary of Commerce. It also provides for the creation of a new Assistant Secretary of Commerce and an Administrator, who shall perform such functions as the Secretary may prescribe.

The committee recognizes the need of the Secretary for additional help in view of the many added responsibilities which would be placed upon him by this bill, and believes that the new statutory positions which it would create are fully warranted.

Use of other facilities

Section 707 of the bill authorizes the Secretary, at his discretion, to use the facilities of other agencies and instrumentalities of the Federal Government in carrying out the provisions of this act.

The committee wishes to make clear its intent that this act should be administered as simply and efficiently as possible without complex and overlapping functions, excessive reviews, or unnecessary confusion.

The committee believes that one agency ought to administer the program and be responsible for it. To the extent that efficiency can be served by purchasing services and facilities from other agencies, the Secretary should by all means endeavor to do so. But he should also make every effort to organize this program in such a way that an applicant for assistance will deal with one agency, and only one agency, from the time he files his application until he receives his final disbursement. This ideal may not be practicable at first, but it is the committee's hope that the Secretary will strive constantly toward this goal.

Overall economic development programs

Economic development cannot be carried on in a haphazard manner. Running through the bill there is a continuing mention of overall economic development programs, which have come to be known as OEDP's.

Before a project can be approved under title I, the area must have an OEDP approved by the Secretary, and the project for which assistance is sought must be consistent with that program. There is a similar requirement for the approval of projects under sections 201 and 202.

Title IV, part A, provides that no area may be designated until it has an approved overall economic development program. Title IV, part B, requires proposed economic development districts to have a district overall economic development program which includes adequate land use and transportation planning and contains a specific program for district cooperation, self-help, and public investment. This program must be approved by the State and by the Secretary.

As further evidence of the emphasis in this bill on sound development programs, all of the benefits of title IV, part B, are postponed for a year to insure that there is time to prepare sound programs on which assistance can be granted. Projects approved under title IV, part B, must establish that they further the objectives of the district overall economic development program.

Assistance can be provided under title III to help in the formulation of overall economic development programs.

The committee wishes to underscore this emphasis on economic development programs. Projects assisted under this bill should not be submitted and approved in a perfunctory manner, but should insofar as practical be planned and carried out in accordance with logical, consistent, realistic, and agreed upon programs for economic development. The Secretary should strive to insure that these programs are constantly reviewed and updated, and that they have the interest and support of the community. There should be a method for seeing to it that an approved program is carried out, and the OEDP should pro-

vide not only for Federal projects, but also for projects which can be carried out entirely on a local basis. Programs should ultimately contain an explicit indication and explanation of project priorities, so that all who are working on the program may know and be agreed upon what must be done first, and so that they will cooperate in getting it done.

The bill now explicitly provides for the termination of areas which do not maintain current overall economic development programs. The committee hopes that the Secretary will give his full leadership and support to the implementation of this very important aspect of sound, long-range, economic development. However, the termination of an areas on the basis of an inadequate OEDP should be undertaken only when all other efforts to obtain the area's compliance with this requirement have failed.

Manpower retraining and training

The committee notes that the manpower training and retraining provisions of the Area Redevelopment Act are not contained in the proposed bill, but it is aware that this program was explicitly authorized to be continued under the recent amendments to the Manpower Development and Training Act.

The training provisions of the Area Redevelopment Act were, in the view of the committee, very important and very effective. One of the major reasons for this effectiveness was the leadership given by the Area Redevelopment Administration. The Administrator himself took a personal interest in training programs. Field coordinators worked closely with community development groups in organizing training programs. Staff assistance was provided from Washington.

The committee hopes that this effort will be continued and expanded, even though the proposed bill does not itself have training provisions. In particular, there should be field personnel working under the economic development program who are specialists in manpower training and who will intensify their work with local communities in the development of training programs in connection with their economic development activities. There should be continued and expanded efforts at all levels of this important aspect of revitalizing the economies of these depressed areas in order to prepare them for the earliest possible establishment of new job-creating industries.

HEARINGS

Hearings were held on H.R. 6991 and related bills on May 10, 11, 12, 13, 14, 18, 19, and 26, 1965. These bills were similar to the reported legislation, S. 1648.

In these hearings all those witnesses who desired to testify were heard. This included representatives of the Government—Federal, State, and local—as well as representatives of industries and private citizens.

COMMITTEE ON BANKING AND CURRENCY COMMENTS

Since title II and title IV of this legislation originated under the jurisdiction of the Committee on Banking and Currency of the House

of Representatives, the committee through the chairman, Mr. Fallon, of Maryland, advised the Committee on Banking and Currency and its chairman, Mr. Patman, of Texas, of the intention to hold hearings on this legislation and asked the Committee on Banking and Currency for its comments on the legislation with particular emphasis to title II and title IV of the bills.

The committee was advised that on May 11, 1965, the Committee on Banking and Currency held an informal hearing on the legislation. After this hearing the views of the Committee on Banking and Currency were forwarded by the chairman, Mr. Patman, to the Committee on Public Works. A basic excerpt from the correspondence received by Mr. Fallon from the Committee on Banking and Currency follows:

In general the committee approved of the liberalized financial assistance program under title II. It was felt that redevelopment areas could be assisted more quickly by this liberalized financial assistance program than other previous similar legislation.

Further, the committee felt that broadening the criteria of the act to make loans for needed public works, public service, and other direct or indirect facilities will increase the employment opportunities in a given area by making it more economically and socially attractive for business and industry to remain, expand, or create new plants in needed depressed areas.

COMMITTEE RECOMMENDATIONS

The committee recommends the enactment of this legislation. It believes that it combines the best features of two programs which have already proved to be effective ones and of a program which it believes will be as successful.

Evidence received by the committee during the hearings indicates quite clearly the necessity for this legislation and for this reason the committee reported it favorably and trusts it will be enacted into law.

CHANGES IN EXISTING LAW MADE BY THE BILL AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 303 OF THE FEDERAL EXECUTIVE SALARY ACT OF 1964

SEC. 303. (a) * * *

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(d) Level IV of the Federal Executive Salary Schedule shall apply to the following offices and positions, for which the annual rate of basic compensation shall be \$27,000:

* * * * *

(12) Assistant Secretary of Commerce [(4)] (5).

* * * * *

(e) Level V of the Federal Executive Salary Schedule shall apply to the following offices and positions, for which the annual rate of basic compensation shall be \$26,000:

(1) Administrator, Agricultural Marketing Service Department of Agriculture.

(2) Administrator, Agricultural Research Service, Department of Agriculture.

(3) Administrator, Agricultural Stabilization and Conservation Service, Department of Agriculture.

(4) Administrator, Farmers Home Administration.

(5) Administrator, Foreign Agricultural Service, Department of Agriculture.

(6) Administrator, Rural Electrification Administration, Department of Agriculture.

(7) Administrator, Soil Conservation Service, Department of Agriculture.

(8) Administrator, Bonneville Power Administration, Department of the Interior.

(9) Administrator of the National Capital Transportation Agency.

(10) Administrator of the Saint Lawrence Seaway Development Corporation.

(11) Deputy Administrators of the Small Business Administration (4).

(12) Associate Administrator for Administration, Federal Aviation Agency.

(13) Associate Administrator for Development, Federal Aviation Agency.

(14) Associate Administrator for Programs, Federal Aviation Agency.

(15) Associate Administrator for Advanced Research and Technology, National Aeronautics and Space Administration.

(16) Associate Administrator for Space Science and Applications, National Aeronautics and Space Administration.

(17) Associate Administrator for Manned Space Flight, National Aeronautics and Space Administration.

(18) Associate Deputy Administrator, National Aeronautics and Space Administration.

(19) Deputy Associate Administrator, National Aeronautics and Space Administration.

(20) Associate Deputy Administrator of Veterans' Affairs.

(21) Archivist of the United States.

(22) Area Redevelopment Administrator, Department of Commerce.

(23) Assistant Secretary of Agriculture for Administration.

(24) Assistant Secretary of Health, Education, and Welfare for Administration.

- (25) Assistant Secretary of the Interior for Administration.
- (26) Assistant Attorney General for Administration.
- (27) Assistant Secretary of Labor for Administration.
- (28) Assistant Secretary of the Treasury for Administration.
- (29) Assistant General Manager, Atomic Energy Commission.
- (30) Assistant and Science Adviser to the Secretary of the Interior.
- (31) Chairman, Foreign Claims Settlement Commission of the United States.
- (32) Chairman of the Military Liaison Committee to the Atomic Energy Commission, Department of Defense.
- (33) Chairman of the Renegotiation Board.
- (34) Chairman of the Subversion Activities Control Board.
- (35) Chief Counsel for the Internal Revenue Service, Department of the Treasury.
- (36) Chief Forester of the Forest Service, Department of Agriculture.
- (37) Chief Postal Inspector, Post Office Department.
- (38) Chief, Weather Bureau, Department of Commerce.
- (39) Commissioner of Customs, Department of the Treasury.
- (40) Commissioner, Federal Supply Service, General Services Administration.
- (41) Commissioner of Education, Department of Health, Education, and Welfare.
- (42) Commissioner of Fish and Wildlife, Department of the Interior.
- (43) Commissioner of Food and Drugs, Department of Health, Education, and Welfare.
- (44) Commissioner of Immigration and Naturalization, Department of Justice.
- (45) Commissioner of Indian Affairs, Department of the Interior.
- (46) Chief Commissioner, Indian Claims Commission.
- (47) Associate Commissioners, Indian Claims Commission (2).
- (48) Commissioner of Patents, Department of Commerce.
- (49) Commissioner, Public Buildings Service, General Services Administration.
- (50) Commissioner of Reclamation, Department of the Interior.
- (51) Commissioner of Social Security, Department of Health, Education, and Welfare.
- (52) Commissioner of Vocational Rehabilitation, Department of Health, Education, and Welfare.
- (53) Commissioner of Welfare, Department of Health, Education, and Welfare.
- (54) Director, Advanced Research Projects Agency, Department of Defense.
- (55) Director of Agricultural Economics, Department of Agriculture.

- (56) Director, Bureau of the Census, Department of Commerce.
- (57) Director, Bureau of Mines, Department of the Interior.
- (58) Director, Bureau of Prisons, Department of Justice.
- (59) Director, Geological Survey, Department of the Interior.
- (60) Director, Office of Research and Engineering, Post Office Department.
- (61) Director, National Bureau of Standards, Department of Commerce.
- (62) Director of Regulation, Atomic Energy Commission.
- (63) Director of Science and Education, Department of Agriculture.
- (64) Deputy Under Secretary for Monetary Affairs, Department of the Treasury.
- (65) Deputy Commissioner of Internal Revenue, Department of the Treasury.
- (66) Deputy Director, National Science Foundation.
- (67) Deputy Director, Policy and Plans, United States Information Agency.
- (68) Deputy General Counsel, Department of Defense.
- (69) Deputy General Manager, Atomic Energy Commission.
- (70) Associate Director of the Federal Mediation and Conciliation Service.
- (71) Associate Director for Volunteers, Peace Corps.
- (72) Associate Director for Program Development and Operations, Peace Corps.
- (73) Assistants of the Director of the Federal Bureau of Investigation, Department of Justice (2).
- (74) Assistant Directors, Office of Emergency Planning (3).
- (75) Assistant Director, United States Arms Control and Disarmament Agency (4).
- (76) Federal Highway Administrator, Department of Commerce.
- (77) Fiscal Assistant Secretary of the Treasury.
- (78) General Counsel of the Agency for International Development.
- (79) General Counsel of the Department of the Air Force.
- (80) General Counsel of the Department of the Army.
- (81) General Counsel of the Atomic Energy Commission.
- (82) General Counsel of the Federal Aviation Agency.
- (83) General Counsel of the Housing and Home Finance Agency.
- (84) General Counsel of the Department of the Navy.
- (85) General Counsel of the United States Arms Control and Disarmament Agency.
- (86) General Counsel of the National Aeronautics and Space Administration.
- (87) Governor of the Canal Zone.
- (88) Manpower Administrator, Department of Labor.
- (89) Maritime Administrator, Department of Commerce.

(90) Members, Foreign Claims Settlement Commission of the United States.

(91) Members, Renegotiation Board.

(92) Members, Subversive Activities Control Board.

(93) Members, United States Tariff Commission.

(94) President of the Federal National Mortgage Association.

(95) Special Assistant to the Secretary (Health and Medical Affairs), Department of Health, Education, and Welfare.

(96) Deputy Directors of Defense Research and Engineering, Department of Defense (4).

(97) Assistant Administrator of General Services.

(98) Director, United States Travel Service, Department of Commerce.

(99) Executive Director of the United States Civil Service Commission.

(100) *Administrator for Economic Development.*

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MINORITY VIEWS ON S. 1648

We are in favor of the basic objective of S. 1648, which is to help alleviate conditions of economic depression wherever such conditions exist in our generally prosperous Nation. Nevertheless, we are strongly opposed to the enactment of S. 1648, because we believe that the measures it provides have been proved to be wasteful and ineffective, that the bill as reported was hastily and poorly drafted, and that the Congress would be abdicating its responsibilities if it enacted a bill of such sweeping scope with so few congressional guidelines and controls for proper administration. No matter how worthwhile and commendable the objectives of the bill may be (and we agree that they are worthwhile and commendable) this does not justify the enactment of a bill having the demonstrated defects of S. 1648. Good intentions are no substitute for good legislation.

In these views, we discuss the major factors which force us to oppose the bill. We sincerely hope that S. 1648 will be rejected by the House of Representatives, so that work can begin on a bill to provide realistic, workable, and effective means of alleviating economic depression.

UN SOUND BASIC CONCEPT

We fully support the objective of alleviating social, educational, and economic poverty wherever it exists in any part of the Nation. We are strongly opposed to S. 1648, however, because we believe that its proposed "solutions" to economic problems are not solutions at all, and may result in more harm than good. Basically, the bill provides for massive and indiscriminate Federal spending in areas which *statistically* lag behind other areas of the Nation, in the unsupported hope that this will somehow solve whatever economic problems may exist in such areas. We do not agree with this approach.

A patient who consults a doctor for treatment for a particular ailment should be treated for that ailment—not some other, unrelated ailment. The wrong treatment may be worse than no treatment at all. If a healthy patient is overtreated or overdosed with a constant supply of medicines and vitamins, he may become overdependent on such medication, and be unwilling to stand on his own feet, to help himself along with self-reliance. The President has repeatedly assured us that the economy of our Nation is gratifyingly healthy. This being true (and we believe that it is) continued medication in the form of governmental meddling and Great Society spending for the purpose of artificially stimulating an already healthy economy may do more harm than good.

Factors that underlie lack of economic growth in a locality or region, or that cause the economy of a once prosperous area to stagnate, are varied and often complex. The predominant factors, however,

are those relating to geographical location and land terrain, aridity, lack of natural resources or depletion of such resources that once existed, departure or decline of formerly predominant industries, changes in consumer demand, sparsity of population, and transportation problems. S. 1648 offers nothing to correct or solve such problems. Instead, it seeks to artificially induce the location or reactivation of enterprises in uneconomical or disadvantageous areas, despite the existence of such unsolved problems.

At recent hearings on S. 1648 and its companion bill, H.R. 6991, held by the Committees on Public Works of the House and Senate, representatives of a number of multistate regions described economic plights of the areas they represented. Prime causes of economic retardation of five of the regions, as reported by their spokesmen, are as follows:

New England (areas within Connecticut, New Hampshire, Massachusetts, Vermont, Maine, and Rhode Island): The Governor of Vermont listed disadvantages of the New England region as including "general lack of industrial raw materials and its disadvantageous location." Handicaps of New England manufacturers were described as also including the high cost of fuel and power, long haul to market, and crucial transportation problems. Many of the areas involved were once prosperous, but textile mills moved elsewhere, farming declined, and there was not enough industrial diversification to take up the slack.

Great Lakes Basin (parts of Michigan, Wisconsin, and Minnesota): A once prosperous economy has experienced distress resulting from the decline of industries related to the now-depleted resources of timber and high grade ore. The commercial fishing industry has suffered because of the natural disaster of destruction of fish by lampreys. Farming is no longer competitive with areas having more productive soil and longer growing seasons. The greatest potential for the region lies in the exploitation of tourism.

Great Plains States (South Dakota, North Dakota, Montana, and Wyoming): The principal economic-growth handicaps are semiarid lands, sparse population, and lack of large cities. With the development of agricultural mechanization, fewer people are able to take their living from farming. Development of tourism and recreational potentials is visualized.

Ozarks region (parts of Oklahoma, Arkansas, and Missouri): The principal obstacle to economic growth is the mountainous terrain, with attendant problems. Subsistence farming on hill farms has largely disappeared. Development of the recreational industry is regarded as the most promising potential.

Intermountain region (contiguous parts of Colorado, New Mexico, Arizona, and Utah): This is largely mountain-plateau terrain, preponderantly public land. Major problems include water shortage, population sparsity, separation by mountain ranges from metropolitan centers and other markets, lack of roads, and general underdevelop-

ment. Economic dependence is largely on natural resources. It is regarded as having a high outdoor recreational potential if there were sufficient capital investments to develop facilities for a winter season complementary to the short summer season.

S. 1648 ignores these basic economic considerations, and takes the approach of transferring to a Government agency the responsibility of deciding where commercial investments are to be made and for what purposes. When resources are allocated by decision of an agency of Government it is inevitable that factors other than economic factors will be given consideration. We are convinced that this will represent a less efficient allocation of resources, and therefore will not meet human wants and needs as adequately as if the investment had been guided by economic factors. This position rests upon the basic and obvious proposition that *if an area had the potential for strong economic development, private enterprise would have undertaken such development as a natural incident of our strong and expanding economy.*

Business enterprises which locate in a particular area because of Federal "incentives" in the form of Federal financial assistance and subsidies are bound to be less strong and healthy than if they located in an area having a greater potential, on the basis of purely economic considerations. This means that Federal funds will be used to finance business enterprises which may be marginal, at best, which will increase the possibility of widespread business failures, and actually weaken our otherwise healthy economy.

Worse still, in our opinion, is the fact that when a business enterprise locates in a particular area because of the availability of Federal financial assistance, this may be to the detriment of the economy of other areas, and may give rise to unfair competition with enterprises which already exist, either in the area where the federally subsidized business locates or in other areas.

This point was clearly stated, during hearings on H.R. 6991, by a representative of the National Association of Manufacturers:

Subsidies do not create new markets, so it is inevitable that a new, subsidized industrial plant will compete for existing markets with industrial plants already established at no cost to the taxpayers. * * * It is manifestly unfair and unsound to tax existing industrial enterprises with a Federal corporate income tax only now being reduced to a 48-percent level, and then use this tax money to subsidize new competitors.

Where potential markets are available, nonsubsidized industrial enterprises will seek them out without the necessity of tax-supported subsidies. Thus, such a program unnecessarily uses public money to serve purposes which could be fulfilled by enterprises not dependent on subsidy.

The resulting subsidized competition cannot only be economically harmful to existing industrial enterprises located within the particular area but also to enterprises located elsewhere which serve the markets in that particular area. Thus, such projects would seem almost always to

be at the expense of some existing industry and existing jobs. This has been the most widespread criticism of this program.

We do not believe that Federal tax revenues should be expended in such a way as to damage existing business enterprises or to weaken the economy in particular areas, even if the result would be to strengthen the economy of other areas—and we do not believe this would be the result under S. 1648. We believe that the experience under the Area Redevelopment Act has conclusively established this, despite the glowing and optimistic pronouncements of officials of the Area Redevelopment Administration. On this aspect of the matter, reference is made to the numerous reports of the Comptroller General of the United States concerning the administration of the Area Redevelopment Act, about which more will be said later.

In addition to our other objections to S. 1648, we have serious reservations as to whether a particular area can or should be considered “economically distressed” and in need of massive Federal financial assistance simply because some bureaucratic Federal agency has compiled statistics purporting to show that it has a higher rate of unemployment or a lower median family income than other areas. Obviously, from a purely mathematical or statistical standpoint, some areas will *always* be behind others. It is wrong to jump to the conclusion that such a statistical position establishes “economic distress” and warrants massive Federal intervention and spending of tax dollars.

The nature of our economic system (which has been relatively free up to now) is such that it is inevitable that there will always be *some* unemployment, and some of it is convincing evidence of the basic strength of our economic posture because it permits elective unemployment.

The lists of unemployed persons include many who have applied for work, but are only casually interested in finding jobs. For example: retired persons with a livable income; teenagers or housewives who simply want to occupy their time or supplement their allowances; seasonal employees during off seasons; persons who are “between jobs” with enough assets to support them while they look for the most attractive opportunity. Such persons are no doubt seeking employment from a statistical standpoint, but many of them will accept it only if it happens to be to their personal liking. Scrutiny of the “Help Wanted” columns of the classified advertising sections of almost any large newspaper will demonstrate the fact that many job opportunities are available for those who really want to work. S. 1648 is not necessary for the aid of people only casually interested in employment.

The unemployment lists also include persons who cannot or will not accept employment. Such persons include those who are unemployable because of age, physical or mental defects, or lack of training or education, as well as those who simply will not go to work, such as welfare recipients and others who, for one reason or another, are just not interested in working. S. 1648 will not help these people because it contains no provisions directed toward their problems.

Statistical averages of median family income in particular areas are almost meaningless as a test of economic distress because of the importance of factors other than the naked dollar amount of family income. These factors include the costs of living in an area, personal assets such as home or property ownership, noncash income such as the production of home gardens, personal or area preferences in living standards, and the like. A family income which might be at or below the poverty level in one area may be more than adequate in a different area, because of some or all of these factors.

During hearings on this bill, the Committee on Public Works heard testimony concerning the plight of areas not eligible for assistance under the bill. The Governor of Alaska pointed out that his State will receive no assistance under S. 1648, because of relatively high median family income and relatively low unemployment rates. Yet the people of Alaska are confronted with real problems of economic distress because of the exceedingly high costs of living in that State. We are satisfied that there are many other areas in this same situation.

We are equally satisfied that many other areas which will be eligible for Federal financial assistance under the bill, because they meet the statistical criteria for area eligibility, are not really economically distressed or even depressed, and are not really in need of Federal financial assistance or intervention. This conviction is supported by the experience of a number of areas declared eligible for assistance under the Area Redevelopment Act without their prior knowledge and against their wishes, and by the very fact that under S. 1648 about one-third of all the counties in the United States will be eligible for massive Federal financial assistance to alleviate economic distress, in the face of Presidential assurances that the economy of the Nation is healthy and expanding. This is inconsistency of the highest order which, in the interests of rational, effective government, should not be overlooked by the Congress.

REENACTMENT AND EXPANSION OF THE DISCREDITED ARA AND PWA PROGRAMS

S. 1648 would reenact and broaden the discredited and ineffectual programs of both the Area Redevelopment Act and the Public Works Acceleration Act into a combined program to be administered by a new agency to be established in the Department of Commerce. This new program, which would provide Federal grants up to 80 percent of the costs of projects, as well as loans for commercial and industrial facilities, guarantees of private loans for working capital, and other "benefits," is objectionable for the following reasons, among others:

1. *The same ineffective ARA and PWA programs expanded under a new label.*—The programs provided under this bill are nothing more than a hodgepodge of the old ARA and PWA programs, which clearly have not restored vitality and forward motion to distressed areas.

It required only 2 years of experience under ARA to demonstrate to the Congress that the lofty purpose of cleaning up pockets of poverty in the United States could not be accomplished with ARA methods, and the Congress refused to expand the program in 1963. Now, in 1965, we are again being asked to expand the ARA philosophy. The PWA program was justified to the Congress in 1962 as a measure to create temporary employment to help bring the country out of a supposed recession. Evidence of the past performance of the PWA program clearly shows that it did not substantially reduce unemployment, that the per-man-year cost of jobs on many projects were excessively high, and that many projects did not meet an essential public need and were not permanent capital improvements. In 1963, when some Members of Congress were pressing for expanded authorizations for this program, the Secretary of the Treasury and the Director of the Bureau of the Budget testified that the Kennedy administration was opposed to additional authorizations, and no new authorizations have been enacted by the Congress. However, this PWA program would be resurrected by S. 1648. It appears that there is insufficient support in the House of Representatives for the enactment of either the ARA or PWA program alone, but by lumping the two together, and making them even broader, the Johnson administration hopes to "sweeten" the package sufficiently to reenact both.

2. *Discredited by the Comptroller General.*—Seventeen objective reports submitted to the Congress by the Comptroller General, whose office is an arm of the Congress and is independent of the executive branch, conclusively show that both the ARA and PWA programs have been poorly administered, that inaccurate and misleading information has been furnished to the Congress by the Area Redevelopment Administration with respect to both programs, and that neither program has produced the results claimed by the Area Redevelopment Administration. (These reports are discussed in a later portion of these views.)

3. *Long-term employment unlikely.*—While ARA- and PWA-type programs may create some temporary employment for contractors and their employees—who may not even live in depressed areas—the long-term employment effects of such programs have not been proved, even after the expenditure of almost \$1 billion dollars under the two existing programs.

4. *Doubles the authorizations of two unsuccessful programs.*—In spite of the fact that neither the ARA nor the PWA programs have been successful, this bill would authorize the appropriation of \$2 billion dollars for grants, which is more than double the combined grant authorizations under both of these other programs, and would authorize the appropriation of \$3.325 billion for all of the programs contained in this legislation, which is more than 2½ times the total amounts of the ARA and PWA programs.

POOR ADMINISTRATION OF PRIOR ACTS

Many statements have been made to the effect that S. 1648 incorporates the "best features" of the Area Redevelopment Act, the Public Works Acceleration Act, and the Appalachian Regional Development Act of 1965, and that the bill was developed on the basis of the "valuable experiences" gained under those acts. As a matter of fact, detailed and documented evidence has been submitted to the Congress establishing conclusively that the Area Redevelopment Act and the Public Works Acceleration Act were not only ineffective but were administered so poorly as to raise grave questions as to the competency of persons responsible for such administration and their desires or efforts to comply with the intent of the Congress. Furthermore, although much has been said about the success and accomplishments of the Area Redevelopment Act and the Public Works Acceleration Act, no reliable evidence has been presented to the Congress to support these statements—quite the contrary.

Between May of 1964 and May of 1965, the Comptroller General submitted to the Congress 17 separate reports concerning the administration of the Public Works Acceleration and Area Redevelopment Acts. Without exception, these reports show serious deficiencies in administration. Attached hereto, as appendix I, is a brief summary of each of the 17 reports of the Comptroller General.

Particular attention is drawn to a report submitted to the Congress on May 3, 1965, 1 week before the House Committee on Public Works began its hearings on the Public Works and Economic Development Act of 1965. This report points out that Area Redevelopment Administration officials told a subcommittee of the House Committee on Appropriations that as of February 1964 ARA had approved a total of 285 industrial and commercial loans under section 6 of the Area Redevelopment Act, that these loans represented a total of \$120 million of Federal assistance, and that 34,168 jobs would be created after the projects had been in operation 1 full year. The Comptroller General disclosed that this information was completely erroneous.

The General Accounting Office found that 80 projects (out of the 285), which in fact had been completed and in operation for 1 full year, had actually resulted in only 4,912 jobs instead of the 9,539 estimated by the Area Redevelopment Administration—an overstatement of approximately 94 percent. The report states that if what was found in the 80 projects is true for all 285 projects (which we think is a reasonable assumption), then the Area Redevelopment Administration estimate of 34,168 jobs was overstated by approximately 16,600 jobs.

This and the other reports submitted to the Congress by the Comptroller General show, first, that the administration of the ARA and PWA Acts has been woefully inadequate, and, second, that the Congress cannot rely upon the validity of information submitted by ARA officials concerning the successes and accomplishments of the program.

The reports of the Comptroller General and the testimony of representatives of the General Accounting Office, who testified at the re-

quest of both Senate and House committees, have been completely ignored. In fact, the report of the Senate Committee on Public Works on S. 1648 (Rept. No. 193) directed some criticism toward the General Accounting Office for concerning itself with the obvious deficiencies of the program. The report of the Senate committee said, "The General Accounting Office should provide constructive criticism which would enable administrative agencies to obtain the objectives of acts as stated by Congress."

This is precisely what the General Accounting Office has been doing. It must be extremely frustrating to the capable and conscientious employees of that Office to have their findings and recommendations so little heeded by either the administering agencies or by the Congress.

The General Accounting Office was established by the Congress for the purpose of informing the Congress as to deficiencies in the administration of various programs. The Comptroller General of the United States is simply carrying out the duties imposed upon him by statute when he submits reports and recommendations to Congress, and we believe that he did his job well in reporting on the administration of the Public Works Acceleration and Area Redevelopment Acts.

VAGUE, AMBIGUOUS LANGUAGE OF THE BILL

Among the most disturbing aspects of this bill is its vagueness. Many of its provisions are vague and ambiguous. It is replete with meaningless and undefined terms and phrases, which no one, including the spokesmen for the administration, has been able to clearly explain and say with any certainty just what can or cannot be done under the bill.

Representatives of the General Accounting Office testified before the Committee on Public Works on the bill at the request of the committee. During the course of their testimony, these representatives recommended that consideration be given to clarifying and strengthening a number of the provisions of the bill. It is to be borne in mind that, first, these recommendations did not involve policy questions but were designed merely to clarify the bill and to simplify both its administration and congressional review of such administration, and, secondly, the recommendations were the outgrowth of the General Accounting Office's extensive review and study of the manner in which the Public Works Acceleration and Area Redevelopment Acts were administered.

The majority members of the Committee on Public Works paid little heed to these recommendations. In fact, some of the questions asked the witnesses implied that the General Accounting Office was somewhat presumptuous in making the recommendations, even though the appearance of the General Accounting Office representatives was at the request of the committee. At the urging of Congressman Cramer, the General Accounting Office representatives were asked to submit amendatory language to carry out their recommendations. This was done, and during executive sessions of the committee many of these amendments to the bill were offered by Mr. Cramer. Not

all of the amendments were offered, for the simple reason that it became quite apparent that the majority members had no intention of accepting any clarifying and strengthening amendments, and as each amendment was offered, it was rejected upon an almost strictly party-line vote.

Regardless of our views as to the basic wisdom of or necessity for this legislation, certainly we feel that it is incumbent upon the Congress to enact only legislation which is clear, comprehensive, and reflective of the intent of Congress. S. 1648, as reported, cannot be so described.

PARTICULAR OBJECTIONABLE FEATURES OF THE BILL

It would be impossible, in the limited time available to us, to prepare a full discussion of all of the deficiencies in the bill. However, a few of the most objectionable features are as follows:

1. *No requirement for maintenance of effort by States and local governments.*—There is no requirement, similar to that contained in the PWA Act, that States and local governments must increase their capital budgets by the amounts of the non-Federal share of the costs of projects for which they receive grants under the bill. In fact, there is no requirement that State or local governments even maintain their expenditures at a level not less than that of prior years, which is a requirement of the Appalachian Regional Development Act of 1965. Thus, States and local governments can substitute the increased Federal share of the costs of projects, provided by this bill, for their own funds that would otherwise be expended for the same or other projects under existing laws and thereby effect a reduction in their overall expenditures for public works and other facilities. If all the taxpayers of the Nation are to be called upon to bear extraordinary costs of projects for the development of areas selected to receive preferential treatment under this bill, it seems only fair to require that the taxpayers of such benefited areas at least continue to expend their own funds for capital improvements at levels comparable to prior years.

2. *Federally financed competition for private enterprise.*—Grants and loans may be made under S. 1648 for "public works, public service, or development facility usage," and related machinery and equipment. "Public service" and "development facility usage" are new terms, not used in either the PWA Act or the Area Redevelopment Act, and these terms are not defined in the bill. No satisfactory definition was provided by administration witnesses during hearings on this and related bills. The language of the bill in no way limits grants or loans to projects for constructing public facilities which are generally the responsibility of the Government to provide. It appears that the bill is broad enough to cover anything that the agency administering the bill decides constitutes "public service" or "development facility usage" that *tends* to promote development of the area, including facilities and services normally provided by private enterprise, such as bus and truck terminals, mass transit facilities, warehouses, industrial and commercial buildings of all

kinds, telephone and telegraph facilities, radio and television stations, theaters, hotels and motels, and tourist and tourism facilities, along with such things as swimming pools, golf courses, and ski lifts which have already been financed under the far more limiting language of the PWA Act and the Area Redevelopment Act. Obviously, a Federal financed activity could smother out the very life of any existing private, nonsubsidized enterprise in competition with it and would prevent competitive private enterprise from establishing within the area. If the Congress wants to kill the goose that lays the golden tax egg, this bill will go a long way toward accomplishing that end.

3. *Grants and loans may be made to private organizations.*—This bill authorizes grants and loans to be made upon application of private nonprofit organizations or associations. The “nonprofit” limitation doesn’t provide much protection to private, nonsubsidized enterprise from unfair competition, for so long as all earnings of such an organization or association are used to pay its expenses, including salaries on which no ceilings are placed by the bill, it qualifies. A local chamber of commerce, most any kind of a cooperative, or any other nonprofit private body could receive a grant or loan for practically any facility that *tends* to promote the development of the area. Furthermore, the bill only specifies who may make *application* for a grant or loan. It does not say who may be *recipients* of grants or loans. It can be assumed that designated applicants may receive grants or loans, but there is nothing in the bill to prevent an applicant from applying for a grant or loan to be given to a person or organization that cannot qualify as an applicant. This is merely one example of the loose and ambiguous language that is found throughout the bill, which may have been purposely drafted in this fashion so as to make it susceptible of any interpretations that the administration wishes to place upon it.

4. *Federally financed pirating of private industry.*—There is no provision in S. 1648, similar to that contained in the Appalachian Regional Development Act of 1965 (Public Law 89-4), to prohibit the use of Federal grants, under title I, loans under section 201, or grants and loans under title IV, in relocating any business or industry from one area to another or to enable plant subcontractors to undertake work theretofore performed in another area by other subcontractors or contractors. Grants and loans can be made to construct waterlines, sewers, sewage-treatment plants, streets, docks, railroad sidings, buildings, and any number of other facilities for the express purpose of inducing an existing business or industry to move from its present location to a redevelopment area or an economic development center. Plant pirating does not add to the national employment, it merely shifts employment from one area to another, and can quickly cause an area that is now prosperous to become depressed. It is manifestly unfair for the U.S. Government to attempt to solve the economic ills of one area of the country at the expense of another. Inasmuch as the sole antipirating provision recommended by the administration is the only one contained in the bill, and since this provision applies only to business loans and working capital loan guarantees, it is apparent

that the administration wants to be able to use all of the other financial assistance authorized by the bill to induce the relocation of existing industries. Such other financial assistance, that is not subject to the antipirating provision contained in section 202(b)(1), includes grants under title I, public works and development facility loans under section 201, technical assistance grants under title III, and grants and loans for projects in economic development centers and increased amounts of grants for projects in redevelopment areas that are consistent with "an approved district overall economic development program" under title IV.

5. *Authorization for grants exceeds President's request.*—Title I would authorize the appropriation of \$400 million annually, over a period of 5 years, for making Federal grants to pay up to 80 percent of the cost of "public works, public service, or development facility usage." Many of our objections to this title have been expressed elsewhere in this report. However, we want to draw specific attention to the fact that the annual amount authorized is \$150 million more than that requested by the President.

When the President transmitted the proposed Public Works and Economic Development Act to the Congress, he recommended that \$250 million annually be authorized for grants under title I. Surely, we should not press upon the President more money than he and his advisers believe is necessary to carry out the objectives of this bill.

The Senate Committee on Public Works amended the bill to increase the annual grant authorization from the \$250 million recommended by the President to \$400 million. *The Senate committee report on the bill contains absolutely no discussion of the reasons for the amendment and, in fact, contains no indication that the amendment was even made.* It has been stated that the increase in authorization is needed because there are presently pending some 2,518 applications for grants under the accelerated public works program totaling \$467,858,000, and that work on this backlog should be expedited. This does not justify the increase. Surely the President and his advisers must have considered these pending applications in reaching the decision to recommend annual authorizations of \$250 million.

In fact, Secretary of Commerce Connor submitted to the Senate committee an "Analysis of the APW Backlog" in which he stated, " * * * these figures have only limited significance as a measure of the potential demand for grants under section 101 of the Public Works and Economic Development Act * * *." He gave several reasons why this is so, and said, "Conservatively estimated, no more than one-third of the APW 'backlog,' or about \$150 million in grant requests, will be eligible under the new act."

The 1966 fiscal year budget does not provide for this \$150 million increase. Under these circumstances, and in the absence of any persuasive evidence that the President underestimated the amount of money needed, the increase should not be made.

6. *No standards for guaranteeing loans for working capital.*—Section 202 of S. 1648 provides for Federal guarantees for 90 percent of the amounts of loans for working capital. The Area Redevelopment Act specifically prohibits Federal financial assistance for working

capital purposes. The bill contains absolutely no limitation or guidelines concerning the working capital loans to be guaranteed. There is no limitation on the size of the loans to be guaranteed, the period or rate of interest, or other terms of the loans, and no limitation as to the amount of guarantees outstanding at any one time. The only limitation, which is not a real limitation, is found in section 201, which limits annual appropriations for the purpose of purchasing evidences of indebtedness, making and participating in loans, and guaranteeing loans to not to exceed \$170 million annually. There is no provision in the bill specifying what portion of this annual amount is to be spent for any one of these purposes.

7. *Revolving fund device to bypass congressional appropriations.*—A particularly objectionable feature of title II is the establishment of an "economic development revolving fund." This bypasses the Congress to a great degree, and deprives it of an opportunity to subject the operating program to an annual review through the annual appropriation process. As has been stated by the Comptroller General in a 1961 letter to Senator Robertson, chairman of the Senate Banking and Currency Committee:

The continuing feature of these authorizations avoids the need of annual appropriations, and thus there is less compulsion for careful evaluation by successive Congresses of the need for continuing particular programs. We believe that * * * combining program authority with funding, tends to perpetuate programs that might not otherwise stand the test of recurring congressional reviews.

Speaking to the same point, in 1965 hearings on this bill, the Comptroller General said:

We have consistently taken the view that the public interest is best served when congressional control of Federal activities is exercised through annual review and affirmative action on planned programs and financing requirements which attend the appropriation process.

The Comptroller General suggested that if the Congress decided to retain the revolving fund, the bill should be revised to provide that funds may be used for the loan programs and for administrative expenses only in amounts stipulated in annual appropriation acts. Mr. Cramer submitted an amendment to accomplish this, but, as in the case of many other desirable amendments, it was rejected.

8. *Inadequate needs standards for designation of redevelopment areas.*—Section 401 provides for the designation of redevelopment areas, which designation qualifies an area for financial assistance under the bill. It is significant to note that the Secretary may designate as redevelopment areas those areas which he determines, upon the basis of standards *generally comparable* with guidelines set forth in subsection 401(a), have experienced substantial and persistent unemployment. There is no requirement that such designation of areas by the Secretary comply strictly with the unemployment criteria set forth in this subsection. The Secretary may also designate

as redevelopment areas, areas which meet certain median family income criteria, certain Federal or State Indian reservations or trust or restricted Indian-owned land, and areas in which the Secretary determines the loss, removal, curtailment, or closing of a major source of employment has caused within 3 years prior to, or threatens to cause within 3 years after, the date of request for such designation, an unusual abrupt rise in unemployment that has exceeded, or will exceed, the national average by 50 percent or more.

In addition to these bases for designation of redevelopment areas, all areas which were designated redevelopment areas under the Area Redevelopment Act are eligible for designation as redevelopment areas under this bill, even though they do not meet any unemployment or low-income criteria for designation. This provision permits the inclusion of no less than 423 counties as redevelopment areas for financial assistance under this bill, which would not otherwise be eligible for such assistance.

A total of 1,068 counties are now eligible for designation as redevelopment areas under the provisions of this bill, constituting some 33 percent of the 3,049 counties in the 50 States of the United States. (Puerto Rico, Guam, the Virgin Islands, and American Samoa are also covered by this bill.) Thus, these 423 counties, which do not meet any criteria of need under the bill and which comprise approximately 40 percent of the eligible counties, will siphon off substantial portions of funds that would otherwise be available for more deserving areas—at least until the first annual review of area eligibility is made. Administration witnesses testified that the first annual review will not be completed until the summer of 1966 at the earliest. Even then, there is no assurance that all of these counties, which do not meet the unemployment, income, or other guideline criteria set forth in the bill, will be removed from eligibility, for such termination, by the provisions of section 402, is to be based upon standards prescribed by the Secretary of Commerce, and he has considerable latitude in setting such standards. Furthermore, a determination to terminate an area's eligibility does not put an immediate end to financial assistance to the area, for termination of eligibility cannot be made without 30 days' prior notification thereof, and does not affect the validity of any application filed or contract or undertaking entered into prior to such termination.

9. *Pyramiding of projects in the Appalachian region.*—There are 237 counties in the Appalachian region, as defined by the Appalachian Regional Development Act of 1965, which will be eligible for designation as redevelopment areas under S. 1648. In an obvious attempt to lull Members of the House into thinking that the Appalachian region would not be able to receive full benefit of the financial assistance provided by this bill, in addition to the more than \$1 billion authorized by the Appalachian Act, the committee adopted an amendment (sec. 103) which, in substance, says that no grant may be made under this bill for any project approved for a grant under the Appalachian Act. There was never any intention by the authors of the bill that a particular project would receive grants under both measures. But projects of the same type can receive Federal grants

under either act, thereby giving Appalachian areas two pieces of pie when redevelopment areas throughout the remainder of the country can have only one piece. Thus, these 237 Appalachian counties can receive direct grants under both acts for highways and roads, hospitals and other health facilities, vocational education facilities, and sewage treatment works, and can receive supplemental grants, under both acts, for up to 80 percent of the costs of projects for construction or equipment of facilities under all existing Federal grant-in-aid programs, other than highways under the Appalachian program (which is limited to 70 percent). The grant program under S. 1648 has been called "wall-to-wall Appalachia" since it covers all of the Nation, but as to the Appalachian region there will be two layers of Federal grants for many of the same kinds of projects.

At the time the Appalachian Act was debated in Congress, much was said about the subsequent consideration of other legislation to provide similar benefits for other parts of the country. This bill is that other legislation. It seems only fair and equitable that the Appalachian region should be excluded from financial assistance under this bill to the extent that the region is eligible for the same kind of assistance under the Appalachian Act.

A numerical summary, by States, of the counties in the Appalachian region which are also eligible for designation as redevelopment areas under S. 1648 follows:

State	Number of counties in the Appalachian region eligible for designation as redevelopment areas under S. 1648
Alabama	13
Georgia	19
Kentucky	43
Maryland	3
North Carolina	12
Ohio	21
Pennsylvania	42
South Carolina	0
Tennessee	29
Virginia	9
West Virginia	46
Total	237

10. *Prosperous areas may be designated as economic development centers and be eligible for financial assistance.*—The Secretary is authorized by section 403 to designate areas, having a population not in excess of 250,000, as economic development centers, without regard to any criteria of unemployment, low family income, or other consideration of economic depression. The same kinds of financial assistance available for projects in redevelopment areas may be provided for projects in economic development centers. Such financial assistance includes up to 80 percent grants and 100 percent loans for public works and development facilities, 65 percent industrial and commercial loans, and 90 percent guarantees of loans for working capital. This is another instance where the bill ignores any requirement of need and makes financial assistance available for projects in prosperous areas, which assistance otherwise could be provided

for projects in areas that are actually depressed and have real need for help.

11. *Federal payment of administrative expenses of federally dominated regional commissions without regard to eligibility of areas in the region for financial assistance under the bill.*—Under title V, the Secretary of Commerce is authorized to designate multistate economic development regions, but there is no requirement that such a region includes even one redevelopment area. Upon designating a region, he *must* encourage the States wholly or partially located within the region to establish a regional commission. Each commission is required to have one Federal member, who shall be cochairman of the commission and shall have veto authority over all actions and recommendations of the commission. This federally dominated commission will, among other things, develop plans and programs and establish priorities for development of the region, conduct and sponsor investigations, research, and studies, and prepare legislative and other recommendations with respect to Federal, State, and local programs, projects, and expenditure of funds in the region. This is a further extension of Federal control over State and local affairs through the regional commission gimmick, which had its trial run in the Appalachian Regional Development Act of 1965.

Even though redevelopment areas and economic development centers may comprise only a small part of a region, or none of it at all, under the provisions of section 505, the Federal Government will pay 100 percent of the administrative expenses of each regional commission for the first 2-plus years and 50 percent of its administrative expenses thereafter, forever. An amendment to limit such Federal payments to only those administrative expenses that are attributable to redevelopment areas and economic development centers designated under the bill was summarily rejected by the majority members of the committee.

12. *Program to exist in perpetuity.*—As originally proposed by the administration, the Public Works and Economic Development Act of 1965 contained absolutely no provision for a termination date and no limitation on the period for which funds would be authorized to be appropriated. This was not an oversight. In testimony before the House Committee on Public Works, Secretary of Commerce Connor testified that it was the recommendation of the administration that there be no limitation on the period covered by the program.

In the Senate, S. 1648 was amended to place a 5-year limitation on the authorizations for appropriations for grants under title I, for other financial assistance under title II, and for technical assistance, research, and information under title III. The bill, as reported by the House Committee on Public Works, contains a 5-year limitation on the annual authorizations for appropriations for Federal financial assistance within "economic development districts" and "economic development centers" under title IV and for Regional Action Planning Commissions under title V. However, the bill as reported still has no termination date to enable the Congress to reevaluate the need for continuation of the program. Section 203, which establishes the economic development revolving fund, title VI (administration), and title VII (miscellaneous, which includes a section granting extensive powers to the Secretary of Commerce) are not limited to any period of time.

It is clear from the testimony received by the House Committee on Public Works that before expiration of the 5-year period for which funds are authorized the administration will again come to the Congress seeking additional authorizations for appropriations for future years. The testimony of Secretary Connor on this point is very illuminating and is quoted here, in part, for the information of the House:

Mr. CRAMER. I am talking about the bill before us, the bill we have before us. We have no way of reviewing this, the authorizing committee, do we?

Secretary CONNOR. No, sir. This provides for an indefinite duration. We think continuity in these programs is extremely important.

Mr. CRAMER. Well, I do not know of many programs. Congress has not given continuity if they are worth their salt—and some of them that are not worth their salt have been given continuity. I do not think there is anything to worry about setting a reasonable period of time, an expiration date, at which time we can take another look at it. The Secretary would not agree to any period of time—5, 10, 15, or 20 years? Is not this problem ever going to be met?

Secretary CONNOR. Obviously it is within the prerogative of Congress to set a limitation on this. We are recommending it be of indefinite duration.

EXPANSION OF INEFFECTIVE AND COSTLY PROGRAMS IS INCONSISTENT
WITH TAX CUTS

We cannot afford so expensive a program \$2 billion for grants alone and \$3.325 billion for the entire bill, not including administrative costs, for the initial 5 years of the program, when our experience under PWA and ARA hold out so little hope for its success. Not only will the grant program under this bill cost more than twice that of the PWA and ARA grant programs combined, but the Federal share of the costs of individual projects is increased by this bill over that provided by the PWA Act, which was entirely a grant program. The PWA Act provides for Federal grants up to 50 percent of the costs of projects, or up to 75 percent of the costs if the State or local government does not have economic and financial capacity to pay all of its 50-percent share. S. 1648 authorizes Federal grants in the amount of 50 percent of the costs of projects, which may be increased to 60 percent if the project is consistent with the overall economic development program of the economic development district in which it is located, and up to 80 percent if the State and local interests, because of their economic situation, cannot supply the required matching share. (Of course, the State or local share of the cost of grant projects can be supplied by Federal loans under sec. 201 of the bill.) Enactment of S. 1648, and particularly title I, would be a repudiation of the pledge of the House of Representatives, in voting for an \$11.5 billion income tax cut in 1963 and 1964, to reject new pump-priming measures and give the private sector of the economy a chance to find solutions to its economic problems, particularly unemployment. The declaration of the Revenue Act of 1964 states:

To further the objective of obtaining balanced budgets in the near future, Congress by this action recognized the importance of taking all reasonable means to restrain Government spending and urges the President to declare his accord with this objective.

Within the past few days, the Congress passed the Excise Tax Reduction Act of 1965, which will reduce Federal tax revenues by almost \$5 billion annually. Just last week, the Congress passed H.R. 8464, to temporarily increase the public debt limit by \$4 billion, to an all-time high of \$328 billion. We simply cannot continue to go further and further into debt to support new programs that have highly questionable value without undermining the economic strength of the Nation, which is so important to maintain at this critical time of international tension.

CONCLUSION

The committee hearings and considerations of this bill have been an exercise of the utmost futility. The basic concepts of the bill have been proved to be ineffective, unneeded, and, in many cases, damaging. The bill provides for massive Federal spending without proper congressional review and controls, and at a time when we are faced with a frightening deficit. The bill was referred to the Committees on Public Works of the House and Senate, despite the fact that major provisions of the bill are properly within the jurisdiction of the Committee on Banking and Currency, which had previously handled legislation of this type.

Conscientious efforts were made to strengthen and clarify the bill so that it would be administratively workable, even though we disagreed with the basic concepts of the bill. Practically all of these efforts were summarily overridden.

In 1963, the Congress refused to extend the ARA Act. We sincerely hope that the Congress will again exercise such wisdom.

WILLIAM C. CRAMER.
JOHN F. BALDWIN, Jr.
JAMES R. GROVER, Jr.
CHARLES A. HALLECK.
CHARLOTTE T. REID.
JAMES D. MARTIN.

APPENDIX I TO MINORITY VIEWS ON S. 1648

SUMMARY OF REPORTS OF THE COMPTROLLER GENERAL OF THE UNITED STATES ON THE PUBLIC WORKS ACCELERATION AND AREA REDEVELOPMENT PROGRAMS

Between May 1964 and May 1965, the Comptroller General submitted a total of 17 reports to the Congress criticizing various aspects of the administration of the Area Redevelopment Act and the Public Works Acceleration Act. Following is a brief summary of each of these reports.

May 1964—Overstatement of number of jobs created under the public works acceleration program

The General Accounting Office reviewed 190 public works acceleration projects handled by the Community Facilities Administration. It was originally estimated that these projects would create 21,814 man-months of onsite work. The General Accounting Office's review showed that actually only 9,553 onsite man-months were worked. Thus, the estimates were overstated by 12,261 man-months or 128 percent. If what was found in the 190 projects is true for all of the 2,842 projects approved by the Community Facilities Act as of November 1, 1963, it would appear that the estimated 663,911 man-months (55,300 man-years) of work reported for these projects by the Area Redevelopment Act is overstated by about 373,000 man-months (31,000 man-years).

The General Accounting Office also reviewed data relating to 497 of the 128 Community Facilities Administration projects under construction as of November 1, 1963. This review disclosed that the 50,853 actual onsite man-months of work reported for these projects by the Area Redevelopment Administration Directory was overstated by 23,008 man-months or about 83 percent.

The General Accounting Office report points out that the Area Redevelopment Administration is responsible for the evaluation and coordination of the public works acceleration program and the summary tables of its directory are the only readily available measure of the accomplishments of the public works acceleration program with respect to the creation of employment. It was noted that the data contained in the September 1, 1963, Directory of Approved Accelerated Public Works Projects was used extensively in the Area Redevelopment Administration's testimony before the House Public Works Committee to demonstrate the progress and accomplishments achieved under the Public Works Acceleration Act.

June 1964—Assistance under the Public Works Acceleration Act to areas no longer burdened by substantial unemployment

A review by the General Accounting Office indicated that about \$21 million in public works acceleration funds were obligated for about 85 projects in areas which were no longer eligible at the time the grant agreement was consummated or which were due to become ineligible shortly thereafter. Termination of eligibility of the areas was because of improved employment conditions, and the report comments that it appears that the Community Facilities Administration or Public Health Service (which handled the projects) were aware at the time Federal funds were obligated for the projects that the areas were no longer burdened by substantial unemployment. Specific examples are cited concerning projects at Bridgeport, Conn., the Youngstown-Warren, Ohio, labor market area, the Canton, Ohio, area, and Livingston County, Mich.

August 1964—Unauthorized assistance to seemingly nondepressed areas under the Public Works Acceleration Act and the Area Redevelopment Act

About \$7.4 million of the funds authorized by the Public Works Acceleration Act and the Area Redevelopment Act for assistance to depressed areas were approved for projects in seemingly nondepressed areas. The areas involved were in Hawaii (Hawaii County), New Hampshire (Grafton, Coos, and Carroll Counties), Vermont (Orleans, Caledonia, and Essex Counties) and Delaware (Sussex and Kent Counties). In designating these areas as being eligible for assistance, there was no determination by the Area Redevelopment Administration that the areas met the specific unemployment or underemployment criteria prescribed by law. The designation was made on the basis that the law permitted at least one area in each State to be designated as an unemployment area. The General Accounting Office stated that, in its opinion, designation on this basis is not authorized by the Area Redevelopment Act.

October 1964—Public Works Acceleration Act assistance approved for areas under consideration for termination of eligibility

The General Accounting Office found that about \$26 million had been spent or committed for public works acceleration projects in areas of the Nation which the Secretary of Labor had found were no longer burdened by substantial and persistent unemployment according to the criteria of the statute or regulations. These areas received assistance because the Area Redevelopment Administration policies permitted the approval of public works acceleration grants during the 7- to 13-month period when the Area Redevelopment Administration was considering whether to terminate the depressed area designations.

October 1964—Employment opportunities in federally aided project generally restricted to individuals having funds to invest in business venture

This report involved a \$140,000 industrial loan under the Area Redevelopment Act to the Cowlitz Forest Products, Inc., Chehalis, Wash. The borrower generally required prospective employees, as a condition precedent to employment, to make substantial investment in the business venture through the purchase of shares of stock. Prospective employees were generally required to buy shares of both common and nonvoting preferred stock with a total investment per employee of about \$2,040. The borrower and associates maintained the majority of the voting common stock, thus retaining management control. Although information was available to make it evident that financial investment was a possible prerequisite to employment, this information was not considered by the appropriate Federal officials, and, on September 4, 1962, the Area Redevelopment Administration approved a loan of \$140,000. In October of 1962, the Area Redevelopment Administration became aware of the situation and advised the borrower that "such a requirement is not consistent with the primary intent and purpose of the ARA program since it tends to eliminate employment opportunities to those persons who lack financial funds to invest in the company." Despite this, the loan was disbursed, apparently on the basis that a refusal to do so would constitute a breach of faith and that it was too late to reexamine the entire loan application.

November 1964—Imprudent action taken in approving loans to assist the Roustabout Co., Frackville, Pa.

The Roustabout Co. applied for loans to assist in financing a plant for the production of a three-wheel light vehicle. The Small Business Administration reviewed the overall feasibility of the project and recommended that the Area Redevelopment Administration decline to make a loan to the Roustabout Co. because there was no basis for a determination, as required by the statute, that repayment of the loans was reasonably assured. This recommendation was made on the basis that there was a lack of (1) assurance that the product could be successfully marketed, (2) assurance that the project could be operated at a rate of successful profit, (3) adequate working capital, and (4) adequate collateral to secure the loan.

Despite the existence of these adverse conclusions by the Small Business Administration and despite the statutory requirement that repayment of loans must be reasonably assured, the Area Redevelopment Administration approved loans in the total amount of \$342,000.

On March 28, 1963, the loans were disbursed, and in June 1963 the borrower ceased production, and in November 1963 the borrower filed a voluntary petition of bankruptcy. The reason for the borrower's failure was its inability to market its product as had been warned by the Small Business Administration. On the basis of the Small Business Administration's estimates this may result in a loss to the Government of \$230,000.

December 1964—Inadequate analysis of employment opportunities to be provided by a federally assisted project

The Plant Food Center, Inc., Post Falls, Idaho, applied to the Area Redevelopment Administration for an industrial loan and reported that the project would create 7 jobs initially and 23 jobs at the end of the first year of operation. The Area Redevelopment Administration accepted the estimate of the borrower as to employment to be created and approved a loan for \$53,000. As a matter of fact, it now appears that no more than six full-time employment opportunities will result from the project. The General Accounting Office report states that "appropriate recognition of the available information would have shown rather convincingly that the borrower's estimate of employment opportunities were unrealistic."

December 1964—Ineffective actions taken in approving and administering a loan to Vineland and South Jersey Cooperative Egg, Auction & Poultry Association, Inc.

The Area Redevelopment Administration approved a loan of \$42,250 to Vineland and South Jersey Cooperative Egg, Auction & Poultry Association, Inc. The principal finding of the General Accounting Office was that in processing the loan for approval, neither the Area Redevelopment Administration nor the Small Business Administration adequately examined into the number of employment opportunities which could reasonably be expected to result from the project. Although the loan was approved in May 1962, on the basis that existing employment would be maintained and 27 new jobs would be created, an adequate analysis of information available or obtainable at the time the loan was processed for approval would have shown that no new employment opportunities could reasonably be expected. In fact, as of March 1964, there had been a reduction of eight jobs since loan approval.

In addition to this, the General Accounting office found that the Small Business Administration improperly disbursed about \$18,000 of Federal loan funds in excess of the amount permitted under the terms of the loan authorization.

January 1965—Inadequate evaluation of employment opportunities to be created by two industrial area redevelopment projects

First case: In June 1962, a plastic manufacturing plant applied for Federal financial assistance. The applicant stated that 50 persons would be employed at the start of operations and estimated that 100 persons would be employed at the end of 1 year of operation. However, estimates of projected income and expenses submitted by the applicant indicated that between 31 and 39 persons would be employed, depending upon sales volumes. In its formal loan application, the applicant indicated that the proposed project would create 58 new jobs and that in addition 10 existing jobs would be saved. The Area Redevelopment Administration approved a loan of \$325,000 and in its public announcement stated that the loan would help create 100 direct new jobs. Except for the applicant's estimate contained in the project proposal, the General Accounting Office

could find no evidence to support the Area Redevelopment Administration's announcement that the project was expected to create 100 new jobs. Since this estimate was contradicted by information submitted with the applicant's project proposal and loan application, the General Accounting Office concluded that "Neither the ARA nor the Small Business Administration was particularly concerned with the extent to which the project could be expected to alleviate unemployment and underemployment in the area in which it was to be located."

Second case: In August 1961, a seafood canning company applied for an ARA loan for constructing and equipping a seafood processing plant. In the proposal, the applicant stated that 350 permanent new jobs would be created by the venture during the first year of operation. In January 1962, the Area Redevelopment Administration approved a loan of \$632,135 which was later increased to \$756,294. In a public announcement, the Area Redevelopment Administration reported the 350 new jobs the applicant had initially estimated as the number of new job opportunities which would be created by the project. However, a review of the projected expenses by the borrower and other available information indicated that the estimated number of new employment opportunities considered by the Area Redevelopment Administration in evaluating the loan should have been reduced from 350 to about 126.

January 1965—Deficient financial analysis which resulted in approval of unneeded grants

Section 8 of the Area Redevelopment Act authorizes the Secretary of Commerce to make grants for the construction, etc., of public facilities within a redevelopment area, if he finds that (1) the applicant for the grant proposes to contribute to the cost of the project in proportion to its ability; and (2) there is little probability that the project can be undertaken without assistance of a grant.

In December 1962, the Pueblo of Laguna, an Indian tribe, applied for an ARA grant in connection with the construction of a new industrial plant which the Pueblo planned to build for lease. In the project proposal submitted to the ARA for grant assistance, the grantee stated that it was unable to finance the facility. Although the project proposal form submitted to the ARA called for a current statement of financial condition, none was submitted, but in the application the Pueblo did submit a summary of cash receipts and disbursements covering the preceding 3 fiscal years. Apparently on the basis of this material, a grant was approved in the amount of \$118,000. It was later learned that the Pueblo was "one of the wealthiest Indian tribes in the country due to the income received from the lease of that portion of the reservation upon which uranium had been discovered and was being mined." Twelve days after the grant was approved, the Bureau of Indian Affairs was asked for certain financial information concerning the Pueblo. The Bureau of

Indian Affairs, Department of Interior, advised that for calendar years 1960, 1961, and 1962, the grantee's income was \$1.6 million, \$1.7 million, and \$1.5 million; that the Pueblo cash balance at the end of 1962 was \$1.2 million; and that the market value of the Pueblo's investment in stocks and bonds at the end of 1962 was \$9,867,685. The General Accounting Office review revealed that the Community Facilities Administration and the Area Redevelopment Administration had available considerable evidence as to the prosperity of the Pueblo, including two credit reports received more than 6 months before the grant was approved. The Deputy Administrator of the ARA agreed with the General Accounting Office that it was clear that a more thorough analysis of the financial condition of the Pueblo would have been desirable. He attempted to justify the grant by saying, "The lack of sophistication of the Laguna people in commercial affairs has made Government participation essential" and that it was the opinion of those familiar with the project that without ARA assistance, the project would probably have been rejected by the tribal council.

The report of the General Accounting Office states that:

In view of the rather favorable financial condition of the grantee and the intent of the Congress with respect to the making of grants, it seems highly doubtful that the ARA would have authorized a grant had the responsible Government employees more accurately evaluated the grantee's financial requirements and needs.

March 1965—Need for basic improvement of accounting system to enable the development of adequate financial information

The General Accounting Office found that the Area Redevelopment Administration's accounting system did not provide for the development of costs by activities and functions. These and other deficiencies described in the report were of such significance as to preclude approval of the Area Redevelopment Administration's accounting system by the Comptroller General. The Area Redevelopment Administrator has advised that the Administration would, in accordance with the proposals of the General Accounting Office, begin to design an accounting system which could be approved.

March 1965—Unnecessary grant approved to assist in financing the development of the Keystone Industrial Park of the Scranton Lackawanna Industrial Building Co.

The Scranton Lackawanna Industrial Building Co. is a private, nonprofit corporation owned entirely by the Scranton Chamber of Commerce, a nonprofit corporation. In August 1961, the company submitted proposals requesting financial assistance for developing the Keystone Industrial Park. In late 1962, the Area Redevelopment Administration approved a grant for \$424,000 which was later reduced to \$322,000 because of an underrun in project costs. The

General Accounting Office's review of the data available at the time the request was approved clearly shows that had a careful examination been made of such data, it would have been evident that the project could be undertaken without the assistance of a Federal grant. The report of the General Accounting Office indicates that it does not believe there was compliance with the statutory requirement "that there be little probability that a project could be undertaken without the assistance of a grant," and that the Area Redevelopment Administration's determination that this requirement was met was not supported by information available prior to the grant concerning the grantee's financial condition. The General Accounting Office concludes:

It appears that the review [by the ARA] was designed to determine only whether in the absence of a grant, the grantee's future projects might be adversely affected rather than whether the project in question could have been completed without grant funds and that in this respect neither the Community Facilities Administration, in making its review, nor the Area Redevelopment Administration, in reviewing the Community Facilities Administration's conclusions, gave sufficient consideration to the intent of the pertinent provisions of the Area Redevelopment Act.

April 1965—Possible need for clarification of statutory provision limiting the amount of Federal financial assistance to industrial or commercial projects

Section 6(b)(9) of the Area Redevelopment Act provides that loans to assist in projects for industrial or commercial usage—

shall not exceed 65 per centum of the aggregate cost to the applicant (excluding all other Federal aid in connection with the undertaking) of acquiring or developing land and facilities (including, in cases of demonstrated need, machinery and equipment), and of construction, altering, converting, rehabilitating, or enlarging the building or buildings of the particular project.

H.R. 6991, the proposed Public Works and Economic Development Act of 1965 contains a similar provision.

The Area Redevelopment Administrator has interpreted this provision to permit, under certain circumstances, the inclusion in project costs of all or a part of the value of the applicant's existing land and facilities. The GAO reviewed nine industrial or commercial area projects, under section 6 of the act, which involves the expansion of existing and operating facilities and for which loans totaling \$160 million were made. It was disclosed that Federal financial assistance ranged from 76 to 100 percent of the actual cost of expanding the facilities, because of including existing assets of the borrower as a cost of the project. Furthermore, the total appraised value of all such

assets were not included in all cases. Instead, only that amount was included which maximized the amount of Federal financing and minimized or eliminated the amount of other financing required by the project.

The General Accounting Office believes that it may have been the legislative intent to limit Federal financing to 65 percent of the new capital expenditures for a project, and that the applicant's previously acquired and existing assets should not be included in determining project costs. In fact, the ARA initially established a policy in line with this, but later modified its policy.

The report recommends that the Congress in considering H.R. 6991 and S. 1648 consider clarifying this situation.

April 1965—Federal participation in unnecessary project costs resulting from failure to properly recognize effect of intercorporate ownership

The Area Redevelopment Administration approved and disbursed a loan of \$355,000 to Farwest Fisheries, Inc., Anacortes, Wash., to assist in financing the purchase and improvement of an existing salmon cannery, although \$500,000 of the \$700,000 total project cost was to be paid by the borrower to its parent corporation for the plant which was owned and then being operated by the parent corporation, and only \$200,000 was to be expended for purchase of additional machinery and equipment. Notwithstanding the fact that both the ARA and the SBA, which is responsible for the performance of certain functions and duties under the Area Redevelopment Act, were aware that an intercorporate relationship might exist which would negate the justification for Federal assistance in financing the total project as proposed, and although the borrower was not yet incorporated at the time of loan approval, neither agency made a sufficient review to disclose the true relationship between the two corporations.

The General Accounting Office brought this matter to the attention of the Congress because a large part of the Federal funds made available for the project did not serve the objective of the Area Redevelopment Act through the creation of new employment opportunities, but assisted in the purchase of an operating plant by the borrower from its parent corporation.

The GAO also pointed out to the Area Redevelopment Administrator and the Small Business Administration that officials of both agencies were negligent in disbursing Federal funds without first reasonably establishing that the project was essential to carry out the purposes of the statute and noted that this situation emphasized the need for a greater sense of personal responsibility on the part of Government employees. The Small Business Administration admonished its staff members and issued remedial instructions to prevent reoccurrences, but the Area Redevelopment Administration did not agree that its officials were negligent.

The General Accounting Office feels that in addition to remedial instructions issued by the Small Business Administration, the Administrator of the ARA should request the Administrator of SBA to establish procedures to prevent the reoccurrence of the above and that the Administrator of ARA should cause to be included in loan authorizations, executed prior to the incorporation or organization of the prospective borrower, a provision making a positive finding by the SBA as to the relationship of a borrower to any interested party a condition precedent to disbursement of loan funds.

May 1965—Lack of compliance with statutory requirements for local financial participation in area redevelopment projects

Section 6 of the Area Redevelopment Act requires that not less than 10 percent of the aggregate cost of a federally assisted industrial or commercial project be supplied by the State, an agency, or political subdivision thereof, or by an Indian tribe or area organization which is nongovernmental in character as equity capital or as a loan repayable only after the Federal financial assistance has been repaid in full. The legislative history of this provision shows clearly that the intent was to insure that each project had the active support of the community as evidenced by its willingness to invest funds and assume financial risks in regard to the project.

A review by the General Accounting Office disclosed a number of projects for which all or part of the required State or community financing was, in fact, supplied by the borrower or its principals. Under the policies adopted by the Area Redevelopment Administration, this was permissible provided a "bona fide effort is made [by a local development organization] to raise funds on a broad base." The General Accounting Office is of the opinion that such financing arrangements are not consistent with the objectives of the statute and their approval by the Area Redevelopment Administration was improper.

The General Accounting Office reasoned that the mere channeling of funds of a borrower or others having an interest in the project substantially identical to that of a borrower through a local development organization and back into the borrower's project without such organization's undertaking a bona fide financial risk does not constitute compliance with the terms of section 6 of the act.

The report of the GAO points out that, under the provisions of H.R. 6991, the required State or community financial participation in industrial or commercial projects would be reduced to 5 percent of aggregate project costs. H.R. 6991 also permits this requirement to be waived if the Secretary determines that the funds are not reasonably available from State or community sources because of economic distress or other good cause. The report points out that the failure of a community to respond to a fundraising drive for the benefit of a

project is not necessarily evidence that the community is not able to participate, but rather may evidence lack of community support for the project.

The report recommends that the Congress in studying H.R. 6991 give consideration to this situation and to the need for providing criteria for the Secretary in determining whether State or community funds must be contributed to a project.

May 1965—Overstatement of job opportunities estimated to be created in economically depressed areas

Since the inception of the area redevelopment program, the ARA has maintained statistics showing the total number of job opportunities expected to be directly created or saved as a result of assistance extended under the ARA. ARA has used these statistics extensively in testimony before congressional committees and subcommittees as evidence of the expected accomplishments of the area redevelopment program. Department of Commerce and ARA officials have repeatedly assured various committees of the Congress of the validity and reliability of the job estimates.

During hearings before a subcommittee of the Committee on Appropriations, House of Representatives, ARA officials informed the subcommittee that as of February 1964, ARA had approved a total of 285 loans under section 6 of the act (loans for industrial or commercial usage). These loans represented a commitment of approximately \$120 million for Federal assistance and ARA estimated that 34,168 jobs would be created after the projects had been in operation 1 full year.

The GAO reviewed the analyses made by ARA of the employment opportunities expected to be created by the 285 projects referred to above. The review disclosed that the analyses by ARA were inadequate, were not consistent with the type of analysis described to the Congress, and that ARA generally accepted the representations of the applicant without making an adequate analysis of the applicant's payroll projections to evaluate the reasonableness of the applicant's representations.

The GAO then reviewed the 80 projects (out of the 285) which had been completed and in operation for 1 full year. The ARA had estimated that these 80 projects would create 9,539 jobs. The GAO found that only 4,912 jobs were actually created—an overstatement by the ARA of approximately 94 percent. The report states that if what was found in the 80 projects is true for all 285 projects, then the ARA estimate of 34,168 jobs was overstated by approximately 16,600 jobs.

The report points out that on September 18, 1964, ARA revised its procedures for evaluating the number of employment opportunities to be created. The GAO concluded that if these revised procedures are effectively implemented and administered, they would result in more reliable estimates. The GAO has not, however, yet evaluated the accuracy of the administration's current estimated employment figures developed under these different procedures.

May 1965—Federal loan assistance for plant acquisition and improvement resulted in no new employment opportunities within redevelopment area in which the plant was located

The General Accounting Office review of the circumstances under which the Area Redevelopment Administration, Department of Commerce, included \$494,000 in an industrial loan to Josephine Plywood Corp. (formerly West Coast Plywood Co.), Portland, Oreg., to acquire and improve an industrial facility at Happy Camp, Calif., disclosed that the loan was approved despite the existence of adverse information relating to the effect which the project would have on employment. Further, the Area Redevelopment Administration permitted disbursement of loan funds without having evaluated firm plans and specifications for the plant improvements in the light of their effect upon proposed plant employment.

The borrower originally applied for an industrial loan for its own facility and advised of a contractual relationship with a second plant (partly owned by borrower's principal) to assure adequate raw materials. Subsequently, the borrower requested an additional loan to purchase the above-mentioned second plant to assure raw material supply and advised that production would be increased by making certain improvements and operating two shifts in this veneer plant—this, in spite of the fact that representatives of the Forest Service, Department of Agriculture, advised it could not certify favorably that there existed the necessary timber to support the two-shift operation.

ARA first refused the combined project and authorized a loan on the first application, conditioned upon satisfactory evidence of ample raw material supply. Attorneys for the borrower declined the loan and advised would accept only combined loan due to disagreement of participating bank for separate project—this in spite of the fact that the bank advised ARA it was willing to participate in either separate or combined projects.

The Area Redevelopment Administrator questioned the employment advantage of the second plant and asked for illustrations. In fact, ARA project analysis reflected no appreciable increase in employment and even no adequate source of raw materials. Nevertheless, loan was authorized with the requirement that plans and specifi-

cations for improvements of second plant must be submitted, but without making this requirement a condition precedent to loan disbursement, thereby removing ARA from the position of being able to evaluate the effect of the improvements upon proposed plant employment before disbursement of the loan.

The \$494,000 loan created *no* additional employment in the redevelopment area in which the plant was located.

SUPPLEMENTAL VIEWS OF REPRESENTATIVE JAMES C.
CLEVELAND, OF NEW HAMPSHIRE, ON S. 1648

It is with regret that I cannot concur fully with the minority views although they describe eloquently the faults of this legislation, both in its general conception and in the way it would execute that conception. They set forth how the minority endeavored in vain to direct the basic philosophy into more productive channels, and how, failing that, the minority sought to forge language for the clear administration of the program. I shared actively in these minority endeavors and shall describe later on in these supplemental views four amendments that I offered in committee and will offer from the floor.

Some general comments must first be made. *First*, that it is to be regretted that so important a subject should be dealt with in such a generalized, hasty and sloppy manner. The program embraced in this bill, S. 1648, is yet another example of this administration's reliance on costly, blunderbuss assaults on national problems which require, instead, the utmost precision. Our resources, great as they are, are not so great that we can afford to spend them wastefully. *Second*, this legislation is so concerned with financing provisions—loan guarantees, interest rates, and the like—that it should not have been sent only to the Public Works Committee. It properly belonged also in the Banking and Currency Committee, which has the membership and staff competent by training and experience to deal knowledgeably with the subject matter. Insofar as this legislation is part of the war on poverty it also deserved scrutiny by the Education and Labor Committee.

A *third matter of concern* is raised by the manner in which this legislation positively would encourage the bypassing of State and local governments. A good many of the States and communities have done a superb job in developing their economies. To turn our backs on this fact, to ignore this experience, and to set up conditions deliberately designed to thwart these efforts is a mistake, in my opinion. It would accelerate the steady undertow of recent years by which more and more functions of government are being drawn inexorably away from the States and communities and centralized in the hands of Washington bureaucrats.

These reservations are powerful and they would be compelling but for the naked realization that major problems do exist across the country, problems calling for urgent Federal attention and that this bill is the only one we are going to get. For all its faults, and they are many and major, there is some good. Although its vague, even

vacuous, language, will be an administrator's nightmare, watchful towns and States, and a watchful Congress, can all help to correct them. It is exasperating that the program could not be set up skillfully and properly at the outset.

During the markup of the bill in committee, I offered without success several amendments designed to improve the bill. I shall offer them again on the floor of the House and urge my colleagues to consider them carefully and to act favorably on them. Following are brief résumés of them.

Amendment 1—To strike out loans and guarantee of loans to private business

The purpose of this amendment is clear. It is not fair to loan taxpayers' money to a private industry at preferential rates which add to the competition of the taxpayer. Many of the criticisms of the Area Redevelopment Administration (and they have been many and well founded) have sprung from the provisions for loans to private industry. It must be remembered that the Small Business Administration can and does make loans to business, and if its authority to help industry in disadvantaged areas is not adequate, then it should be given the necessary authority. It is a senseless and wasteful duplication of Government effort to set up a new agency in this field, particularly in view of the fact that the Small Business Administration has been quite successful in this general area.

Amendment 2—To prohibit the construction of new hotel and motel facilities in areas which do not need them

The purpose of this amendment is obvious. The most glaring example of shortsighted ARA policy in this connection is the building of a large motel on the outskirts of Detroit at a Federal cost of nearly \$1.9 million at a time when the occupancy rate of Detroit hotels and motels was 54 percent. (See p. 33, H. Rept. 276, 88th Cong., to accompany H.R. 4996, Area Redevelopment Amendments of 1963.) The hotel and motel industry has suffered from tax policies which have curtailed, unfairly in some respects, expense accounts. The industry is being forced to act as a collection agent for social security on tips, which is largely a guessing game. Minimum-wage and fair-labor proposals before the Congress are threatening some members of this industry with extinction.

To add to this series of federally inspired woes, Federal financing for their direct competition is so manifestly unfair that it almost defies description. It must be remembered that as of June 30, 1964, about \$68.5 million, or more than 28 percent of ARA's total investments to that time, had been spent on the construction of hotels and motels.

Amendment 3—To provide that every State should have one redevelopment area

The purpose of this amendment is to insure that every State will have at least one area entitled to the advantages of this act. The ARA Administrator will benefit from having at least one area in every State. It is only fair to States which do not have areas that qualify for the benefit to have at least one area, however small. Under the

present state of the law and the facts, New Hampshire, Vermont, Hawaii, and Delaware will be left without any area covered as soon as the first annual review is completed. The reason that they have areas now is because of the so-called Proxmire amendment, which requires the broadest possible distribution of the program, and because of the grandfather clause in the bill.

I cannot speak for Vermont, Delaware, or Hawaii, but the reason that New Hampshire will not qualify after the first annual review is because the unemployment rates in our most disadvantaged area (northern New Hampshire) do not qualify under the criteria of S. 1648. This is because people in northern New Hampshire, when they have not been able to obtain work, have had the "get-up-and-go" spirit to go out to find work, often at great personal sacrifice. They do not stay at home on unemployment, but their departures leave a diminished number of taxpayers to bear the burdens of the communities which they have left. This problem of out-migration, which is a real one, has been almost totally ignored and overlooked by ARA officials who rely too heavily on official unemployment statistics. The committee has amended the bill to force upon the ARA Administrator consideration of out-migration problems, but apparently he remains unconvinced. It is unfortunate that the four States that will be excluded from ARA are small States, but hopefully the House of Representatives will protect them in this instance by adopting my amendment.

Amendment 4—Fair trade amendment; prevention of unfair competition

PREVENTION OF UNFAIR COMPETITION

SEC. 702. No financial assistance under this Act shall be extended to any project when the result would be to increase the production of goods, materials, or commodities, or the availability of services or facilities, when there is not sufficient demand for such goods, materials, commodities, services, or facilities, to employ the efficient capacity of existing commercial or industrial enterprises.

The ARA has been rightfully criticized for building factories which contribute to oversupply and overcapacity. For example, they built a shoe factory in Indiana at a time when shoe factories in New Hampshire were closing because of oversupply. They have constructed pulp and tissue mills at a time when problems of oversupply were seriously affecting these industries in my State, and the same can be said for plywood and other industries. The purpose of my amendment would be to prevent this type of shocking and prodigal waste of Government money and this gross unfairness to American taxpayers. This amendment to prevent unfair competition touches on the whole problem of industrial and job piracy. By adopting this amendment, the House can do much to improve this legislation.

On February 8, with other Republican members of the Public Works Committee, I introduced the Resources Development Act of 1965—a

program for all the Nation—as an alternative to the special-interest Appalachian Regional Redevelopment Act of 1965.

This legislation recognized that problems, similar to those in the 11-State Appalachian Region, existed throughout the country. The Republican bill would have allocated a large part of the funds to the development of roads and community facilities, just as the Appalachian program does. It called for spending its authorization, however, in *all* disadvantaged areas in the United States which would have been eligible for assistance.

Most regrettably, this approach was rejected by the House, but I maintain that the approach taken by the minority in offering the Resources Development Act is the only one which will truly benefit the entire country. It called for no new agencies. It worked through and with State and local government.

I must express my disappointment at the wholly inappropriate inclusion of Appalachia in this bill. This point is well covered in the "Minority Views." At first, the committee adopted an amendment to bar those counties on which the bounties of the Appalachia Act already have been showered from competitive participation in this program but, it then retreated in abject and shameful flight from this position.

Finally, I want to caution all States and, especially communities that would be eligible under this bill, *the race is to the swift*. During the hearings on this bill, a great deal of disturbing evidence was piled up to show that the fruits of the program will go in many cases to the prosperous, well-organized communities—pockets of prosperity, in effect—which, through accidents of geography, are located in counties that are generally depressed economically. Town fathers across the land should be on notice to act swiftly if they expect to share this wealth. Experience with the area redevelopment and accelerated public works programs exposes the ironic fact that many communities in direst need have been left out because the money-tree had been plucked bare by their richer and more aggressive neighbors.

In conclusion, then, it is with understandable reluctance that I cannot concur fully with the minority views, and shall vote for this legislation. In the final analysis, my vote is a protest against the totally unfair Appalachia legislation passed earlier this year by the Congress. Under the Appalachia legislation, the Federal Government undertook to refurbish Appalachia with a massive public works program designed to make that area of the Nation more attractive for new industry. Parts of my district are just as badly in need of new industry and the benefits of the Appalachia-type approach as are parts of the Appalachia region. For this reason, I cannot in good conscience vote against legislation—poorly drafted as it is—that would make it possible for parts of my district to obtain (on an apparently temporary basis) at least a small measure of similar Federal largesse. Hopefully, the House will adopt at least some of the

important amendments which will be offered by the minority to improve this legislation. I also hope that this legislation will be fairly and wisely administered, for if it is not, it can serve to create at an ever-accelerating rate new areas of disadvantage.

JAMES C. CLEVELAND,
Member of Congress,
Republican, New Hampshire.

SUPPLEMENTAL VIEWS OF REPRESENTATIVE ROBERT C
McEWEN ON S. 1648

I join in the views of my colleague, Mr. Cleveland. I share his regret that many worthy amendments, offered in committee, were not adopted.

Our respective congressional districts share many similar geographic, social, and economic characteristics. Both have suffered from similar pockets of economic disadvantage, lack of adequate public facilities, and out-migration.

Recognizing the benefits that this legislation, if wisely administered, holds for these and similar areas in our Nation, I shall support the bill.

ROBERT C. McEWEN.

Union Calendar No. 239

89TH CONGRESS
1ST SESSION

S. 1648

[Report No. 539]

IN THE HOUSE OF REPRESENTATIVES

JUNE 2, 1965

Referred to the Committee on Public Works

JUNE 22, 1965

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

AN ACT

To provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Public Works and
4 Economic Development Act of 1965".

5 STATEMENT OF PURPOSE

6 SEC. 2. The Congress declares that the maintenance
7 of the national economy at a high level is vital to the best

1 interests of the United States, but that some of our regions,
2 counties, and communities are suffering substantial and per-
3 sistent unemployment and underemployment; that such un-
4 employment and underemployment cause hardship to many
5 individuals and their families, and waste invaluable human
6 resources; that to overcome this problem the Federal Gov-
7 ernment, in cooperation with the States, should help areas
8 and regions of substantial and persistent unemployment and
9 underemployment to take effective steps in planning and
10 financing their public works and economic development; that
11 Federal financial assistance, including grants for public works
12 and development facilities to communities, industries, enter-
13 prises, and individuals in areas needing development should
14 enable such areas to help themselves achieve lasting improve-
15 ment and enhance the domestic prosperity by the establish-
16 ment of stable and diversified local economies and improved
17 local conditions: *Provided*, That such assistance is preceded
18 by and consistent with sound, long-range economic planning;
19 and that under the provisions of this Act new employment
20 opportunities should be created by developing and expand-
21 ing new and existing public works and other facilities and
22 resources rather than by merely transferring jobs from one
23 area of the United States to another.

TITLE I—GRANTS FOR PUBLIC WORKS AND
DEVELOPMENT FACILITIES

SEC. 101. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary of Commerce (hereinafter referred to as the Secretary) is authorized—

(1) to make direct grants for the acquisition or development of land and improvements for public works, public service, or development facility usage, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, including related machinery and equipment, within a redevelopment area, if he finds that—

(A) the project for which financial assistance is sought will directly or indirectly (i) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities; (ii) otherwise assist in the creation of additional long-term employment opportunities for such area; or (iii) primarily benefit the

1 long-term unemployed and members of low-income
2 families or otherwise substantially further the ob-
3 jectives of the Economic Opportunity Act of 1964;

4 ~~(B)~~ the project for which a grant is requested
5 will fulfill a pressing need of the area, or part
6 thereof, in which it is, or will be, located; and

7 ~~(C)~~ the area for which a project is to be under-
8 taken has an approved overall economic develop-
9 ment program as provided in section 202(b)(10)
10 and such project is consistent with such program;

11 ~~(2)~~ to make supplementary grants in order to
12 enable the States and other entities within redevelop-
13 ment areas to take maximum advantage of designated
14 Federal grant-in-aid programs (as hereinafter defined),
15 direct grants-in-aid authorized under this section, and
16 Federal public works projects for which they are eligible
17 but for which, because of their economic situation, they
18 cannot supply the required matching share.

19 ~~(b)~~ Subject to subsection ~~(c)~~ hereof, the amount of
20 any direct grant under this section for any project shall
21 not exceed 50 per centum of the cost of such project.

22 ~~(c)~~ The amount of any supplementary grant under this
23 section for any project shall not exceed the applicable per-
24 centage established by regulations promulgated by the Secere-
25 tary, but in no event shall the non-Federal share of the

1 aggregate cost of any such project (including assumptions of
2 debt) be less than 20 per centum of such cost. Supple-
3 mentary grants shall be made by the Secretary, in accord-
4 ance with such regulations as he shall prescribe, by increas-
5 ing the amounts of direct grants authorized under this section
6 or by the payment of funds appropriated under this Act to
7 the heads of the departments, agencies, and instrumen-
8 talities of the Federal Government responsible for the
9 administration of the applicable Federal programs. Not-
10 withstanding any requirement as to the amount or sources of
11 non-Federal funds that may otherwise be applicable to the
12 Federal program involved, funds provided under this subsec-
13 tion shall be used for the sole purpose of increasing the Fed-
14 eral contribution to specific projects in redevelopment areas
15 under such programs above the fixed maximum portion of
16 the cost of such project otherwise authorized by the applica-
17 ble law. The term "designated Federal grant-in-aid pro-
18 grams," as used in this subsection, means such existing or
19 future Federal grant-in-aid programs assisting in the con-
20 struction or equipping of facilities as the Secretary may, in
21 furtherance of the purposes of this Act, designate as eligible
22 for allocation of funds under this section. In determining the
23 amount of any supplementary grant available to any project
24 under this section, the Secretary shall take into consideration
25 the relative needs of the area, the nature of the project to be

1 assisted; and the amount of such fair user charges or other
2 revenues as the project may reasonably be expected to gen-
3 erate in excess of those which would amortize the local share
4 of initial costs and provide for its successful operation and
5 maintenance (including depreciation).

6 ~~(d)~~ The Secretary shall prescribe rules, regulations, and
7 procedures to carry out this section which will assure that
8 adequate consideration is given to the relative needs of
9 eligible areas. In prescribing such rules, regulations, and
10 procedures the Secretary shall consider among other relevant
11 factors ~~(1)~~ the severity of the rates of unemployment in the
12 eligible areas and the duration of such unemployment and
13 ~~(2)~~ the income levels of families and the extent of under-
14 employment in eligible areas.

15 ~~(e)~~ Except for projects specifically authorized by
16 Congress, no financial assistance shall be extended under
17 this section with respect to any public service or develop-
18 ment facility which would compete with an existing pri-
19 vately owned public utility rendering a service to the public
20 at rates or charges subject to regulation by a State or Federal
21 regulatory body, unless the State or Federal regulatory body
22 determines that in the area to be served by the facility for
23 which the financial assistance is to be extended there is a
24 need for an increase in such service (taking into considera-
25 tion reasonably foreseeable future needs) which the existing

1 public utility is not able to meet through its existing facilities
2 or through an expansion which it agrees to undertake.

3 ~~(f)~~ The Secretary shall prescribe regulations which will
4 assure that appropriate local governmental authorities have
5 been given a reasonable opportunity to review and comment
6 upon proposed projects under this section.

7 SEC. 102. Not more than 15 per centum of the appro-
8 priations made pursuant to this title may be expended in any
9 one State.

10 SEC. 103. There is hereby authorized to be appropriated
11 not to exceed \$400,000,000 for the fiscal year ending June
12 30, 1966, and for each fiscal year thereafter through the
13 fiscal year ending June 30, 1970.

14 TITLE II—OTHER FINANCIAL ASSISTANCE

15 PUBLIC WORKS AND DEVELOPMENT FACILITY LOANS

16 SEC. 201. (a) Upon the application of any State, or
17 political subdivision thereof, Indian tribe, or private or pub-
18 lic nonprofit organization or association representing any
19 redevelopment area or part thereof, the Secretary is author-
20 ized to purchase evidence of indebtedness and to make loans
21 to assist in financing the purchase or development of land
22 and improvements for public works, public service, or devel-
23 opment facility usage, and the acquisition, construction, reha-
24 bilitation, alteration, expansion, or improvement of such

1 facilities, including related machinery and equipment, within
2 a redevelopment area, if he finds that—

3 ~~(1)~~ the project for which financial assistance is
4 sought will directly or indirectly—

5 ~~(A)~~ tend to improve the opportunities, in the
6 area where such project is or will be located, for the
7 successful establishment or expansion of industrial or
8 commercial plants or facilities;

9 ~~(B)~~ otherwise assist in the creation of addi-
10 tional long-term employment opportunities for such
11 area; or

12 ~~(C)~~ primarily benefit the long-term unem-
13 ployed and members of low-income families or
14 otherwise substantially further the objectives of the
15 Economic Opportunity Act of 1964;

16 ~~(2)~~ the funds requested for such project are not
17 otherwise available from private lenders or from other
18 Federal agencies on terms which in the opinion of the
19 Secretary will permit the accomplishment of the project;

20 ~~(3)~~ the amount of the loan plus the amount of other
21 available funds for such project are adequate to insure
22 the completion thereof;

23 ~~(4)~~ there is a reasonable expectation of repayment;
24 and

25 ~~(5)~~ such area has an approved overall economic

development program as provided in section 202-(b)-
(10) and the project for which financial assistance is
sought is consistent with such program.

(b) Subject to section 701(5), no loan, including re-
newals or extensions thereof, shall be made under this
section for a period exceeding forty years; and no evi-
dence of indebtedness maturing more than forty years from
the date of purchase shall be purchased under this section.
Such loans shall bear interest at a rate not less than a
rate determined by the Secretary of the Treasury taking
into consideration the current average market yield on out-
standing marketable obligations of the United States with
remaining periods to maturity comparable to the average
maturities of such loans; adjusted to the nearest one-eighth
of 1 per centum, less not to exceed one-half of 1 per
centum per annum.

(c) There are hereby authorized to be appropriated
such sums as may be necessary to carry out the provisions
of this section and section 202: *Provided*, That annual
appropriations for the purpose of purchasing evidences of
indebtedness; making and participating in loans; and guar-
anteeing loans shall not exceed \$170,000,000, for the fiscal
year ending June 30, 1966, and for each fiscal year there-
after through the fiscal year ending June 30, 1970.

1 ~~(d)~~ Except for projects specifically authorized by Con-
2 gress, no financial assistance shall be extended under this
3 section with respect to any public service or development
4 facility which would compete with an existing privately
5 owned public utility rendering a service to the public at rates
6 or charges subject to regulation by a State or Federal regula-
7 tory body, unless the State or Federal regulatory body deter-
8 mines that in the area to be served by the facility for which
9 the financial assistance is to be extended there is a need
10 for an increase in such service ~~(taking into consideration~~
11 ~~reasonably foreseeable future needs)~~ which the existing
12 public utility is not able to meet through its existing facilities
13 or through an expansion which it agrees to undertake.

14 ~~(e)~~ The Secretary shall prescribe regulations which will
15 assure that appropriate local governmental authorities have
16 been given a reasonable opportunity to review and comment
17 upon proposed projects under this section.

18 LOANS AND GUARANTEES

19 SEC. 202. ~~(a)~~ The Secretary is authorized ~~(1)~~ to
20 purchase evidences of indebtedness and to make loans ~~(which~~
21 ~~for purposes of this section shall include participations in~~
22 ~~loans)~~ to aid in financing any project within a redevelop-
23 ment area for the purchase or development of land and facili-
24 ties ~~(including machinery and equipment)~~ for industrial or

1 commercial usage, including the construction of new build-
2 ings, the rehabilitation of abandoned or unoccupied buildings,
3 and the alteration, conversion, or enlargement of existing
4 buildings; ~~(2)~~ to guarantee loans for working capital made
5 to private borrowers by private lending institutions in con-
6 nection with projects in redevelopment areas assisted under
7 subsection ~~(a)~~ ~~(1)~~ hereof, upon application of such institu-
8 tion and upon such terms and conditions as the Secretary
9 may prescribe: *Provided, however,* That no such guarantee
10 shall at any time exceed 90 per centum of the amount of the
11 outstanding unpaid balance of such loan; and ~~(3)~~ to contract
12 to pay, and to pay annually, for not more than ten years, to
13 or on behalf of private business entities amounts sufficient to
14 reduce by 2 percentage points the interest paid by such en-
15 tities on loans which are obtained from non-Government
16 sources, which are not guaranteed by any Government
17 agency, which provide for annual amortization of principal,
18 and the proceeds of which are used for purposes for which
19 the Secretary is authorized to purchase evidences of indebt-
20 edness or make loans under this section: *Provided, however,*
21 That subject to limitations in annual appropriation Acts, the
22 annual cost of new contracts approved in any one year shall
23 not exceed \$5,000,000.

24 ~~(b)~~ Financial assistance under this section shall be on

1 such terms and conditions as the Secretary determines, sub-
2 ject, however, to the following restrictions and limitations:

3 ~~(1)~~ Such financial assistance shall not be extended to
4 assist establishments relocating from one area to another or
5 to assist subcontractors whose purpose is to divest, or whose
6 economic success is dependent upon divesting, other con-
7 tractors or subcontractors of contracts theretofore customarily
8 performed by them: *Provided, however,* That such limitation
9 shall not be construed to prohibit assistance for the expansion
10 of an existing business entity through the establishment of a
11 new branch, affiliate, or subsidiary of such entity if the Secre-
12 tary finds that the establishment of such branch, affiliate, or
13 subsidiary will not result in an increase in unemployment of
14 the area of original location or in any other area where such
15 entity conducts business operations, unless the Secretary has
16 reason to believe that such branch, affiliate, or subsidiary is
17 being established with the intention of closing down the
18 operations of the existing business entity in the area of its
19 original location or in any other area where it conducts such
20 operations.

21 ~~(2)~~ Such assistance shall be extended only to applicants,
22 both private and public (including Indian tribes), which
23 have been approved for such assistance by an agency or in-
24 strumentality of the State or political subdivision thereof in
25 which the project to be financed is located, and which agency

1 or instrumentality is directly concerned with problems of
2 economic development in such State or subdivision.

3 (3) The project for which financial assistance is sought
4 must be reasonably calculated to provide more than a
5 temporary alleviation of unemployment or underemployment
6 within the redevelopment area wherein it is or will be
7 located.

8 (4) No loan or guarantee shall be extended hereunder
9 unless the financial assistance applied for is not otherwise
10 available from private lenders or from other Federal agencies
11 on terms which in the opinion of the Secretary will permit
12 the accomplishment of the project.

13 (5) The Secretary shall not make any loan without a
14 participation unless he determines that the loan cannot be
15 made on a participation basis.

16 (6) No evidences of indebtedness shall be purchased
17 and no loans shall be made or guaranteed unless it is deter-
18 mined that there is reasonable assurance of repayment.

19 (7) Subject to section 701(5) of this Act, no loan,
20 including renewals or extension thereof, may be made here-
21 under for a period exceeding twenty-five years and no
22 evidences of indebtedness maturing more than twenty-five
23 years from date of purchase may be purchased hereunder:
24 *Provided*, That the foregoing restrictions on maturities shall
25 not apply to securities or obligations received by the Secre-

1 tary as a claimant in bankruptcy or equitable reorganization
2 or as a creditor in other proceedings attendant upon insol-
3 vency of the obligor.

4 ~~(8)~~ Loans made and evidences of indebtedness pur-
5 chased under this section shall bear interest at a rate not
6 less than a rate determined by the Secretary of the Treasury
7 taking into consideration the current average market yield on
8 outstanding marketable obligations of the United States with
9 remaining periods to maturity comparable to the average
10 maturities of such loans, adjusted to the nearest one-eighth
11 of 1 per centum, plus such additional charge, if any, toward
12 covering other costs of the program as the Secretary may
13 determine to be consistent with its purpose.

14 ~~(9)~~ Loan assistance shall not exceed 65 per centum
15 of the aggregate cost to the applicant (excluding all other
16 Federal aid in connection with the undertaking) of acquiring
17 or developing land and facilities (including machinery and
18 equipment), and of constructing, altering, converting, reha-
19 bilitating, or enlarging the building or buildings of the par-
20 ticular project, and shall, among others, be on the condition
21 that—

22 ~~(A)~~ other funds are available in an amount which,
23 together with the assistance provided hereunder, shall
24 be sufficient to pay such aggregate cost;

25 ~~(B)~~ not less than 15 per centum of such aggregate

1 cost be supplied as equity capital or as a loan repayable
2 in no shorter period of time and at no faster an amortiza-
3 tion rate than the Federal financial assistance extended
4 under this section is being repaid, and if such a loan is
5 secured, its security shall be subordinate and inferior to
6 the lien or liens securing such Federal financial assist-
7 ance: *Provided, however,* That, except in projects in-
8 volving financial participation by Indian tribes, not less
9 than 5 per centum of such aggregate cost shall be sup-
10 plied by the State or any agency, instrumentality, or
11 political subdivision thereof, or by a community or area
12 organization which is nongovernmental in character,
13 unless the Secretary shall determine in accordance with
14 objective standards promulgated by regulation that all
15 or part of such funds are not reasonably available to
16 the project because of the economic distress of the area
17 or for other good cause, in which case he may waive
18 the requirement of this provision to the extent of such
19 unavailability, and allow the funds required by this sub-
20 section to be supplied by the applicant or by such other
21 non-Federal source as may reasonably be available to
22 the project;

23 (C) to the extent the Secretary finds such action
24 necessary to encourage financial participation in a
25 particular project by other lenders and investors, and

1 except as otherwise provided in subparagraph (B), any
2 Federal financial assistance extended under this section
3 may be repayable only after other loans made in con-
4 nection with such project have been repaid in full; and
5 the security, if any, for such Federal financial assistance
6 may be subordinate and inferior to the lien or liens
7 securing other loans made in connection with the same
8 project.

9 ~~(10)~~ No such assistance shall be extended unless there
10 shall be submitted to and approved by the Secretary an
11 overall program for the economic development of the area
12 and a finding by the State, or any agency, instrumentality,
13 or local political subdivision thereof, that the project for
14 which financial assistance is sought is consistent with such
15 program: *Provided*, That nothing in this Act shall authorize
16 financial assistance for any project prohibited by laws of
17 the State or local political subdivision in which the project
18 would be located; nor prevent the Secretary from requiring
19 such periodic revisions of previously approved overall eco-
20 nomic development programs as he may deem appropriate.

21 ECONOMIC DEVELOPMENT REVOLVING FUND

22 SEC. 203. Funds obtained by the Secretary under sec-
23 tion 201, loan funds obtained under section 403, and col-
24 lections and repayments received under this Act, shall be
25 deposited in an economic development revolving fund (here-

1 inafter referred to as the "fund"), which is hereby estab-
 2 lished in the Treasury of the United States, and which shall
 3 be available to the Secretary for the purpose of extending
 4 financial assistance under sections 201, 202, and 403, and
 5 for the payment of all obligations and expenditures arising
 6 in connection therewith. There shall also be credited to the
 7 fund such funds as have been paid into the area redevelop-
 8 ment fund or may be received from obligations outstanding
 9 under the Area Redevelopment Act. The fund shall pay
 10 into miscellaneous receipts of the Treasury, following the
 11 close of each fiscal year, interest on the amount of loans
 12 outstanding under this Act computed in such manner and at
 13 such rate as may be determined by the Secretary of the
 14 Treasury taking into consideration the current average mar-
 15 ket yield on outstanding marketable obligations of the United
 16 States with remaining periods to maturity comparable to the
 17 average maturities of such loans, adjusted to the nearest one-
 18 eighth of 1 per centum, during the month of June preceding
 19 the fiscal year in which the loans were made.

20 TITLE III—TECHNICAL ASSISTANCE, RESEARCH,
 21 AND INFORMATION

22 SEC. 301. (a) In carrying out his duties under this Act
 23 the Secretary is authorized to provide technical assistance
 24 which would be useful in alleviating or preventing conditions

1 of excessive unemployment or underemployment ~~(1)~~ to
2 areas which he has designated as redevelopment areas under
3 this Act, and ~~(2)~~ to other areas which he finds have sub-
4 stantial need for such assistance. Such assistance shall in-
5 clude project planning and feasibility studies, management
6 and operational assistance, and studies evaluating the needs
7 of, and developing potentialities for, economic growth of such
8 areas. Such assistance may be provided by the Secretary
9 through members of his staff, through the payment of funds
10 authorized for this section to other departments or agencies of
11 the Federal Government, through the employment of private
12 individuals, partnerships, firms, corporations, or suitable in-
13 stitutions, under contracts entered into for such purposes, or
14 through grants-in-aid to appropriate public or private non-
15 profit State, area, district, or local organizations. The Secre-
16 tary, in his discretion, may require the repayment of
17 assistance provided under this subsection and prescribe the
18 terms and conditions of such repayment.

19 ~~(b)~~ The Secretary is authorized to make grants to
20 defray not to exceed 75 per centum of the administrative
21 expenses of organizations which he determines to be qualified
22 to receive grants-in-aid under subsection ~~(a)~~ hereof. In
23 determining the amount of the non-Federal share of such
24 costs or expenses, the Secretary shall give due consideration

1 to all contributions both in cash and in kind, fairly evaluated,
2 including but not limited to space, equipment, and services.
3 Where practicable, grants-in-aid authorized under this sub-
4 section shall be used in conjunction with other available
5 planning grants, such as urban planning grants authorized
6 under the Housing Act of 1954, as amended, and highway
7 planning and research grants authorized under the Federal
8 Aid Highway Act of 1962, to assure adequate and effective
9 planning and economical use of funds.

10 (e) To assist in the long-range accomplishment of the
11 purposes of this Act, the Secretary, in cooperation with other
12 agencies having similar functions, shall establish and con-
13 duct a continuing program of study, training, and research
14 to (A) assist in determining the causes of unemployment,
15 underemployment, underdevelopment, and chronic depression
16 in the various areas and regions of the Nation, (B) assist in
17 the formulation and implementation of national, State, and
18 local programs which will raise income levels and otherwise
19 produce solutions to the problems resulting from these con-
20 ditions, and (C) assist in providing the personnel needed to
21 conduct such programs. The program of study, training, and
22 research may be conducted by the Secretary through mem-
23 bers of this staff, through payment of funds authorized for
24 this section to other departments or agencies of the Federal

1 Government, or through the employment of private indi-
2 viduals, partnerships, firms, corporations, or suitable institu-
3 tions, under contracts entered into for such purposes, or
4 through grants to such individuals, organizations, or institu-
5 tions, or through conferences and similar meetings organized
6 for such purposes. The Secretary shall make available to
7 interested individuals and organizations the results of such
8 research. The Secretary shall include in his annual report
9 under section 706 a detailed statement concerning the study
10 and research conducted under this section together with his
11 findings resulting therefrom and his recommendations for
12 legislative and other action.

13 (d) The Secretary shall aid redevelopment areas
14 and other areas by furnishing to interested individuals,
15 communities, industries, and enterprises within such areas
16 any assistance, technical information, market research, or
17 other forms of assistance, information, or advice which would
18 be useful in alleviating or preventing conditions of excessive
19 unemployment or underemployment within such areas. The
20 Secretary may furnish the procurement divisions of the vari-
21 ous departments, agencies, and other instrumentalities of the
22 Federal Government with a list containing the names and
23 addresses of business firms which are located in develop-
24 ment areas and which are desirous of obtaining Government
25 contracts for the furnishing of supplies or services, and

1 designating the supplies and services such firms are engaged
2 in providing.

3 ~~(c)~~ The Secretary shall establish an independent study
4 board consisting of governmental and nongovernmental ex-
5 perts to investigate the effects of Government procurement,
6 scientific, technical, and other related policies, upon regional
7 economic development. Any Federal officer or employee
8 may, with the consent of the head of the department or
9 agency in which he is employed, serve as a member of
10 such board, but shall receive no additional compensation for
11 such service. Other members of such board may be com-
12 pensated in accordance with the provisions of section 704
13 ~~(10)~~. The board shall report its findings, together with
14 recommendations for the better coordination of such policies,
15 to the Secretary, who shall transmit the report to the Con-
16 gress not later than two years after the enactment of this Act.

17 SEC. 302. There is hereby authorized to be appropriated
18 \$25,000,000 annually for the purposes of this title, for the
19 fiscal year ending June 30, 1966, and for each fiscal year
20 thereafter through the fiscal year ending June 30, 1970.

21 TITLE IV—AREA AND DISTRICT ELIGIBILITY

22 PART A—REDEVELOPMENT AREAS

23 AREA ELIGIBILITY

24 SEC. 401. ~~(a)~~ The Secretary shall designate as “re-
25 development areas”—

(1) those areas in which he determines, upon the basis of standards generally comparable with those set forth in paragraphs (A) and (B), that there has existed substantial and persistent unemployment for an extended period of time. There shall be included among the areas so designated any area—

(A) where the Secretary of Labor finds that the current rate of unemployment, as determined by appropriate annual statistics for the most recent available calendar year, is 6 per centum or more and has averaged at least 6 per centum for the qualifying time periods specified in paragraph (B); and

(B) where the Secretary of Labor finds that the annual average rate of unemployment has been at least—

(i) 50 per centum above the national average for three of the preceding four calendar years, or

(ii) 75 per centum above the national average for two of the preceding three calendar years, or

(iii) 100 per centum above the national average for one of the preceding two calendar years.

1 The Secretary of Labor shall find the facts and provide
2 the data to be used by the Secretary in making the de-
3 terminations required by this subsection;

4 ~~(2)~~ those additional areas which have a median
5 family income not in excess of 40 per centum of the
6 national median, as determined by the most recent avail-
7 able statistics for such areas;

8 ~~(3)~~ those additional Federal or State Indian reser-
9 vations or trust or restricted Indian-owned land areas
10 which the Secretary, after consultation with the
11 Secretary of the Interior or an appropriate State agency,
12 determines manifest the greatest degree of economic
13 distress on the basis of unemployment and income sta-
14 tistics and other appropriate evidence of economic under-
15 development;

16 ~~(4)~~ upon request of such areas, those additional
17 areas in which the Secretary determines that the loss,
18 removal, curtailment, or closing of a major source of
19 employment has caused or threatens to cause within
20 three years of the date of the request an unusual and
21 abrupt rise in unemployment of such magnitude that the
22 unemployment rate for the area can reasonably be ex-
23 pected to exceed the national average by 50 per centum
24 or more unless assistance is provided. Notwithstanding

1 any provision of subsection 401(b) to the contrary, an
2 area designated under the authority of this paragraph
3 may be given a reasonable time after designation in
4 which to submit the overall economic development pro-
5 gram required by subsection 202(b)(10) of this Act;

6 ~~(5)~~ notwithstanding any provision of this section
7 to the contrary, those additional areas which were desig-
8 nated redevelopment areas under the Area Redevelop-
9 ment Act on or after April 1, 1965: *Provided, however,*
10 That the continued eligibility of such areas after the first
11 annual review of eligibility conducted in accordance with
12 section 402 of this Act shall be dependent on their
13 qualification for designation under the standards of eco-
14 nomic need set forth in subsections (a)(1) through
15 (a)(4) of this section.

16 ~~(b)~~ The size and boundaries of redevelopment areas
17 shall be as determined by the Secretary: *Provided, however,*
18 That—

19 ~~(1)~~ no area shall be designated until it has an ap-
20 proved overall economic development program in ac-
21 cordance with subsection 202(b)(10) of this Act;

22 ~~(2)~~ any area which does not submit an acceptable
23 overall economic development program in accordance
24 with subsection 202(b)(10) of this Act within a rea-
25 sonable time after notification of eligibility for designa-

tion, shall not thereafter be designated prior to the next annual review of eligibility in accordance with section 402 of this Act;

~~(3)~~ no area shall be designated which does not have a population of at least one thousand five hundred persons, except for areas designated under subsection 401(a)-~~(3)~~, which shall have a population of not less than one thousand persons; and

~~(4)~~ except for areas designated under subsections ~~(a)-(3)~~ and ~~(a)-(4)~~ hereof, no area shall be designated which is smaller than a "labor area" (as defined by the Secretary of Labor), a county, or a municipality with a population of over two hundred and fifty thousand, whichever in the opinion of the Secretary is appropriate.

~~(e)~~ Upon the request of the Secretary, the Secretary of Labor, the Secretary of Agriculture, the Secretary of the Interior, and such other heads of agencies as may be appropriate are authorized to conduct such special studies, obtain such information, and compile and furnish to the Secretary such data as the Secretary may deem necessary or proper to enable him to make the determinations provided for in this section. The Secretary shall reimburse when appropriate, out of any funds appropriated to carry out the purposes of this Act, the foregoing officers for any expenditures incurred by them under this section.

1 (d) As used in this Act, the term "redevelopment
2 area" refers to any area within the United States which
3 has been designated by the Secretary as a redevelopment
4 area.

5 ANNUAL REVIEW OF AREA ELIGIBILITY

6 SEC. 402. The Secretary shall conduct an annual review
7 of the eligibility of all areas designated or in accordance with
8 section 401 of this Act, and on the basis thereof may termi-
9 nate or modify the designations of such areas in accordance
10 with objective standards which he shall prescribe by regu-
11 lation. No area previously designated shall retain its desig-
12 nated status unless it maintains a currently approved overall
13 economic development program in accordance with subsection
14 202(b)(10). No termination of eligibility shall (1) be
15 made without thirty days' prior notification to the area
16 concerned; (2) affect the validity of any application filed,
17 or contract or undertaking entered into, with respect to such
18 area pursuant to this Act prior to such termination; (3)
19 prevent any such area from again being designated a redevel-
20 opment area under section 401 of this Act if the Secretary
21 determines it to be eligible under such section; or (4) be
22 made in the case of any designated area where the Secretary
23 determines that an improvement in the unemployment rate of
24 a designated area is primarily the result of increased employ-
25 ment in occupations not likely to be permanent. The Seere-

1 tary shall keep the departments and agencies of the Federal
 2 Government, and interested State or local agencies, advised
 3 at all times of any changes made hereunder with respect to
 4 the classification of any area.

5 PART B—ECONOMIC DEVELOPMENT DISTRICTS

6 SEC. 403. (a) In order that economic development
 7 projects of broader geographical significance may be planned
 8 and carried out, the Secretary is authorized—

9 (1) to designate appropriate “economic develop-
 10 ment districts” within the United States with the concu-
 11 rence of the States in which such districts will be wholly
 12 or partially located, if—

13 (A) the proposed district is of sufficient size or
 14 population, and contains sufficient resources, to foster
 15 economic development on a scale involving more
 16 than a single redevelopment area;

17 (B) the proposed district contains two or more
 18 redevelopment areas;

19 (C) the proposed district contains one or more
 20 redevelopment areas or economic development cen-
 21 ters identified in an approved district overall eco-
 22 nomic development program as having sufficient size
 23 and potential to foster the economic growth activi-
 24 ties necessary to alleviate the distress of the re-
 25 development areas within the district; and

1 ~~(D)~~ the proposed district has a district overall
2 economic development program which includes ade-
3 quate land use and transportation planning and con-
4 tains a specific program for district cooperation, self-
5 help, and public investment and is approved by the
6 State or States affected and by the Secretary;

7 ~~(2)~~ to designate as "economic development cen-
8 ters," in accordance with such regulations as he shall
9 prescribe, such areas as he may deem appropriate, if—

10 ~~(A)~~ the proposed center has been identified
11 and included in an approved district overall eco-
12 nomic development program and recommended by
13 the State or States affected for such special desig-
14 nation;

15 ~~(B)~~ the proposed center is geographically and
16 economically so related to the district that its eco-
17 nomic growth may reasonably be expected to con-
18 tribute significantly to the alleviation of distress in
19 the redevelopment areas of the district; and

20 ~~(C)~~ the proposed center does not have a popu-
21 lation in excess of two hundred and fifty thousand
22 according to the last preceding Federal census.

23 ~~(3)~~ to provide financial assistance in accordance
24 with the criteria of sections 101, 201, and 202 of this
25 Act, except as may be herein otherwise provided, for

1 projects in economic development centers designated
2 under subsection (a) (2) above, if—

3 (A) the project will further the objectives of
4 the overall economic development program of the
5 district in which it is to be located;

6 (B) the project will enhance the economic
7 growth potential of the district or result in addi-
8 tional long-term employment opportunities com-
9 mensurate with the amount of Federal financial
10 assistance requested; and

11 (C) the amount of Federal financial assistance
12 requested is reasonably related to the size, popula-
13 tion, and economic needs of the district;

14 (4) subject to the 20 per centum non-Federal share
15 required for any project by subsection 101(e) of this
16 Act, to increase the amount of grant assistance author-
17 ized by section 101 for projects within redevelopment
18 areas (designated under section 401), by an amount
19 not to exceed 10 per centum of the aggregate cost of any
20 such project, in accordance with such regulations as he
21 shall prescribe, if—

22 (A) the redevelopment area is situated within
23 a designated economic development district and is
24 actively participating in the economic development
25 activities of the district; and

1 ~~(B)~~ the project is consistent with an approved
2 district overall economic development program.

3 ~~(b)~~ In designating economic development districts and
4 approving district overall economic development programs
5 under subsection ~~(a)~~ of this section, the Secretary is author-
6 ized, under regulations prescribed by him—

7 ~~(1)~~ to invite the several States to draw up proposed
8 district boundaries and to identify potential economic
9 development centers;

10 ~~(2)~~ to cooperate with the several States—

11 ~~(A)~~ in sponsoring and assisting district eco-
12 nomic planning and development groups, and

13 ~~(B)~~ in assisting such district groups to formu-
14 late district overall economic development programs;

15 ~~(3)~~ to encourage participation by appropriate local
16 governmental authorities in such economic development
17 districts.

18 ~~(c)~~ The Secretary shall by regulation prescribe stand-
19 ards for the termination or modification of economic develop-
20 ment districts and economic development centers designated
21 under the authority of this section.

22 ~~(d)~~ As used in this Act, the term “economic develop-
23 ment district” refers to any area within the United States

1 composed of cooperating redevelopment areas and, where
2 appropriate, designated economic development centers and
3 neighboring counties or communities, which has been desig-
4 nated by the Secretary as an economic development district.

5 ~~(e)~~ As used in this Act, the term "economic develop-
6 ment center" refers to any area within the United States
7 which has been identified as an economic development center
8 in an approved district overall economic development pro-
9 gram and which has been designated by the Secretary as
10 eligible for financial assistance under sections 101, 201, and
11 202 of this Act in accordance with the provisions of this
12 section.

13 ~~(f)~~ For the purpose of this Act the term "local govern-
14 ment" means any city, county, town, parish, village, or other
15 general-purpose political subdivision of a State.

16 ~~(g)~~ There is hereby authorized to be appropriated not to
17 exceed \$50,000,000 annually for financial assistance ex-
18 tended under the provisions of subsections ~~(a) (3)~~ and ~~(a)~~
19 ~~(4)~~ hereof.

20 ~~(h)~~ In order to allow time for adequate and careful
21 district planning, subsection ~~(g)~~ of this section shall not be
22 effective until one year from the date of enactment.

1 ~~TITLE V—REGIONAL ACTION PLANNING~~
2 ~~COMMISSIONS~~

3 ~~ESTABLISHMENT OF REGIONS~~

4 SEC. 501. The Secretary is authorized to designate ap-
5 propriate "economic development regions" within the United
6 States with the concurrence of the States in which such
7 regions will be wholly or partially located if he finds (A)
8 that there is a relationship between the areas within such
9 region geographically, culturally, historically, and economi-
10 cally, (B) that with the exception of Alaska and Hawaii,
11 the region is within contiguous States, and (C) upon con-
12 sideration of the following matters, that the region has
13 lagged behind the whole Nation in economic development:

14 ~~(1)~~ the rate of unemployment is substantially above
15 the national rate;

(2) the median level of family income is significantly below the national median;

18 ~~(3) The level of housing, health, and educational~~
19 ~~facilities is substantially below the national level;~~

20 ~~(4)~~ the economy of the area has traditionally been
21 dominated by a single industry;

(5) the rate of outmigration of labor or capital
or both is substantial;

1 ~~(6)~~ the area is adversely affected by changing in-
2 dustrial technology;

3 ~~(7)~~ the area is adversely affected by changes in na-
4 tional defense facilities or production; and

5 ~~(8)~~ indices of regional production indicate a growth
6 rate substantially below the national average.

7 REGIONAL COMMISSIONS

8 SEC. 502. ~~(a)~~ Upon designation of development regions,
9 the Secretary shall invite and encourage the States wholly or
10 partially located within such regions to establish appropriate
11 multistate regional commissions.

12 ~~(b)~~ Each such commission shall be composed of one
13 Federal member, hereinafter referred to as the "Federal co-
14 chairman", appointed by the President by and with the ad-
15 vice and consent of the Senate, and one member from each
16 participating State in the region. Each State member may
17 be the Governor, or his designee, or such other person as may
18 be provided by the law of the State which he represents. The
19 State members of the commission shall elect a cochairman
20 of the commission from among their number.

21 ~~(c)~~ Decisions by a regional commission shall require
22 the affirmative vote of the Federal cochairman and of a
23 majority, or at least one if only two, of the State members.

1 In matters coming before a regional commission, the Federal
2 cochairman shall, to the extent practicable, consult with the
3 Federal departments and agencies having an interest in the
4 subject matter.

5 (d) Each State member of a regional commission shall
6 have an alternate, appointed by the Governor or as other-
7 wise may be provided by the law of the State which he
8 represents. The President, by and with the advice and
9 consent of the Senate, shall appoint an alternate for the Fed-
10 eral cochairman of each regional commission. An alter-
11 nate shall vote in the event of the absence, death, disability,
12 removal, or resignation of the State or Federal cochairman
13 for which he is an alternate.

14 (e) The Federal cochairman to a regional commission
15 shall be compensated by the Federal Government from funds
16 authorized by this Act at level IV of the Federal Executive
17 Salary Schedule. His alternate shall be compensated by the
18 Federal Government from funds authorized by this Act at
19 not to exceed the maximum scheduled rate for grade GS-18
20 of the Classification Act of 1949, as amended, and when not
21 actively serving as an alternate for the Federal cochairman
22 shall perform such functions and duties as are delegated to
23 him by the Federal cochairman. Each State member and
24 his alternate shall be compensated by the State which they
25 represent at the rate established by the law of such State.

(f) If the Secretary finds that the State of Alaska or the State of Hawaii meets the requirements for an economic development region, he may establish a Commission for either State in a manner agreeable to him and to the Governor of the affected State.

FUNCTIONS OF COMMISSION

SEC. 503. (a) In carrying out the purposes of this Act, each Commission shall with respect to its region—

(1) advise and assist the Secretary in the identification of optimum boundaries for multistate economic development regions;

(2) initiate and coordinate the preparation of long-range overall economic development programs for such regions;

(3) foster surveys and studies to provide data required for the preparation of specific plans and programs for the development of such regions;

(4) advise and assist the Secretary and the States concerned in the initiation and coordination of economic development districts, in order to promote maximum benefits from the expenditure of Federal, State, and local funds;

(5) promote increased private investment in such regions;

(6) prepare legislative and other recommendations

1 with respect to both short-range and long-range pro-
2 grams and projects for Federal, State, and local agencies;

3 ~~(7)~~ develop, on a continuing basis, comprehensive
4 and coordinated plans and programs and establish pri-
5 orities thereunder, giving due consideration to other
6 Federal, State, and local planning in the region;

7 ~~(8)~~ conduct and sponsor investigations, research,
8 and studies, including an inventory and analysis of the
9 resources of the region, and, in cooperation with Fed-
10 eral, State and local agencies, sponsor demonstration
11 projects designed to foster regional productivity and
12 growth;

13 ~~(9)~~ review and study, in cooperation with the
14 agency involved, Federal, State, and local public and
15 private programs and, where appropriate, recommend
16 modifications or additions which will increase their
17 effectiveness in the region;

18 ~~(10)~~ formulate and recommend, where appropriate,
19 interstate compacts and other forms of interstate co-
20 operation, and work with State and local agencies in
21 developing appropriate model legislation; and

22 ~~(11)~~ provide a forum for consideration of problems
23 of the region and proposed solutions and establish and
24 utilize, as appropriate, citizens and special advisory
25 councils and public conferences.

(b) The Secretary shall present such plans and proposals of the commissions as may be transmitted and recommended to him (but are not authorized by any other section of this Act) first for review by the Federal agencies primarily interested in such plans and proposals and then, together with the recommendations of such agencies, to the President for such action as he may deem desirable.

(c) The Secretary shall provide effective and continuing liaison between the Federal Government and each regional commission.

(d) Each Federal agency shall, consonant with law and within the limits of available funds, cooperate with such commissions as may be established in order to assist them in carrying out their functions under this section.

(e) Each regional commission may, from time to time, make additional recommendations to the Secretary and recommendations to the State Governors and appropriate local officials, with respect to—

(1) the expenditure of funds by Federal, State, and local departments and agencies in its region in the fields of natural resources, agriculture, education, training, health and welfare, transportation, and other fields related to the purposes of this Act; and

(2) such additional Federal, State, and local legis-

1 lation or administrative actions as the commission deems
2 necessary to further the purposes of this Act.

3 PROGRAM DEVELOPMENT CRITERIA

4 SEC. 504. In developing recommendations for programs
5 and projects for future regional economic development, and
6 in establishing within those recommendations a priority
7 ranking for such programs and projects, the Secretary shall
8 encourage each regional commission to follow procedures
9 that will insure consideration of the following factors:

10 ~~(1)~~ the relationship of the project or class of proj-
11 ects to overall regional development including its loca-
12 tion in an area determined by the State to have a
13 significant potential for growth;

14 ~~(2)~~ the population and area to be served by the
15 project or class of projects including the relative per
16 capita income and the unemployment rates in the area;

17 ~~(3)~~ the relative financial resources available to the
18 State or political subdivisions or instrumentalities thereof
19 which seek to undertake the project;

20 ~~(4)~~ the importance of the project or class of proj-
21 ects in relation to other projects or classes of projects
22 which may be in competition for the same funds;

23 ~~(5)~~ the prospects that the project, on a continuing
24 rather than a temporary basis, will improve the opportu-
25 nities for employment, the average level of income, or

the economic and social development of the area served by the project.

REGIONAL TECHNICAL AND PLANNING ASSISTANCE

SEC. 505. (a) The Secretary is authorized to provide to the commissions technical assistance which would be useful in aiding the commissions to carry out their functions under this Act and to develop recommendations and programs. Such assistance shall include studies and plans evaluating the needs of, and developing potentialities for, economic growth of such regions, and research on improving the conservation and utilization of the human and natural resources of the region. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government, or through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants-in-aid to the commissions. The Secretary, in his discretion, may require the repayment of assistance provided under this subsection and prescribe the terms and conditions of such repayment.

(b) For the period ending on June 30 of the second full Federal fiscal year following the date of establishment of a commission, the administrative expenses of each com-

1 mission as approved by the Secretary shall be paid by the
2 Federal Government. Thereafter, not to exceed 50 per
3 centum of such expenses may be paid by the Federal Gov-
4 ernment. In determining the amount of the non-Federal
5 share of such costs or expenses, the Secretary shall give due
6 consideration to all contributions both in cash and in kind,
7 fairly evaluated, including but not limited to space, equip-
8 ment, and services.

9 (c) There is hereby authorized to be appropriated
10 \$15,000,000 annually for the purposes of this section.

11 ADMINISTRATIVE POWERS OF REGIONAL COMMISSIONS

12 SEC. 506. To carry out its duties under this Act, each
13 regional commission is authorized to—

14 (1) adopt, amend, and repeal bylaws, rules, and
15 regulations governing the conduct of its business and
16 the performance of its functions;

17 (2) appoint and fix the compensation of an execu-
18 tive director and such other personnel as may be neces-
19 sary to enable the commission to carry out its functions,
20 except that such compensation shall not exceed the
21 salary of the alternate to the Federal cochairman on the
22 commission and no member, alternate, officer, or em-
23 ployee of such commission, other than the Federal co-
24 chairman on the commission and his staff and his
25 alternate, and Federal employees detailed to the com-

mission under clause ~~(3)~~, shall be deemed a Federal employee for any purpose;

~~(3)~~ request the head of any Federal department or agency ~~(who is hereby so authorized)~~ to detail to temporary duty with the commission such personnel within his administrative jurisdiction as the commission may need for carrying out its functions; each such detail to be without loss of seniority, pay, or other employee status;

~~(4)~~ arrange for the services of personnel from any State or local government or any subdivision or agency thereof, or any intergovernmental agency;

~~(5)~~ make arrangements, including contracts, with any participating State government for inclusion in a suitable retirement and employee benefit system of such of its personnel as may not be eligible for, or continue in, another governmental retirement or employee benefit system, or otherwise provide for such coverage of its personnel, and the Civil Service Commission of the United States is authorized to contract with such commission for continued coverage of commission employees, who at date of commission employment are Federal employees, in the retirement program and other employee benefit programs of the Federal Government;

1 (6) accept, use, and dispose of gifts or donations
2 of services or property, real, personal, or mixed, tangible
3 or intangible;

(7) enter into and perform such contracts, leases, cooperative agreements, or other transactions as may be necessary in carrying out its functions and on such terms as it may deem appropriate, with any department, agency, or instrumentality of the United States or with any State, or any political subdivision, agency, or instrumentality thereof, or with any person, firm, association, or corporation;

12 (8) maintain an office in the District of Columbia
13 and establish field offices at such other places as it may
14 deem appropriate; and

15 ~~(9)~~ take such other actions and incur such other
16 expenses as may be necessary or appropriate.

17 INFORMATION

18 SEC. 507. In order to obtain information needed to carry
19 out its duties, each regional commission shall—

(1) hold such hearings, sit and act at such times and places, take such testimony, receive such evidence, and print or otherwise reproduce and distribute so much of its proceedings and reports thereon as it may deem advisable, a cochairman of such commission, or any

1 member of the commission designated by the commis-
2 sion for the purpose, being hereby authorized to admin-
3 ister oaths when it is determined by the commission
4 that testimony shall be taken or evidence received under
5 oath;

6 (2) arrange for the head of any Federal, State, or
7 local department or agency (who is hereby so author-
8 ized, to the extent not otherwise prohibited by law) to
9 furnish to such commission such information as may be
10 available to or procurable by such department or
11 agency; and

12 (3) keep accurate and complete records of its
13 doings and transactions which shall be made available
14 for public inspection.

15 **PERSONAL FINANCIAL INTERESTS**

16 **SEC. 508.** (a) Except as permitted by subsection (b)
17 hereof, no State member or alternate and no officer or em-
18 ployee of a regional commission shall participate personally
19 and substantially as member, alternate, officer, or employee,
20 through decision, approval, disapproval, recommendation,
21 the rendering of advice, investigation, or otherwise, in any
22 proceeding, application, request for a ruling or other determi-
23 nation, contract, claim, controversy, or other particular

1 matter in which, to his knowledge, he, his spouse, minor
2 child, partner, organization (other than a State or political
3 subdivision thereof) in which he is serving as officer, director,
4 trustee, partner, or employee, or any person or organization
5 with whom he is serving as officer, director, trustee, partner,
6 or employee, or any person or organization with whom he
7 is negotiating or has any arrangement concerning prospective
8 employment, has a financial interest. Any person who shall
9 violate the provisions of this subsection shall be fined not
10 more than \$10,000, or imprisoned not more than two years,
11 or both.

12 (b) Subsection (a) hereof shall not apply if the State
13 member, alternate, officer, or employee first advises the
14 regional commission involved of the nature and circum-
15 stances of the proceeding, application, request for a ruling
16 or other determination, contract, claim, controversy, or other
17 particular matter and makes full disclosure of the financial
18 interest and receives in advance a written determination
19 made by such Commission that the interest is not so sub-
20 stantial as to be deemed likely to affect the integrity of the
21 services which the Commission may expect from such State
22 member, alternate, officer, or employee.

23 (c) No State member of a regional commission, or his
24 alternate, shall receive any salary, or any contribution to or

1 supplementation of salary for his services on such commission
2 from any source other than his State. No person detailed
3 to serve a regional commission under authority of clause
4 ~~(4)~~ of section 506 shall receive any salary or any contribu-
5 tion to or supplementation of salary for his services on such
6 commission from any source other than the State, local, or
7 intergovernmental department or agency from which he was
8 detailed or from such commission. Any person who shall
9 violate the provisions of this subsection shall be fined not
10 more than \$5,000, or imprisoned not more than one year,
11 or both.

12 ~~(d)~~ Notwithstanding any other subsection of this sec-
13 tion, the Federal cochairman and his alternate on a re-
14 gional commission and any Federal officers or employees
15 detailed to duty with it pursuant to clause ~~(3)~~ of section
16 ~~10~~ shall not be subject to any such subsection but shall
17 remain subject to sections 202 through 209 of title 18,
18 United States Code.

19 ~~(e)~~ A regional commission may, in its discretion,
20 declare void and rescind any contract or other agreement
21 pursuant to the Act in relation to which it finds that there
22 has been a violation of subsection ~~(a)~~ or ~~(e)~~ of this section,
23 or any of the provisions of sections 202 through 209, title 38,
24 United States Code.

ANNUAL REPORTS

1
2 SEC. 509. Each regional commission established pur-
3 suant to this Act shall make a comprehensive and detailed
4 annual report each fiscal year to the Congress with respect to
5 such commission's activities and recommendations for pro-
6 grams. The first such report shall be made for the first
7 fiscal year in which such commission is in existence for more
8 than three months. Such reports shall be printed and trans-
9 mitted to the Congress not later than January 31 of the
10 calendar year following the fiscal year with respect to which
11 the report is made.

TITLE VI—ADMINISTRATION

12
13 SEC. 601. (a) The Secretary shall administer this Act
14 and, with the assistance of an Assistant Secretary of Com-
15 merce, in addition to those already provided for, shall super-
16 vise and direct the Administrator created herein, and
17 coordinate the Federal cochairmen appointed heretofore or
18 subsequent to this Act. The Assistant Secretary created by
19 this section shall be appointed by the President by and with
20 the advice and consent of the Senate and shall be compen-
21 sated at the rate provided for level IV of the Federal
22 Executive Salary Schedule. Such Assistant Secretary shall
23 perform such functions as the Secretary may prescribe.
24 There shall be appointed by the President, by and with the
25 advice and consent of the Senate, an Administrator for Eco-

1 nomic Development who shall be compensated at the rate
 2 provided for level V of the Federal Executive Salary Sched-
 3 ule who shall perform such duties as are assigned by the
 4 Secretary.

5 ~~(b)~~ Subsections ~~(d)~~ and ~~(e)~~ of section 303 of the
 6 Federal Executive Salary Act of 1964 are hereby amended
 7 by adding the positions established by subsection ~~(a)~~ hereof.

8 ADVISORY COMMITTEE ON REGIONAL ECONOMIC
 9 DEVELOPMENT

10 SEC. 602. The Secretary shall appoint a National Pub-
 11 lic Advisory Committee on Regional Economic Development
 12 which shall consist of twenty-five members and shall be
 13 composed of representatives of labor, management, agricul-
 14 ture, State and local governments, and the public in general.
 15 From the members appointed to such Committee the Secere-
 16 tary shall designate a Chairman. Such Committee, or any
 17 duly established subcommittee thereof, shall from time to
 18 time make recommendations to the Secretary relative to the
 19 carrying out of his duties under this Act. Such Committee
 20 shall hold not less than two meetings during each calendar
 21 year.

22 CONSULTATION WITH OTHER PERSONS AND AGENCIES

23 SEC. 603. ~~(a)~~ The Secretary is authorized from time
 24 to time to call together and confer with any persons, includ-
 25 ing representatives of labor, management, agriculture, and

1 government, who can assist in meeting the problems of area
2 and regional unemployment or underemployment.

3 (b) The Secretary may make provision for such con-
4 sultation with interested departments and agencies as he may
5 deem appropriate in the performance of the functions vested
6 in him by this Act.

7 TITLE VII—MISCELLANEOUS

8 POWERS OF SECRETARY

9 SEC. 701. In performing his duties under this Act, the
10 Secretary is authorized to—

11 (1) adopt, alter, and use a seal, which shall be
12 judicially noticed;

13 (2) hold such hearings, sit and act at such times
14 and places, and take such testimony, as he may deem
15 advisable;

16 (3) request directly from any executive depart-
17 ment, bureau, agency, board, commission, office, inde-
18 pendent establishment, or instrumentality information,
19 suggestions, estimates, and statistics needed to carry out
20 the purposes of this Act; and each department, bureau,
21 agency, board, commission, office, establishment, or in-
22 strumentality is authorized to furnish such information,
23 suggestions, estimates, and statistics directly to the
24 Secretary;

1 (4) under regulations prescribed by him, assign
2 or sell at public or private sale, or otherwise dispose
3 of for cash or credit, in his discretion and upon such
4 terms and conditions and for such consideration as he
5 shall determine to be reasonable; any evidence of debt,
6 contract, claim, personal property, or security assigned
7 to or held by him in connection with loans made or
8 evidences of indebtedness purchased under this Act, and
9 collect or compromise all obligations assigned to or held
10 by him in connection with such loans or evidences of
11 indebtedness until such time as such obligations may be
12 referred to the Attorney General for suit or collection;

13 (5) further extend the maturity of or renew any
14 loan made or evidence of indebtedness purchased under
15 this Act, beyond the periods stated in such loan or
16 evidence of indebtedness or in this Act, for additional
17 periods not to exceed ten years, if such extension or
18 renewal will aid in the orderly liquidation of such loan
19 or evidence of indebtedness;

20 (6) deal with, complete, renovate, improve, mod-
21 ernize, insure, rent, or sell for cash or credit, upon such
22 terms and conditions and for such consideration as he
23 shall determine to be reasonable; any real or personal

1 property conveyed to, or otherwise acquired by, him in
2 connection with loans made or evidences of indebtedness
3 purchased under this Act;

4 ~~(7)~~ pursue to final collection, by way of compro-
5 mise or other administrative action, prior to reference
6 to the Attorney General, all claims against third parties
7 assigned to him in connection with loans made or evi-
8 dences of indebtedness purchased under this Act. This
9 shall include authority to obtain deficiency judgments or
10 otherwise in the case of mortgages assigned to the Sec-
11 retary. Section 3709 of the Revised Statutes, as
12 amended (41 U.S.C. 5), shall not apply to any contract
13 of hazard insurance or to any purchase or contract for
14 services or supplies on account of property obtained by
15 the Secretary as a result of loans made or evidences of
16 indebtedness purchased under this Act if the premium
17 therefor or the amount thereof does not exceed \$1,000.
18 The power to convey and to execute, in the name of the
19 Secretary, deeds of conveyance, deeds of release, assign-
20 ments and satisfactions of mortgages, and any other writ-
21 ten instrument relating to real or personal property or
22 any interest therein acquired by the Secretary pursuant
23 to the provisions of this Act may be exercised by the
24 Secretary or by any officer or agent appointed by him for

1 that purpose without the execution of any express dele-
2 gation of power or power of attorney;

3 ~~(8)~~ acquire, in any lawful manner, any property
4 ~~(real, personal, or mixed, tangible or intangible)~~, when-
5 ever deemed necessary or appropriate to the conduct
6 of the activities authorized in sections 201, 202, 301,
7 403, and 503 of this Act;

8 ~~(9)~~ in addition to any powers, functions, privileges,
9 and immunities otherwise vested in him, take any and
10 all actions, including the procurement of the services
11 of attorneys by contract, determined by him to be neces-
12 sary or desirable in making, purchasing, servicing, com-
13 promising, modifying, liquidating, or otherwise admin-
14 istratively dealing with or realizing on loans made or
15 evidences of indebtedness purchased under this Act;

16 ~~(10)~~ employ experts and consultants or organiza-
17 tions therefor as authorized by section 15 of the Admin-
18 istrative Expenses Act of 1946 (5 U.S.C. 55a), com-
19 pensate individuals so employed at rates not in excess
20 of \$100 per diem, including travel time, and allow
21 them, while away from their homes or regular places
22 of business, travel expenses (including per diem in
23 lieu of subsistence) as authorized by section 5 of such

1 Act ~~(5 U.S.C. 73b-2)~~ for persons in the Government
 2 service employed intermittently, while so employed:
 3 *Provided, however,* That contracts for such employment
 4 may be renewed annually;

5 ~~(11)~~ sue and be sued in any court of record of a
 6 State having general jurisdiction or in any United States
 7 district court, and jurisdiction is conferred upon such
 8 district court to determine such controversies without
 9 regard to the amount in controversy; but no attachment,
 10 injunction, garnishment, or other similar process, mesne
 11 or final, shall be issued against the Secretary or his prop-
 12 erty. Nothing herein shall be construed to except the
 13 activities under this Act from the application of sec-
 14 tions 507(b) and 2679 of title 28, United States Code,
 15 and of section 367 of the Revised Statutes ~~(5 U.S.C.~~
 16 316); and

17 ~~(12)~~ establish such rules, regulations, and pro-
 18 cedures as he may deem appropriate in carrying out
 19 the provisions of this Act.

20 SAVINGS PROVISIONS

21 SEC. 702. ~~(a)~~ No suit, action, or other proceeding law-
 22 fully commenced by or against the Administrator or any
 23 other officer of the Area Redevelopment Administration in
 24 his official capacity or in relation to the discharge of his
 25 official duties under the Area Redevelopment Act, shall

1 abate by reason of the taking effect of the provisions of this
2 Act, but the court may, on motion or supplemental petition
3 filed at any time within twelve months after such taking
4 effect, showing a necessity for the survival of such suit,
5 action, or other proceeding to obtain a settlement of the
6 questions involved, allow the same to be maintained by or
7 against the Secretary or the Administrator or such other
8 officer of the Department of Commerce as may be appro-
9 priate.

10 (b) Except as may be otherwise expressly provided in
11 this Act, all powers and authorities conferred by this Act
12 shall be cumulative and additional to and not in derogation
13 of any powers and authorities otherwise existing. All rules,
14 regulations, orders, authorizations, delegations, or other ac-
15 tions duly issued, made, or taken by or pursuant to applicable
16 law, prior to the effective date of this Act, by any agency,
17 officer, or office pertaining to any functions, powers, and
18 duties under the Area Redevelopment Act shall continue in
19 full force and effect after the effective date of this Act until
20 modified or rescinded by the Secretary or such other officer
21 of the Department of Commerce as, in accordance with appli-
22 cable law, may be appropriate.

23 TRANSFER OF FUNCTIONS AND EFFECTIVE DATE

24 SEC. 703. (a) The functions, powers, duties, and au-
25 thorities and the assets, funds, contracts, loans, liabilities,

1 commitments, authorizations, allocations, and records which
2 are vested in or authorized to be transferred to the Secretary
3 of the Treasury under section 29(b) of the Area Redevelop-
4 ment Act, and all functions, powers, duties, and authorities
5 under section 29(c) of the Area Redevelopment Act are
6 hereby vested in the Secretary.

7 (b) The President may designate a person to act as
8 Administrator under this Act until the office is filled as pro-
9 vided in this Act or until the expiration of the first period
10 of sixty days following the effective date of this Act, which-
11 ever shall first occur. While so acting such person shall
12 receive compensation at the rate provided by this Act for
13 such office.

14 (c) The provisions of this Act shall take effect upon
15 enactment unless herein explicitly otherwise provided.

(d) Notwithstanding any requirements of this Act relating to the eligibility of areas, projects for which applications are pending before the Area Redevelopment Administration on the effective date of this Act shall for a period of one year thereafter be eligible for consideration by the Secretary for such assistance under the provisions of this Act as he may determine to be appropriate.

23 ~~SEPARABILITY~~

24 SEC. 704. Notwithstanding any other evidence of the
25 intent of Congress, it is hereby declared to be the intent of

1 Congress that if any provision of this Act or the application
2 thereof to any persons or circumstances shall be adjudged
3 by any court of competent jurisdiction to be invalid, such
4 judgment shall not affect, impair, or invalidate the remainder
5 of this Act or its application to other persons and circum-
6 stances, but shall be confined in its operation to the provision
7 of this Act or the application thereof to the persons and
8 circumstances directly involved in the controversy in which
9 such judgment shall have have been rendered.

10 APPLICATION OF ACT

11 SEC. 705. As used in this Act, the terms "State",
12 "States", and "United States" include the several States,
13 the District of Columbia, the Commonwealth of Puerto Rico,
14 the Virgin Islands, Guam, and American Samoa.

15 ANNUAL REPORT

16 SEC. 706. The Secretary shall make a comprehensive
17 and detailed annual report to the Congress of his operations
18 under this Act for each fiscal year beginning with the fiscal
19 year ending June 30, 1966. Such report shall be printed
20 and shall be transmitted to the Congress not later than Janu-
21 ary 3 of the year following the fiscal year with respect to
22 which such report is made.

23 USE OF OTHER FACILITIES

24 SEC. 707. (a) Where practicable in carrying out the
25 provisions of this Act the Secretary may use the available

1 services and facilities of other agencies and instrumentalities
2 of the Federal Government, but only with consent and
3 on a reimbursable basis. The foregoing requirement shall
4 be implemented by the Secretary in such a manner as to avoid
5 the publication of existing staffs and facilities in any agency
6 or instrumentality of the Federal Government. The Secre-
7 tary is authorized to delegate to the heads of other depart-
8 ments and agencies of the Federal Government any of the
9 Secretary's functions, powers, and duties under this Act as
10 he may deem appropriate, and to authorize the redelegation
11 of such functions, powers, and duties by the heads of such
12 departments and agencies.

13 (b) Departments and agencies of the Federal Govern-
14 ment shall exercise their powers, duties, and functions in
15 such manner as will assist in carrying out the objectives of
16 this Act.

17 (c) Funds authorized to be appropriated under this Act
18 may be transferred between departments and agencies of the
19 Government, if such funds are used for the purposes for
20 which they are specifically authorized and appropriated.

21 APPROPRIATION

22 SEC. 708. There are hereby authorized to be appropri-
23 ated such sums as may be necessary to carry out the provi-
24 sions of this Act. Appropriations authorized under this Act

1 shall remain available until expended unless otherwise pro-
2 vided by appropriations Acts.

3 PENALTIES

4 SEC. 709. (a) Whoever makes any statement knowing
5 it to be false, or whoever willfully overvalues any security,
6 for the purpose of obtaining for himself or for any applicant
7 any financial assistance under section 101, 201, 202, or 403
8 or any extension thereof by renewal, deferment or action, or
9 otherwise, or the acceptance, release, or substitution of secu-
10 rity therefor, or for the purpose of influencing in any way
11 the action of the Secretary, or for the purpose of obtaining
12 money, property, or anything of value, under this Act, shall
13 be punished by a fine of not more than \$10,000 or by im-
14 prisonment for not more than five years, or both.

15 (b) Whoever, being connected in any capacity with the
16 Secretary, in the administration of this Act (1) embezzles,
17 abstracts, purloins, or willfully misapplies any moneys, funds,
18 securities, or other things of value, whether belonging to him
19 or pledged or otherwise entrusted to him, or (2) with intent
20 to defraud the Secretary or any other body politic or cor-
21 porate, or any individual, or to deceive any officer, auditor,
22 or examiner, makes any false entry in any book, report, or
23 statement of or to the Secretary, or without being duly

1 authorized draws any order or issues, puts forth, or assigns
2 any note, debenture, bond, or other obligation, or draft, bill
3 of exchange mortgage, judgment, or decree thereof, or ~~(3)~~
4 with intent to defraud participates or shares in or receives
5 directly or indirectly any money, profit, property, or benefit
6 through any transaction, loan, grant, commission, contract,
7 or any other act of the Secretary or ~~(4)~~ gives any unau-
8 thorized information concerning any future action or plan of
9 the Secretary which might affect the value of securities, or
10 having such knowledge invests or speculates, directly or
11 indirectly, in the securities or property of any company or
12 corporation receiving loans, grants, or other assistance from
13 the Secretary, shall be punished by a fine of not more than
14 \$10,000 or by imprisonment for not more than five years,
15 or both.

16 EMPLOYMENT OF EXPEDITERS AND ADMINISTRATIVE
17 EMPLOYEES

18 SEC. 710. No financial assistance shall be extended by
19 the Secretary under section 101, 201, 202, or 403 to any
20 business enterprise unless the owners, partners, or officers
21 of such business enterprise ~~(1)~~ certify to the Secretary the
22 names of any attorneys, agents, and other persons engaged
23 by or on behalf of such business enterprise for the purpose
24 of expediting applications made to the Secretary for assist-
25 ance of any sort, under this Act, and the fees paid or to be

1 paid to any such person; and ~~(2)~~ execute an agreement
2 binding such business enterprise, for a period of two years
3 after such assistance is rendered by the Secretary to such
4 business enterprise, to refrain from employing, tendering any
5 office or employment to, or retaining for professional services,
6 any person who, on the date such assistance or any part
7 thereof was rendered, or within one year prior thereto, shall
8 have served as an officer, attorney, agent, or employee,
9 occupying a position or engaging in activities which the
10 Secretary shall have determined involve discretion with
11 respect to the granting of assistance under this Act.

12 PREVAILING RATE OF WAGE AND FORTY-HOUR WEEK

13 SEC. 711. All laborers and mechanics employed by con-
14 tractors or subcontractors on projects assisted by the Secre-
15 tary under this Act shall be paid wages at rates not less than
16 those prevailing on similar construction in the locality as de-
17 termined by the Secretary of Labor in accordance with the
18 Davis-Bacon Act, as amended ~~(40 U.S.C. 276a—276a-5)~~.
19 The Secretary shall not extend any financial assistance
20 under section 101, 201, 202, or 403 for such a project
21 without first obtaining adequate assurance that these labor
22 standards will be maintained upon the construction work.
23 The Secretary of Labor shall have, with respect to the
24 labor standards specified in this provision, the authority
25 and functions set forth in Reorganization Plan Numbered 14

1 of 1950 (~~15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 133z-15~~),
2 and section 2 of the Act of June 13, 1934, as amended
3 (~~40 U.S.C. 276c~~).

4 RECORD OF APPLICATIONS

5 SEC. 712. The Secretary shall maintain as a permanent
6 part of the records of the Department of Commerce a list of
7 applications approved for financial assistance under section
8 101, 201, 202, or 403, which shall be kept available for pub-
9 lic inspection during the regular business hours of the De-
10 partment of Commerce. The following information shall be
11 posted in such list as soon as each application is approved;
12 ~~(1)~~ the name of the applicant and, in the case of corporate
13 applications, the names of the officers and directors thereof,
14 ~~(2)~~ the amount and duration of the loan or grant for which
15 application is made, ~~(3)~~ the purposes for which the pro-
16 ceeds of the loan or grant are to be used, and ~~(4)~~ a general
17 description of the security offered in the case of a loan.

18 RECORDS AND AUDIT

19 SEC. 713. ~~(a)~~ Each recipient of assistance under this
20 Act shall keep such records as the Secretary shall prescribe,
21 including records which fully disclose the amount and the
22 disposition by such recipient of the proceeds of such assist-
23 ance, the total cost of the project or undertaking in connec-
24 tion with which such assistance is given or used, and the
25 amount and nature of that portion of the cost of the project

1 or undertaking supplied by other sources, and such other
2 records as will facilitate an effective audit.

3 (b) The Secretary and the Comptroller General of the
4 United States, or any of their duly authorized representa-
5 tives, shall have access for the purpose of audit and examina-
6 tion to any books, documents, papers, and records of the
7 recipient that are pertinent to assistance received under this
8 Act.

9 CONFORMING AMENDMENT

10 SEC. 714. All benefits heretofore specifically made avail-
11 able (and not subsequently revoked) under other Federal
12 programs to persons or to public or private organizations,
13 corporations, or entities in areas designated by the Secretary
14 as "redevelopment areas" under section 5 of the Area Re-
15 development Act, are hereby also extended, insofar as prac-
16 ticable, to such areas as may be designated as "redevel-
17 opment areas" or "economic development centers" under the
18 authority of section 401 or 403 of this Act: *Provided, how-*
19 *ever,* That this section shall not be construed as limiting such
20 administrative discretion as may have been conferred under
21 any other law.

22 SEC. 715. All financial and technical assistance author-
23 ized under this Act shall be in addition to any Federal assist-
24 ance previously authorized, and no provision hereof shall be

1 construed as authorizing or permitting any reduction or
2 diminution in the proportional amount of Federal assistance
3 to which any State or other entity eligible under this Act
4 would otherwise be entitled under the provisions of any other
5 Act.

6 That this Act may be cited as the "Public Works and
7 Economic Development Act of 1965".

8 STATEMENT OF PURPOSE

9 SEC. 2. The Congress declares that the maintenance of
10 the national economy at a high level is vital to the best
11 interests of the United States, but that some of our regions,
12 counties, and communities are suffering substantial and per-
13 sistent unemployment and underemployment; that such un-
14 employment and underemployment cause hardship to many
15 individuals and their families, and waste invaluable human
16 resources; that to overcome this problem the Federal Gov-
17 ernment, in cooperation with the States, should help areas
18 and regions of substantial and persistent unemployment and
19 underemployment to take effective steps in planning and
20 financing their public works and economic development; that
21 Federal financial assistance, including grants for public
22 works and development facilities to communities, industries,
23 enterprises, and individuals in areas needing development
24 should enable such areas to help themselves achieve lasting im-
25 provement and enhance the domestic prosperity by the estab-

1 *lishment of stable and diversified local economies and im-*
 2 *proved local conditions, provided that such assistance is pre-*
 3 *ceded by and consistent with sound, long-range economic*
 4 *planning; and that under the provisions of this Act new em-*
 5 *ployment opportunities should be created by developing and*
 6 *expanding new and existing public works and other facilities*
 7 *and resources rather than by merely transferring jobs from*
 8 *one area of the United States to another.*

9 *TITLE I—GRANTS FOR PUBLIC WORKS AND*
 10 *DEVELOPMENT FACILITIES*

11 *SEC. 101. (a) Upon the application of any State, or*
 12 *political subdivision thereof, Indian tribe, or private or pub-*
 13 *lic nonprofit organization or association representing any*
 14 *redevelopment area or part thereof, the Secretary of Com-*
 15 *merce (hereinafter referred to as the Secretary) is author-*
 16 *ized—*

17 *(1) to make direct grants for the acquisition or de-*
 18 *velopment of land and improvements for public works,*
 19 *public service, or development facility usage, and the*
 20 *acquisition, construction, rehabilitation, alteration, ex-*
 21 *pansion, or improvement of such facilities, including*
 22 *related machinery and equipment, within a redevel-*
 23 *opment area, if he finds that—*

24 *(A) the project for which financial assistance*

1 is sought will directly or indirectly (i) tend to
2 improve the opportunities, in the area where such
3 project is or will be located, for the successful estab-
4 lishment or expansion of industrial or commercial
5 plants or facilities, (ii) otherwise assist in the crea-
6 tion of additional long-term employment opportu-
7 nities for such area, or (iii) primarily benefit the
8 long-term unemployed and members of low-income
9 families or otherwise substantially further the ob-
10 jectives of the Economic Opportunity Act of 1964;

11 (B) the project for which a grant is requested
12 will fulfill a pressing need of the area, or part
13 thereof, in which it is, or will be, located; and

14 (C) the area for which a project is to be under-
15 taken has an approved overall economic develop-
16 ment program as provided in section 202(b)(10)
17 and such project is consistent with such program;

18 (2) to make supplementary grants in order to
19 enable the States and other entities within redevelop-
20 ment areas to take maximum advantage of designated
21 Federal grant-in-aid programs (as hereinafter defined),
22 direct grants-in-aid authorized under this section, and
23 Federal grant-in-aid programs authorized by the Water-
24 shed Protection and Flood Prevention Act (68 Stat.
25 666, as amended), and the eleven watersheds authorized

1 *by the Flood Control Act of December 22, 1944, as*
2 *amended and supplemented (58 Stat. 887), for which*
3 *they are eligible but for which, because of their economic*
4 *situation, they cannot supply the required matching*
5 *share.*

6 *(b) Subject to subsection (c) hereof, the amount of*
7 *any direct grant under this section for any project shall*
8 *not exceed 50 per centum of the cost of such project.*

9 *(c) The amount of any supplementary grant under this*
10 *section for any project shall not exceed the applicable per-*
11 *centage established by regulations promulgated by the Secre-*
12 *tary, but in no event shall the non-Federal share of the*
13 *aggregate cost of any such project (including assumptions of*
14 *debt) be less than 20 per centum of such cost. Supple-*
15 *mentary grants shall be made by the Secretary, in accord-*
16 *ance with such regulations as he shall prescribe, by increas-*
17 *ing the amounts of direct grants authorized under this section*
18 *or by the payment of funds appropriated under this Act to*
19 *the heads of the departments, agencies, and instrumen-*
20 *talities of the Federal Government responsible for the*
21 *administration of the applicable Federal programs. Not-*
22 *withstanding any requirement as to the amount or sources of*
23 *non-Federal funds that may otherwise be applicable to the*
24 *Federal program involved, funds provided under this subsec-*

1 tion shall be used for the sole purpose of increasing the Fed-
2 eral contribution to specific projects in redevelopment areas
3 under such programs above the fixed maximum portion of
4 the cost of such project otherwise authorized by the applica-
5 ble law. The term "designated Federal grant-in-aid pro-
6 grams," as used in this subsection, means such existing or
7 future Federal grant-in-aid programs assisting in the con-
8 struction or equipping of facilities as the Secretary may, in
9 furtherance of the purposes of this Act, designate as eligible
10 for allocation of funds under this section. In determining the
11 amount of any supplementary grant available to any project
12 under this section, the Secretary shall take into consideration
13 the relative needs of the area, the nature of the project to be
14 assisted, and the amount of such fair user charges or other
15 revenues as the project may reasonably be expected to gen-
16 erate in excess of those which would amortize the local share
17 of initial costs and provide for its successful operation and
18 maintenance (including depreciation).

19 (d) The Secretary shall prescribe rules, regulations, and
20 procedures to carry out this section which will assure that
21 adequate consideration is given to the relative needs of
22 eligible areas. In prescribing such rules, regulations, and
23 procedures the Secretary shall consider among other relevant
24 factors (1) the severity of the rates of unemployment in the
25 eligible areas and the duration of such unemployment and

1 (2) the income levels of families and the extent of under-
2 employment in eligible areas.

3 (e) Except for projects specifically authorized by
4 Congress, no financial assistance shall be extended under
5 this section with respect to any public service or develop-
6 ment facility which would compete with an existing pri-
7 vately owned public utility rendering a service to the public
8 at rates or charges subject to regulation by a State or Federal
9 regulatory body, unless the State or Federal regulatory body
10 determines that in the area to be served by the facility for
11 which the financial assistance is to be extended there is a
12 need for an increase in such service (taking into considera-
13 tion reasonably foreseeable future needs) which the existing
14 public utility is not able to meet through its existing facilities
15 or through an expansion which it agrees to undertake.

16 (f) The Secretary shall prescribe regulations which will
17 assure that appropriate local governmental authorities have
18 been given a reasonable opportunity to review and comment
19 upon proposed projects under this section.

20 SEC. 102. Not more than 15 per centum of the appro-
21 priations made pursuant to this title may be expended in
22 any one State.

23 SEC. 103. No part of any appropriations made pursuant
24 to this title may be expended for any project in any area

1 *which is within the “Appalachian region” (as that term is de-*
 2 *fin ed in section 403 of the Appalachian Regional Develop-*
 3 *ment Act of 1965) which is approved for assistance under*
 4 *the Appalachian Regional Development Act of 1965.*

5 *SEC. 104. There is hereby authorized to be appro-*
 6 *priated to carry out this title not to exceed \$400,000,000*
 7 *for the fiscal year ending June 30, 1966, and for each fiscal*
 8 *year thereafter through the fiscal year ending June 30, 1970.*

9 *TITLE II—OTHER FINANCIAL ASSISTANCE*

10 *PUBLIC WORKS AND DEVELOPMENT FACILITY LOANS*

11 *SEC. 201. (a) Upon the application of any State, or*
 12 *political subdivision thereof, Indian tribe, or private or pub-*
 13 *lic nonprofit organization or association representing any*
 14 *redevelopment area or part thereof, the Secretary is author-*
 15 *ized to purchase evidence of indebtedness and to make loans*
 16 *to assist in financing the purchase or development of land*
 17 *and improvements for public works, public service, or devel-*
 18 *opment facility usage, including public works, public service,*
 19 *and development facility usage, to be provided by agencies*
 20 *of the Federal Government pursuant to legislation requiring*
 21 *that non-Federal entities bear some part of the cost thereof.*
 22 *and the acquisition, construction, rehabilitation, alteration,*
 23 *expansion, or improvement of such facilities, including related*
 24 *machinery and equipment, within a redevelopment area, if*
 25 *he finds that—*

1 (1) the project for which financial assistance is
2 sought will directly or indirectly—

3 (A) tend to improve the opportunities, in the
4 area where such project is or will be located, for the
5 successful establishment or expansion of industrial or
6 commercial plants or facilities,

7 (B) otherwise assist in the creation of addi-
8 tional long-term employment opportunities for such
9 area, or

10 (C) primarily benefit the long-term unem-
11 ployed and members of low-income families or
12 otherwise substantially further the objectives of the
13 Economic Opportunity Act of 1964;

14 (2) the funds requested for such project are not
15 otherwise available from private lenders or from other
16 Federal agencies on terms which in the opinion of the
17 Secretary will permit the accomplishment of the project;

18 (3) the amount of the loan plus the amount of other
19 available funds for such project are adequate to insure
20 the completion thereof;

21 (4) there is a reasonable expectation of repayment;
22 and

23 (5) such area has an approved overall economic
24 development program as provided in section 202(b)

1 (10) and the project for which financial assistance is
2 sought is consistent with such program.

3 (b) Subject to section 701(5), no loan, including re-
4 newals or extensions thereof, shall be made under this
5 section for a period exceeding forty years, and no evi-
6 dence of indebtedness maturing more than forty years from
7 the date of purchase shall be purchased under this section.
8 Such loans shall bear interest at a rate not less than a
9 rate determined by the Secretary of the Treasury taking
10 into consideration the current average market yield on out-
11 standing marketable obligations of the United States with
12 remaining periods to maturity comparable to the average
13 maturities of such loans, adjusted to the nearest one-eighth
14 of 1 per centum, less not to exceed one-half of 1 per centum
15 per annum.

16 (c) There are hereby authorized to be appropriated
17 such sums as may be necessary to carry out the provisions
18 of this section and section 202: Provided, That annual
19 appropriations for the purpose of purchasing evidences of
20 indebtedness, making and participating in loans, and guar-
21 anteeing loans shall not exceed \$170,000,000, for the fiscal
22 year ending June 30, 1966, and for each fiscal year there-
23 after through the fiscal year ending June 30, 1970.

24 (d) Except for projects specifically authorized by Con-
25 gress, no financial assistance shall be extended under this

1 section with respect to any public service or development
2 facility which would compete with an existing privately
3 owned public utility rendering a service to the public at rates
4 or charges subject to regulation by a State or Federal regula-
5 tory body, unless the State or Federal regulatory body deter-
6 mines that in the area to be served by the facility for which
7 the financial assistance is to be extended there is a need
8 for an increase in such service (taking into consideration
9 reasonably foreseeable future needs) which the existing
10 public utility is not able to meet through its existing facilities
11 or through an expansion which it agrees to undertake.

12 (e) The Secretary shall prescribe regulations which will
13 assure that appropriate local governmental authorities have
14 been given a reasonable opportunity to review and comment
15 upon proposed projects under this section.

16 LOANS AND GUARANTEES

17 SEC. 202. (a) The Secretary is authorized (1) to
18 purchase evidences of indebtedness and to make loans (which
19 for purposes of this section shall include participations in
20 loans) to aid in financing any project within a redevelop-
21 ment area for the purchase or development of land and facili-
22 ties (including machinery and equipment) for industrial or
23 commercial usage, including the construction of new build-
24 ings, the rehabilitation of abandoned or unoccupied buildings,

1 and the alteration, conversion, or enlargement of existing
2 buildings; and (2) to guarantee loans for working capital
3 made to private borrowers by private lending institutions in
4 connection with projects in redevelopment areas assisted
5 under subsection (a)(1) hereof, upon application of such in-
6 stitution and upon such terms and conditions as the Secretary
7 may prescribe: Provided, however, That no such guarantee
8 shall at any time exceed 90 per centum of the amount of the
9 outstanding unpaid balance of such loan.

10 (b) Financial assistance under this section shall be on
11 such terms and conditions as the Secretary determines, sub-
12 ject, however, to the following restrictions and limitations:

13 (1) Such financial assistance shall not be extended to
14 assist establishments relocating from one area to another or
15 to assist subcontractors whose purpose is to divest, or whose
16 economic success is dependent upon divesting, other con-
17 tractors or subcontractors of contracts theretofore customarily
18 performed by them: Provided, however, That such limitation
19 shall not be construed to prohibit assistance for the expansion
20 of an existing business entity through the establishment of a
21 new branch, affiliate, or subsidiary of such entity if the Secre-
22 tary finds that the establishment of such branch, affiliate, or
23 subsidiary will not result in an increase in unemployment of
24 the area of original location or in any other area where such

1 *entity conducts business operations, unless the Secretary has*
2 *reason to believe that such branch, affiliate, or subsidiary is*
3 *being established with the intention of closing down the*
4 *operations of the existing business entity in the area of its*
5 *original location or in any other area where it conducts such*
6 *operations.*

7 (2) *Such assistance shall be extended only to applicants,*
8 *both private and public (including Indian tribes), which*
9 *have been approved for such assistance by an agency or*
10 *instrumentality of the State or political subdivision thereof in*
11 *which the project to be financed is located, and which agency*
12 *or instrumentality is directly concerned with problems of*
13 *economic development in such State or subdivision.*

14 (3) *The project for which financial assistance is sought*
15 *must be reasonably calculated to provide more than a*
16 *temporary alleviation of unemployment or underemployment*
17 *within the redevelopment area wherein it is or will be*
18 *located.*

19 (4) *No loan or guarantee shall be extended hereunder*
20 *unless the financial assistance applied for is not otherwise*
21 *available from private lenders or from other Federal agencies*
22 *on terms which in the opinion of the Secretary will permit*
23 *the accomplishment of the project.*

1 (5) *The Secretary shall not make any loan without a*
2 *participation unless he determines that the loan cannot be*
3 *made on a participation basis.*

4 (6) *No evidences of indebtedness shall be purchased*
5 *and no loans shall be made or guaranteed unless it is deter-*
6 *mined that there is reasonable assurance of repayment.*

7 (7) *Subject to section 701(5) of this Act, no loan,*
8 *including renewals or extension thereof, may be made here-*
9 *under for a period exceeding twenty-five years and no*
10 *evidences of indebtedness maturing more than twenty-five*
11 *years from date of purchase may be purchased hereunder:*
12 *Provided, That the foregoing restrictions on maturities shall*
13 *not apply to securities or obligations received by the Secre-*
14 *tary as a claimant in bankruptcy or equitable reorganization*
15 *or as a creditor in other proceedings attendant upon insol-*
16 *vency of the obligor.*

17 (8) *Loans made and evidences of indebtedness pur-*
18 *chased under this section shall bear interest at a rate not*
19 *less than a rate determined by the Secretary of the Treasury*
20 *taking into consideration the current average market yield on*
21 *outstanding marketable obligations of the United States with*
22 *remaining periods to maturity comparable to the average*
23 *maturities of such loans, adjusted to the nearest one-eighth*
24 *of 1 per centum, plus such additional charge, if any, toward*

1 covering other costs of the program as the Secretary may
2 determine to be consistent with its purpose.

3 (9) Loan assistance shall not exceed 65 per centum
4 of the aggregate cost to the applicant (excluding all other
5 Federal aid in connection with the undertaking) of acquiring
6 or developing land and facilities (including machinery and
7 equipment), and of constructing, altering, converting, reha-
8 bilitating, or enlarging the building or buildings of the par-
9 ticular project, and shall, among others, be on the condition
10 that—

11 (A) other funds are available in an amount which,
12 together with the assistance provided hereunder, shall
13 be sufficient to pay such aggregate cost;

14 (B) not less than 15 per centum of such aggregate
15 cost be supplied as equity capital or as a loan repayable
16 in no shorter period of time and at no faster an amortiza-
17 tion rate than the Federal financial assistance extended
18 under this section is being repaid, and if such a loan is
19 secured, its security shall be subordinate and inferior to
20 the lien or liens securing such Federal financial assist-
21 ance: Provided, however, That, except in projects in-
22 volving financial participation by Indian tribes, not less
23 than 5 per centum of such aggregate cost shall be sup-
24 plied by the State or any agency, instrumentality, or

1 *political subdivision thereof, or by a community or area*
2 *organization which is nongovernmental in character,*
3 *unless the Secretary shall determine in accordance with*
4 *objective standards promulgated by regulation that all*
5 *or part of such funds are not reasonably available to*
6 *the project because of the economic distress of the area*
7 *or for other good cause, in which case he may waive*
8 *the requirement of this provision to the extent of such*
9 *unavailability, and allow the funds required by this sub-*
10 *section to be supplied by the applicant or by such other*
11 *non-Federal source as may reasonably be available to*
12 *the project;*

13 *(C) to the extent the Secretary finds such action*
14 *necessary to encourage financial participation in a*
15 *particular project by other lenders and investors, and*
16 *except as otherwise provided in subparagraph (B), any*
17 *Federal financial assistance extended under this section*
18 *may be repayable only after other loans made in con-*
19 *nection with such project have been repaid in full, and*
20 *the security, if any, for such Federal financial assistance*
21 *may be subordinate and inferior to the lien or liens*
22 *securing other loans made in connection with the same*
23 *project.*

24 *(10) No such assistance shall be extended unless there*
25 *shall be submitted to and approved by the Secretary an*

1 overall program for the economic development of the area
2 and a finding by the State, or any agency, instrumentality,
3 or local political subdivision thereof, that the project for
4 which financial assistance is sought is consistent with such
5 program: *Provided, That nothing in this Act shall authorize*
6 *financial assistance for any project prohibited by laws of*
7 *the State or local political subdivision in which the project*
8 *would be located, nor prevent the Secretary from requiring*
9 *such periodic revisions of previously approved overall eco-*
10 *nomie development programs as he may deem appropriate.*

11 *ECONOMIC DEVELOPMENT REVOLVING FUND*

12 *SEC. 203. Funds obtained by the Secretary under sec-*
13 *tion 201, loan funds obtained under section 403, and col-*
14 *lections and repayments received under this Act, shall be*
15 *deposited in an economic development revolving fund (here-*
16 *inafter referred to as the "fund"), which is hereby estab-*
17 *lished in the Treasury of the United States, and which shall*
18 *be available to the Secretary for the purpose of extending*
19 *financial assistance under sections 201, 202, and 403, and*
20 *for the payment of all obligations and expenditures arising*
21 *in connection therewith. There shall also be credited to the*
22 *fund such funds as have been paid into the area redevelop-*
23 *ment fund or may be received from obligations outstanding*
24 *under the Area Redevelopment Act. The fund shall pay*

1 into miscellaneous receipts of the Treasury, following the
2 close of each fiscal year, interest on the amount of loans
3 outstanding under this Act computed in such manner and at
4 such rate as may be determined by the Secretary of the
5 Treasury taking into consideration the current average mar-
6 ket yield on outstanding marketable obligations of the United
7 States with remaining periods to maturity comparable to the
8 average maturities of such loans, adjusted to the nearest one-
9 eighth of 1 per centum, during the month of June preceding
10 the fiscal year in which the loans were made.

11 TITLE III—TECHNICAL ASSISTANCE, RE-
12 SEARCH, AND INFORMATION

13 SEC. 301. (a) In carrying out his duties under this Act
14 the Secretary is authorized to provide technical assistance
15 which would be useful in alleviating or preventing conditions
16 of excessive unemployment or underemployment (1) to areas
17 which he has designated as redevelopment areas under this
18 Act, and (2) to other areas which he finds have substantial
19 need for such assistance. Such assistance shall include
20 project planning and feasibility studies, management and
21 operational assistance, and studies evaluating the needs of,
22 and developing potentialities for, economic growth of such
23 areas. Such assistance may be provided by the Secretary
24 through members of his staff, through the payment of funds

1 authorized for this section to other departments or agencies of
2 the Federal Government, through the employment of private
3 individuals, partnerships, firms, corporations, or suitable in-
4 stitutions, under contracts entered into for such purposes, or
5 through grants-in-aid to appropriate public or private non-
6 profit State, area, district, or local organizations. The Secre-
7 tary, in his discretion, may require the repayment of assist-
8 ance provided under this subsection and prescribe the terms
9 and conditions of such repayment.

10 (b) The Secretary is authorized to make grants to
11 defray not to exceed 75 per centum of the administrative
12 expenses of organizations which he determines to be qualified
13 to receive grants-in-aid under subsection (a) hereof. In
14 determining the amount of the non-Federal share of such
15 costs or expenses, the Secretary shall give due consideration
16 to all contributions both in cash and in kind, fairly evaluated,
17 including but not limited to space, equipment, and services.
18 Where practicable, grants-in-aid authorized under this sub-
19 section shall be used in conjunction with other available
20 planning grants, such as urban planning grants authorized
21 under the Housing Act of 1954, as amended, and highway
22 planning and research grants authorized under the Federal
23 Aid Highway Act of 1962, to assure adequate and effective
24 planning and economical use of funds.

1 (c) To assist in the long-range accomplishment of the
2 purposes of this Act, the Secretary, in cooperation with other
3 agencies having similar functions, shall establish and con-
4 duct a continuing program of study, training, and research
5 to (A) assist in determining the causes of unemployment,
6 underemployment, underdevelopment, and chronic depression
7 in the various areas and regions of the Nation, (B) assist in
8 the formulation and implementation of national, State, and
9 local programs which will raise income levels and otherwise
10 produce solutions to the problems resulting from these con-
11 ditions, and (C) assist in providing the personnel needed to
12 conduct such programs. The program of study, training, and
13 research may be conducted by the Secretary through mem-
14 bers of this staff, through payment of funds authorized for
15 this section to other departments or agencies of the Federal
16 Government, or through the employment of private indi-
17 viduals, partnerships, firms, corporations, or suitable institu-
18 tions, under contracts entered into for such purposes, or
19 through grants to such individuals, organizations, or institu-
20 tions, or through conferences and similar meetings organized
21 for such purposes. The Secretary shall make available to
22 interested individuals and organizations the results of such
23 research. The Secretary shall include in his annual report
24 under section 706 a detailed statement concerning the study
25 and research conducted under this section together with his

1 *findings resulting therefrom and his recommendations for*
2 *legislative and other action.*

3 (d) *The Secretary shall aid redevelopment areas*
4 *and other areas by furnishing to interested individuals,*
5 *communities, industries, and enterprises within such areas*
6 *any assistance, technical information, market research, or*
7 *other forms of assistance, information, or advice which would*
8 *be useful in alleviating or preventing conditions of excessive*
9 *unemployment or underemployment within such areas. The*
10 *Secretary may furnish the procurement divisions of the vari-*
11 *ous departments, agencies, and other instrumentalities of the*
12 *Federal Government with a list containing the names and*
13 *addresses of business firms which are located in redevel-*
14 *opment areas and which are desirous of obtaining Government*
15 *contracts for the furnishing of supplies or services, and*
16 *designating the supplies and services such firms are engaged*
17 *in providing.*

18 (e) *The Secretary shall establish an independent study*
19 *board consisting of governmental and nongovernmental ex-*
20 *perts to investigate the effects of Government procurement,*
21 *scientific, technical, and other related policies, upon regional*
22 *economic development. Any Federal officer or employee*
23 *may, with the consent of the head of the department or*
24 *agency in which he is employed, serve as a member of such*

1 board, but shall receive no additional compensation for such
 2 service. Other members of such board may be compensated
 3 in accordance with the provisions of section 701(10). The
 4 board shall report its findings, together with recommenda-
 5 tions for the better coordination of such policies, to the Secre-
 6 tary, who shall transmit the report to the Congress not later
 7 than two years after the enactment of this Act.

8 *SEC. 302.* There is hereby authorized to be appropriated
 9 \$25,000,000 annually for the purposes of this title, for the
 10 fiscal year ending June 30, 1966, and for each fiscal year
 11 thereafter through the fiscal year ending June 30, 1970.

12 *TITLE IV—AREA AND DISTRICT ELIGIBILITY*

13 *PART A—REDEVELOPMENT AREAS*

14 *AREA ELIGIBILITY*

15 *SEC. 401. (a)* The Secretary shall designate as “re-
 16 development areas”—

17 (1) those areas in which he determines, upon the
 18 basis of standards generally comparable with those set
 19 forth in paragraphs (A) and (B), that there has ex-
 20 isted substantial and persistent unemployment for an extended
 21 period of time and those areas in which he determines there
 22 has been a substantial loss of population due to lack of em-
 23 ployment opportunity. There shall be included among the
 24 areas so designated any area—

25 (A) where the Secretary of Labor finds that the

1 *current rate of unemployment, as determined by appro-*
2 *priate annual statistics for the most recent available*
3 *calendar year, is 6 per centum or more and has averaged*
4 *at least 6 per centum for the qualifying time periods*
5 *specified in paragraph (B); and*

6 *(B) where the Secretary of Labor finds that the*
7 *annual average rate of unemployment has been at least—*

8 *(i) 50 per centum above the national average*
9 *for three of the preceding four calendar years, or*

10 *(ii) 75 per centum above the national average*
11 *for two of the preceding three calendar years, or*

12 *(iii) 100 per centum above the national average*
13 *for one of the preceding two calendar years.*

14 *The Secretary of Labor shall find the facts and provide*
15 *the data to be used by the Secretary in making the de-*
16 *terminations required by this subsection;*

17 *(2) those additional areas which have a median*
18 *family income not in excess of 40 per centum of the*
19 *national median, as determined by the most recent avail-*
20 *able statistics for such areas;*

21 *(3) those additional Federal or State Indian reser-*
22 *vations or trust or restricted Indian-owned land areas*
23 *which the Secretary, after consultation with the Secre-*
24 *tary of the Interior or an appropriate State agency,*

determines manifest the greatest degree of economic distress on the basis of unemployment and income statistics and other appropriate evidence of economic underdevelopment;

(4) upon request of such areas, those additional areas in which the Secretary determines that the loss, removal, curtailment, or closing of a major source of employment has caused within three years prior to, or threatens to cause within three years after, the date of the request an unusual and abrupt rise in unemployment of such magnitude that the unemployment rate for the area at the time of the request exceeds the national average, or can reasonably be expected to exceed the national average, by 50 per centum or more unless assistance is provided. Notwithstanding any provision of subsection 401(b) to the contrary, an area designated under the authority of this paragraph may be given a reasonable time after designation in which to submit the overall economic development program required by subsection 202(b)(10) of this Act;

(5) notwithstanding any provision of this section to the contrary, those additional areas which were designated redevelopment areas under the Area Redevelopment Act on or after March 1, 1965: Provided, however, That the continued eligibility of such areas after

1 *the first annual review of eligibility conducted in accord-*
2 *ance with section 402 of this Act shall be dependent on*
3 *their qualification for designation under the standards of*
4 *economic need set forth in subsections (a)(1) through*
5 *(a)(4) of this section.*

6 *(b) The size and boundaries of redevelopment areas*
7 *shall be as determined by the Secretary: Provided, however,*
8 *That—*

9 *(1) no area shall be designated until it has an ap-*
10 *proved overall economic development program in ac-*
11 *cordance with subsection 202(b)(10) of this Act;*

12 *(2) any area which does not submit an acceptable*
13 *overall economic development program in accordance*
14 *with subsection 202(b)(10) of this Act within a rea-*
15 *sonable time after notification of eligibility for designa-*
16 *tion, shall not thereafter be designated prior to the next*
17 *annual review of eligibility in accordance with section*
18 *402 of this Act;*

19 *(3) no area shall be designated which does not*
20 *have a population of at least one thousand five hundred*
21 *persons, except for areas designated under subsection*
22 *401(a)(3), which shall have a population of not less*
23 *than one thousand persons; and*

24 *(4) except for areas designated under subsections*

1 *(a)(3) and (a)(4) hereof, no area shall be designated*
2 *which is smaller than a "labor area" (as defined by the*
3 *Secretary of Labor), a county, or a municipality with*
4 *a population of over two hundred and fifty thousand,*
5 *whichever in the opinion of the Secretary is appropriate.*

6 *(c) Upon the request of the Secretary, the Secretary*
7 *of Labor, the Secretary of Agriculture, the Secretary of the*
8 *Interior, and such other heads of agencies as may be appro-*
9 *priate are authorized to conduct such special studies, obtain*
10 *such information, and compile and furnish to the Secretary*
11 *such data as the Secretary may deem necessary or proper*
12 *to enable him to make the determinations provided for in*
13 *this section. The Secretary shall reimburse when appro-*
14 *priate, out of any funds appropriated to carry out the pur-*
15 *poses of this Act, the foregoing officers for any expenditures*
16 *incurred by them under this section.*

17 *(d) As used in this Act, the term "redevelopment area"*
18 *refers to any area within the United States which has been*
19 *designated by the Secretary as a redevelopment area.*

20 *ANNUAL REVIEW OF AREA ELIGIBILITY*

21 *SEC. 402. The Secretary shall conduct an annual review*
22 *of all areas designated in accordance with section 401 of this*
23 *Act, and on the basis thereof shall terminate or modify the*
24 *designations of such areas in accordance with objective stand-*

ards which he shall prescribe by regulation. No area previously designated shall retain its designated status unless it maintains a currently approved overall economic development program in accordance with subsection 202(b)(10). No termination of eligibility shall (1) be made without thirty days' prior notification to the area concerned, (2) affect the validity of any application filed, or contract or undertaking entered into, with respect to such area pursuant to this Act prior to such termination, (3) prevent any such area from again being designated a redevelopment area under section 401 of this Act if the Secretary determines it to be eligible under such section, or (4) be made in the case of any designated area where the Secretary determines that an improvement in the unemployment rate of a designated area is primarily the result of increased employment in occupations not likely to be permanent. The Secretary shall keep the departments and agencies of the Federal Government, and interested State or local agencies, advised at all times of any changes made hereunder with respect to the classification of any area.

PART B—ECONOMIC DEVELOPMENT DISTRICTS

SEC. 403. (a) In order that economic development projects of broader geographical significance may be planned and carried out, the Secretary is authorized—

1 (1) to designate appropriate “economic develop-
2 ment districts” within the United States with the concur-
3 rence of the States in which such districts will be wholly
4 or partially located, if—

5 (A) the proposed district is of sufficient size or
6 population, and contains sufficient resources, to foster
7 economic development on a scale involving more
8 than a single redevelopment area;

9 (B) the proposed district contains two or more
10 redevelopment areas;

11 (C) the proposed district contains one or more
12 redevelopment areas or economic development cen-
13 ters identified in an approved district overall eco-
14 nomic development program as having sufficient size
15 and potential to foster the economic growth activi-
16 ties necessary to alleviate the distress of the re-
17 development areas within the district; and

18 (D) the proposed district has a district overall
19 economic development program which includes ade-
20 quate land use and transportation planning and con-
21 tains a specific program for district cooperation, self-
22 help, and public investment and is approved by the
23 State or States affected and by the Secretary;

1 (2) to designate as "economic development cen-
2 ters," in accordance with such regulations as he shall pre-
3 scribe, such areas as he may deem appropriate, if—

4 (A) the proposed center has been identified
5 and included in an approved district overall eco-
6 nomic development program and recommended by
7 the State or States affected for such special desig-
8 nation;

9 (B) the proposed center is geographically and
10 economically so related to the district that its eco-
11 nomic growth may reasonably be expected to con-
12 tribute significantly to the alleviation of distress in
13 the redevelopment areas of the district; and

14 (C) the proposed center does not have a popu-
15 lation in excess of two hundred and fifty thousand
16 according to the last preceding Federal census.

17 (3) to provide financial assistance in accordance
18 with the criteria of sections 101, 201, and 202 of this
19 Act, except as may be herein otherwise provided, for
20 projects in economic development centers designated
21 under subsection (a)(2) above, if—

22 (A) the project will further the objectives of
23 the overall economic development program of the
24 district in which it is to be located;

1 (B) the project will enhance the economic
2 growth potential of the district or result in addi-
3 tional long-term employment opportunities com-
4 mensurate with the amount of Federal financial
5 assistance requested; and

6 (C) the amount of Federal financial assistance
7 requested is reasonably related to the size, popula-
8 tion, and economic needs of the district;

9 (4) subject to the 20 per centum non-Federal share
10 required for any project by subsection 101(c) of this
11 Act, to increase the amount of grant assistance author-
12 ized by section 101 for projects within redevelopment
13 areas (designated under section 401), by an amount
14 not to exceed 10 per centum of the aggregate cost of any
15 such project, in accordance with such regulations as he
16 shall prescribe if—

17 (A) the redevelopment area is situated within
18 a designated economic development district and is
19 actively participating in the economic development
20 activities of the district; and

21 (B) the project is consistent with an approved
22 district overall economic development program.

23 (b) In designating economic development districts and
24 approving district overall economic development programs

1 under subsection (a) of this section, the Secretary is author-
2 ized, under regulations prescribed by him—

3 (1) to invite the several States to draw up proposed
4 district boundaries and to identify potential economic
5 development centers;

6 (2) to cooperate with the several States—

7 (A) in sponsoring and assisting district eco-
8 nomic planning and development groups, and

9 (B) in assisting such district groups to formu-
10 late district overall economic development programs;

11 (3) to encourage participation by appropriate local
12 governmental authorities in such economic development
13 districts.

14 (c) The Secretary shall by regulation prescribe stand-
15 ards for the termination or modification of economic develop-
16 ment districts and economic development centers designated
17 under the authority of this section.

18 (d) As used in this Act, the term “economic develop-
19 ment district” refers to any area within the United States
20 composed of cooperating redevelopment areas and, where
21 appropriate, designated economic development centers and
22 neighboring counties or communities, which has been desig-
23 nated by the Secretary as an economic development district.

24 (e) As used in this Act, the term “economic develop-

1 ment center" refers to any area within the United States
 2 which has been identified as an economic development center
 3 in an approved district overall economic development pro-
 4 gram and which has been designated by the Secretary as
 5 eligible for financial assistance under sections 101, 201, and
 6 202 of this Act in accordance with the provisions of this
 7 section.

8 (f) For the purpose of this Act the term "local govern-
 9 ment" means any city, county, town, parish, village, or other
 10 general-purpose political subdivision of a State.

11 (g) There is hereby authorized to be appropriated not to
 12 exceed \$50,000,000 for the fiscal year ending June 30, 1967,
 13 and for each fiscal year thereafter through the fiscal year
 14 ending June 30, 1970, for financial assistance extended under
 15 the provisions of subsection (a)(3) and (a)(4) hereof.

16 (h) In order to allow time for adequate and careful dis-
 17 trict planning, subsection (g) of this section shall not be
 18 effective until one year from the date of enactment.

19 TITLE V—REGIONAL ACTION PLANNING

20 COMMISSIONS

21 ESTABLISHMENT OF REGIONS

22 SEC. 501. The Secretary is authorized to designate ap-
 23 propriate "economic development regions" within the United
 24 States with the concurrence of the States in which such regions

1 *will be wholly or partially located if he finds (A) that there*
2 *is a relationship between the areas within such region geo-*
3 *graphically, culturally, historically, and economically, (B)*
4 *that with the exception of Alaska and Hawaii, the region is*
5 *within contiguous States, and (C) upon consideration of the*
6 *following matters, among others, that the region has lagged*
7 *behind the whole Nation in economic development:*

8 *(1) the rate of unemployment is substantially above*
9 *the national rate;*

10 *(2) the median level of family income is signifi-*
11 *cantly below the national median;*

12 *(3) the level of housing, health, and educational*
13 *facilities is substantially below the national level;*

14 *(4) the economy of the area has traditionally been*
15 *dominated by only one or two industries, which are in a*
16 *state of long-term decline;*

17 *(5) the rate of outmigration of labor or capital*
18 *or both is substantial;*

19 *(6) the area is adversely affected by changing in-*
20 *dustrial technology;*

21 *(7) the area is adversely affected by changes in na-*
22 *tional defense facilities or production; and*

23 *(8) indices of regional production indicate a growth*
24 *rate substantially below the national average.*

1 REGIONAL COMMISSIONS

2 SEC. 502. (a) Upon designation of development regions,
3 the Secretary shall invite and encourage the States wholly or
4 partially located within such regions to establish appropriate
5 multistate regional commissions.

6 (b) Each such commission shall be composed of one
7 Federal member, hereinafter referred to as the "Federal co-
8 chairman", appointed by the President by and with the advice
9 and consent of the Senate, and one member from each par-
10 ticipating State in the region. Each State member may be
11 the Governor, or his designee, or such other person as may
12 be provided by the law of the State which he represents. The
13 State members of the commission shall elect a cochairman
14 of the commission from among their number.

15 (c) Decisions by a regional commission shall require
16 the affirmative vote of the Federal cochairman and of a
17 majority, or at least one if only two, of the State members.
18 In matters coming before a regional commission, the Federal
19 cochairman shall, to the extent practicable, consult with the
20 Federal departments and agencies having an interest in the
21 subject matter.

22 (d) Each State member of a regional commission shall
23 have an alternate, appointed by the Governor or as other-
24 wise may be provided by the law of the State which he

1 represents. The President, by and with the advice and
2 consent of the Senate, shall appoint an alternate for the Fed-
3 eral cochairman of each regional commission. An alter-
4 nate shall vote in the event of the absence, death, disability,
5 removal, or resignation of the State or Federal cochairman
6 for which he is an alternate.

7 (e) The Federal cochairman to a regional commission
8 shall be compensated by the Federal Government from funds
9 authorized by this Act up to level IV of the Federal Executive
10 Salary Schedule. His alternate shall be compensated by
11 the Federal Government from funds authorized by this
12 Act at not to exceed the maximum scheduled rate for grade
13 GS-18 of the Classification Act of 1949, as amended,
14 and when not actively serving as an alternate for the Federal
15 cochairman shall perform such functions and duties as are
16 delegated to him by the Federal cochairman. Each State
17 member and his alternate shall be compensated by the State
18 which they represent at the rate established by the law of
19 such State.

20 (f) If the Secretary finds that the State of Alaska or
21 the State of Hawaii meet the requirements for an economic
22 development region, he may establish a Commission for
23 either State in a manner agreeable to him and to the Gov-
24 ernor of the affected State.

1 FUNCTIONS OF COMMISSION

2 *SEC. 503. (a) In carrying out the purposes of this Act,*
3 *each Commission shall with respect to its region—*

4 (1) advise and assist the Secretary in the identifica-
5 tion of optimum boundaries for multistate economic
6 development regions;

7 (2) initiate and coordinate the preparation of long-
8 range overall economic development programs for such
9 regions;

(3) foster surveys and studies to provide data required for the preparation of specific plans and programs for the development of such regions;

(4) advise and assist the Secretary and the States concerned in the initiation and coordination of economic development districts, in order to promote maximum benefits from the expenditure of Federal, State, and local funds;

(5) promote increased private investment in such regions;

(6) prepare legislative and other recommendations with respect to both short-range and long-range programs and projects for Federal, State, and local agencies;

(7) develop, on a continuing basis, comprehensive
and coordinated plans and programs and establish pri-

1 *orities thereunder, giving due consideration to other*
2 *Federal, State, and local planning in the region;*

3 *(8) conduct and sponsor investigations, research,*
4 *and studies, including an inventory and analysis of the*
5 *resources of the region, and, in cooperation with Fed-*
6 *eral, State and local agencies, sponsor demonstration*
7 *projects designed to foster regional productivity and*
8 *growth;*

9 *(9) review and study, in cooperation with the*
10 *agency involved, Federal, State, and local public and*
11 *private programs and, where appropriate, recommend*
12 *modifications or additions which will increase their*
13 *effectiveness in the region;*

14 *(10) formulate and recommend, where appropriate,*
15 *interstate compacts and other forms of interstate coopera-*
16 *tion, and work with State and local agencies in develop-*
17 *ing appropriate model legislation; and*

18 *(11) provide a forum for consideration of problems*
19 *of the region and proposed solutions and establish and*
20 *utilize, as appropriate, citizens and special advisory*
21 *councils and public conferences.*

22 *(b) The Secretary shall present such plans and pro-*
23 *posals of the commissions as may be transmitted and recom-*

1 mended to him (but are not authorized by any other section
2 of this Act) first for review by the Federal agencies pri-
3 marily interested in such plans and proposals and then,
4 together with the recommendations of such agencies, to the
5 President for such action as he may deem desirable.

6 (c) The Secretary shall provide effective and con-
7 tinuing liaison between the Federal Government and each
8 regional commission.

9 (d) Each Federal agency shall, consonant with law
10 and within the limits of available funds, cooperate with such
11 commissions as may be established in order to assist them
12 in carrying out their functions under this section.

13 (e) Each regional commission may, from time to time,
14 make additional recommendations to the Secretary and
15 recommendations to the State Governors and appropriate
16 local officials, with respect to—

17 (1) the expenditure of funds by Federal, State,
18 and local departments and agencies in its region in
19 the fields of natural resources, agriculture, education,
20 training, health and welfare, transportation, and other
21 fields related to the purposes of this Act; and

22 (2) such additional Federal, State, and local legis-
23 lation or administrative actions as the commission deems
24 necessary to further the purposes of this Act.

PROGRAM DEVELOPMENT CRITERIA

SEC. 504. *In developing recommendations for programs and projects for future regional economic development, and in establishing within those recommendations a priority ranking for such programs and projects, the Secretary shall encourage each regional commission to follow procedures that will insure consideration of the following factors:*

(1) *the relationship of the project or class of projects to overall regional development including its location in an area determined by the State to have a significant potential for growth;*

(2) *the population and area to be served by the project or class of projects including the relative per capita income and the unemployment rates in the area;*

(3) *the relative financial resources available to the State or political subdivisions or instrumentalities thereof which seek to undertake the project;*

(4) *the importance of the project or class of projects in relation to other projects or classes of projects which may be in competition for the same funds;*

(5) *the prospects that the project, on a continuing rather than a temporary basis, will improve the opportunities for employment, the average level of income, or*

1 *the economic and social development of the area served*
2 *by the project.*

3 *REGIONAL TECHNICAL AND PLANNING ASSISTANCE*

4 *SEC. 505. (a) The Secretary is authorized to pro-*
5 *vide to the commissions technical assistance which would be*
6 *useful in aiding the commissions to carry out their functions*
7 *under this Act and to develop recommendations and pro-*
8 *grams. Such assistance shall include studies and plans*
9 *evaluating the needs of, and developing potentialities for,*
10 *economic growth of such region, and research on improving*
11 *the conservation and utilization of the human and natural*
12 *resources of the region. Such assistance may be provided*
13 *by the Secretary through members of his staff, through the*
14 *payment of funds authorized for this section to other depart-*
15 *ments or agencies of the Federal Government, or through the*
16 *employment of private individuals, partnerships, firms, cor-*
17 *porations, or suitable institutions, under contracts entered*
18 *into for such purposes, or through grants-in-aid to the com-*
19 *missions. The Secretary, in his discretion, may require the*
20 *repayment of assistance provided under this subsection and*
21 *prescribe the terms and conditions of such repayment.*

22 *(b) For the period ending on June 30 of the second*
23 *full Federal fiscal year following the date of establishment*
24 *of a commission, the administrative expenses of each com-*
25 *mission as approved by the Secretary shall be paid by the*

1 *Federal Government. Thereafter, not to exceed 50 per*
2 *centum of such expenses may be paid by the Federal Gov-*
3 *ernment. In determining the amount of the non-Federal*
4 *share of such costs or expenses, the Secretary shall give due*
5 *consideration to all contributions both in cash and in kind,*
6 *fairly evaluated, including but not limited to space, equip-*
7 *ment, and services.*

8 *(c) There is hereby authorized to be appropriated*
9 *\$15,000,000 for the fiscal year ending June 30, 1966, and*
10 *for each fiscal year thereafter through the fiscal year ending*
11 *June 30, 1970, for the purposes of this section.*

12 *ADMINISTRATIVE POWERS OF REGIONAL COMMISSIONS*

13 *SEC. 506. To carry out its duties under this Act, each*
14 *regional commission is authorized to—*

15 *(1) adopt, amend, and repeal bylaws, rules, and*
16 *regulations governing the conduct of its business and*
17 *the performance of its functions;*

18 *(2) appoint and fix the compensation of an execu-*
19 *tive director and such other personnel as may be neces-*
20 *sary to enable the commission to carry out its functions,*
21 *except that such compensation shall not exceed the*
22 *salary of the alternate to the Federal cochairman on the*
23 *commission and no member, alternate, officer, or em-*
24 *ployee of such commission, other than the Federal co-*
25 *chairman on the commission and his staff and his*

1 *alternate, and Federal employees detailed to the com-*
2 *mission under clause (3), shall be deemed a Federal*
3 *employee for any purpose;*

4 *(3) request the head of any Federal department or*
5 *agency (who is hereby so authorized) to detail to*
6 *temporary duty with the commission such personnel*
7 *within his administrative jurisdiction as the commission*
8 *may need for carrying out its functions, each such detail*
9 *to be without loss of seniority, pay, or other employee*
10 *status;*

11 *(4) arrange for the services of personnel from any*
12 *State or local government or any subdivision or agency*
13 *thereof, or any intergovernmental agency;*

14 *(5) make arrangements, including contracts, with*
15 *any participating State government for inclusion in a*
16 *suitable retirement and employee benefit system of such*
17 *of its personnel as may not be eligible for, or continue in,*
18 *another governmental retirement or employee benefit*
19 *system, or otherwise provide for such coverage of its per-*
20 *sonnel, and the Civil Service Commission of the United*
21 *States is authorized to contract with such commission*
22 *for continued coverage of commission employees, who at*
23 *date of commission employment are Federal employees,*
24 *in the retirement program and other employee benefit*
25 *programs of the Federal Government;*

1 (6) accept, use, and dispose of gifts or donations
2 of services or property, real, personal, or mixed, tangible
3 or intangible;

4 (7) enter into and perform such contracts, leases,
5 cooperative agreements, or other transactions as may be
6 necessary in carrying out its functions and on such
7 terms as it may deem appropriate, with any department,
8 agency, or instrumentality of the United States or with
9 any State, or any political subdivision, agency, or in-
10 strumentality thereof, or with any person, firm, asso-
11 ciation, or corporation;

12 (8) maintain an office in the District of Columbia
13 and establish field offices at such other places as it may
14 deem appropriate; and

15 (9) take such other actions and incur such other
16 expenses as may be necessary or appropriate.

17 INFORMATION

18 SEC. 507. In order to obtain information needed to carry
19 out its duties, each regional commission shall—

20 (1) hold such hearings, sit and act at such times
21 and places, take such testimony, receive such evidence,
22 and print or otherwise reproduce and distribute so much
23 of its proceedings and reports thereon as it may deem
24 advisable, a cochairman of such commission, or any

1 *member of the commission designated by the commis-*
2 *sion for the purpose, being hereby authorized to admin-*
3 *ister oaths when it is determined by the commission*
4 *that testimony shall be taken or evidence received under*
5 *oath;*

6 *(2) arrange for the head of any Federal, State, or*
7 *local department or agency (who is hereby so author-*
8 *ized, to the extent not otherwise prohibited by law) to*
9 *furnish to such commission such information as may be*
10 *available to or procurable by such department or*
11 *agency; and*

12 *(3) keep accurate and complete records of its*
13 *doings and transactions which shall be made available*
14 *for public inspection.*

15 *PERSONAL FINANCIAL INTERESTS*

16 *SEC. 508. (a) Except as permitted by subsection (b)*
17 *hereof, no State member or alternate and no officer or em-*
18 *ployee of a regional commission shall participate personally*
19 *and substantially as member, alternate, officer, or employee,*
20 *through decision, approval, disapproval, recommendation,*
21 *the rendering of advice, investigation, or otherwise, in any*
22 *proceeding, application, request for a ruling or other determi-*
23 *nation, contract, claim, controversy, or other particular*
24 *matter in which, to his knowledge, he, his spouse, minor*
25 *child, partner, organization (other than a State or political*

1 subdivision thereof) in which he is serving as officer, director,
2 trustee, partner, or employee, or any person or organization
3 with whom he is serving as officer, director, trustee, partner,
4 or employee, or any person or organization with whom he
5 is negotiating or has any arrangement concerning prospective
6 employment, has a financial interest. Any person who shall
7 violate the provisions of this subsection shall be fined not
8 more than \$10,000, or imprisoned not more than two years,
9 or both.

10 (b) Subsection (a) hereof shall not apply if the State
11 member, alternate, officer, or employee first advises the
12 regional commission involved of the nature and circumstances
13 of the proceeding, application, request for a ruling or other
14 determination, contract, claim, controversy, or other particular
15 matter and makes full disclosure of the financial interest and
16 receives in advance a written determination made by such
17 commission that the interest is not so substantial as to be
18 deemed likely to affect the integrity of the services which the
19 commission may expect from such State member, alternate,
20 officer, or employee.

21 (c) No State member of a regional commission, or his
22 alternate, shall receive any salary, or any contribution to or
23 supplementation of salary for his services on such commission
24 from any source other than his State. No person detailed
25 to serve a regional commission under authority of clause

1 (4) of section 506 shall receive any salary or any contribu-
2 tion to or supplementation of salary for his services on such
3 commission from any source other than the State, local, or
4 intergovernmental department or agency from which he was
5 detailed or from such commission. Any person who shall
6 violate the provisions of this subsection shall be fined not
7 more than \$5,000, or imprisoned not more than one year, or
8 both.

9 (d) Notwithstanding any other subsection of this sec-
10 tion, the Federal cochairman and his alternate on a re-
11 gional commission and any Federal officers or employees
12 detailed to duty with it pursuant to clause (3) of section
13 10 shall not be subject to any such subsection but shall
14 remain subject to sections 202 through 209 of title 18,
15 United States Code.

16 (e) A regional commission may, in its discretion,
17 declare void and rescind any contract or other agreement
18 pursuant to the Act in relation to which it finds that there
19 has been a violation of subsection (a) or (c) of this section,
20 or any of the provisions of sections 202 through 209, title 18,
21 United States Code.

22 ANNUAL REPORTS

23 SEC. 509. Each regional commission established pur-
24 suant to this Act shall make a comprehensive and detailed
25 annual report each fiscal year to the Congress with respect to

1 such commission's activities and recommendations for pro-
2 grams. The first such report shall be made for the first
3 fiscal year in which such commission is in existence for more
4 than three months. Such reports shall be printed and trans-
5 mitted to the Congress not later than January 31 of the
6 calendar year following the fiscal year with respect to which
7 the report is made.

8 TITLE VI—ADMINISTRATION

9 SEC. 601. (a) The Secretary shall administer this Act
10 and, with the assistance of an Assistant Secretary of Com-
11 merce, in addition to those already provided for, shall super-
12 vise and direct the Administrator created herein, and
13 coordinate the Federal cochairmen appointed heretofore or
14 subsequent to this Act. The Assistant Secretary created by
15 this section shall be appointed by the President by and with
16 the advice and consent of the Senate and shall be compensated
17 at the rate provided for level IV of the Federal Executive
18 Salary Schedule. Such Assistant Secretary shall perform
19 such functions as the Secretary may prescribe. There shall
20 be appointed by the President, by and with the advice and
21 consent of the Senate, an Administrator for Economic Devel-
22 opment who shall be compensated at the rate provided for
23 level V of the Federal Executive Salary Schedule who shall
24 perform such duties as are assigned by the Secretary.

1 (b) Paragraph (12) of subsection (d) of section 303 of
2 the Federal Executive Salary Act of 1964 is amended by
3 striking out “(4)” and inserting in lieu thereof “(5)”.

4 (c) Subsection (e) of section 303 of the Federal Execu-
5 tive Salary Act of 1964 is amended by adding at the end
6 thereof the following new paragraph:

7 “(100) Administrator for Economic Development.”

ADVISORY COMMITTEE ON REGIONAL ECONOMIC

DEVELOPMENT

10 *SEC. 602. The Secretary shall appoint a National Pub-*
11 *lic Advisory Committee on Regional Economic Development*
12 *which shall consist of twenty-five members and shall be*
13 *composed of representatives of labor, management, agricul-*
14 *ture, State and local governments, and the public in general.*
15 *From the members appointed to such Committee the Secre-*
16 *tary shall designate a Chairman. Such Committee, or any*
17 *duly established subcommittee thereof, shall from time to*
18 *time make recommendations to the Secretary relative to the*
19 *carrying out of his duties under this Act. Such Committee*
20 *shall hold not less than two meetings during each calendar*
21 *year.*

22 CONSULTATION WITH OTHER PERSONS AND AGENCIES

23 *SEC. 603. (a) The Secretary is authorized from time*
24 *to time to call together and confer with any persons, includ-*
25 *ing representatives of labor, management, agriculture, and*

1 *government, who can assist in meeting the problems of area*
2 *and regional unemployment or underemployment.*

3 *(b) The Secretary may make provision for such con-*
4 *sultation with interested departments and agencies as he may*
5 *deem appropriate in the performance of the functions vested*
6 *in him by this Act.*

7 *TITLE VII—MISCELLANEOUS*

8 *POWERS OF SECRETARY*

9 *SEC. 701. In performing his duties under this Act, the*
10 *Secretary is authorized to—*

11 *(1) adopt, alter, and use a seal, which shall be*
12 *judicially noticed;*

13 *(2) hold such hearings, sit and act at such times*
14 *and places, and take such testimony, as he may deem*
15 *advisable;*

16 *(3) request directly from any executive depart-*
17 *ment, bureau, agency, board, commission, office, inde-*
18 *pendent establishment, or instrumentality information,*
19 *suggestions, estimates, and statistics needed to carry out*
20 *the purposes of this Act; and each department, bureau,*
21 *agency, board, commission, office, establishment or in-*
22 *strumentality is authorized to furnish such information,*
23 *suggestions, estimates, and statistics directly to the*
24 *Secretary;*

1 (4) under regulations prescribed by him, assign
2 or sell at public or private sale, or otherwise dispose
3 of for cash or credit, in his discretion and upon such
4 terms and conditions and for such consideration as he
5 shall determine to be reasonable, any evidence of debt,
6 contract, claim, personal property, or security assigned
7 to or held by him in connection with loans made or
8 evidences of indebtedness purchased under this Act, and
9 collect or compromise all obligations assigned to or held
10 by him in connection with such loans or evidences of
11 indebtedness until such time as such obligations may be
12 referred to the Attorney General for suit or collection;

13 (5) further extend the maturity of or renew any
14 loan made or evidence of indebtedness purchased under
15 this Act, beyond the periods stated in such loan or evi-
16 dence of indebtedness or in this Act, for additional pe-
17 riods not to exceed ten years, if such extension or re-
18 newal will aid in the orderly liquidation of such loan or
19 evidence of indebtedness;

20 (6) deal with, complete, renovate, improve, mod-
21 ernize, insure, rent, or sell for cash or credit, upon such
22 terms and conditions and for such consideration as he
23 shall determine to be reasonable, any real or personal
24 property conveyed to, or otherwise acquired by, him in

1 connection with loans made or evidences of indebtedness
2 purchased under this Act;

3 (7) pursue to final collection, by way of compro-
4 mise or other administrative action, prior to reference
5 to the Attorney General, all claims against third parties
6 assigned to him in connection with loans made or evi-
7 dences of indebtedness purchased under this Act. This
8 shall include authority to obtain deficiency judgments or
9 otherwise in the case of mortgages assigned to the Sec-
10 retary. Section 3709 of the Revised Statutes, as
11 amended (41 U.S.C. 5), shall not apply to any contract
12 of hazard insurance or to any purchase or contract for
13 services or supplies on account of property obtained by
14 the Secretary as a result of loans made or evidences of
15 indebtedness purchased under this Act if the premium
16 therefor or the amount thereof does not exceed \$1,000.
17 The power to convey and to execute, in the name of the
18 Secretary, deeds of conveyance, deeds of release, assign-
19 ments and satisfactions of mortgages, and any other writ-
20 ten instrument relating to real or personal property or
21 any interest therein acquired by the Secretary pursuant
22 to the provisions of this Act may be exercised by the
23 Secretary or by any officer or agent appointed by him for

1 *that purpose without the execution of any express dele-*
2 *gation of power or power of attorney;*

3 (8) *acquire, in any lawful manner, any property*
4 *(real, personal, or mixed, tangible or intangible), when-*
5 *ever deemed necessary or appropriate to the conduct*
6 *of the activities authorized in sections 201, 202, 301,*
7 *403, and 503 of this Act;*

8 (9) *in addition to any powers, functions, privileges,*
9 *and immunities otherwise vested in him, take any and*
10 *all actions, including the procurement of the services*
11 *of attorneys by contract, determined by him to be neces-*
12 *sary or desirable in making, purchasing, servicing, com-*
13 *promising, modifying, liquidating, or otherwise admin-*
14 *istratively dealing with or realizing on loans made or*
15 *evidences of indebtedness purchased under this Act;*

16 (10) *employ experts and consultants or organiza-*
17 *tions therefor as authorized by section 15 of the Admin-*
18 *istrative Expenses Act of 1946 (5 U.S.C. 55a), com-*
19 *pensate individuals so employed at rates not in excess*
20 *of \$100 per diem, including travel time, and allow*
21 *them, while away from their homes or regular places*
22 *of business, travel expenses (including per diem in*
23 *lieu of subsistence) as authorized by section 5 of such*
24 *Act (5 U.S.C. 73b-2) for persons in the Government*
25 *service employed intermittently, while so employed:*

1 *Provided, however, That contracts for such employment*
2 *may be renewed annually;*

3 *(11) sue and be sued in any court of record of a*
4 *State having general jurisdiction or in any United States*
5 *district court, and jurisdiction is conferred upon such*
6 *district court to determine such controversies without*
7 *regard to the amount in controversy; but no attachment,*
8 *injunction, garnishment, or other similar process, mesne*
9 *or final, shall be issued against the Secretary or his prop-*
10 *erty. Nothing herein shall be construed to except the*
11 *activities under this Act from the application of sec-*
12 *tions 507(b) and 2679 of title 28, United States Code,*
13 *and of section 367 of the Revised Statutes (5 U.S.C.*
14 *316); and*

15 *(12) establish such rules, regulations, and pro-*
16 *cedures as he may deem appropriate in carrying out*
17 *the provisions of this Act.*

18 SAVING PROVISIONS

19 *SEC. 702. (a) No suit, action, or other proceeding law-*
20 *fully commenced by or against the Administrator or any*
21 *other officer of the Area Redevelopment Administration in*
22 *his official capacity or in relation to the discharge of his*
23 *official duties under the Area Redevelopment Act, shall*
24 *abate by reason of the taking effect of the provisions of this*

1 *Act, but the court may, on motion or supplemental petition*
2 *filed at any time within twelve months after such taking*
3 *effect, showing a necessity for the survival of such suit,*
4 *action, or other proceeding to obtain a settlement of the*
5 *questions involved, allow the same to be maintained by or*
6 *against the Secretary or the Administrator or such other*
7 *officer of the Department of Commerce as may be appro-*
8 *priate.*

9 *(b) Except as may be otherwise expressly provided in*
10 *this Act, all powers and authorities conferred by this Act*
11 *shall be cumulative and additional to and not in derogation*
12 *of any powers and authorities otherwise existing. All rules,*
13 *regulations, orders, authorizations, delegations, or other ac-*
14 *tions duly issued, made, or taken by or pursuant to applicable*
15 *law, prior to the effective date of this Act, by any agency,*
16 *officer, or office pertaining to any functions, powers, and*
17 *duties under the Area Redevelopment Act shall continue in*
18 *full force and effect after the effective date of this Act until*
19 *modified or rescinded by the Secretary or such other officer*
20 *of the Department of Commerce as, in accordance with appli-*
21 *cable law, may be appropriate.*

1 *TRANSFER OF FUNCTIONS, EFFECTIVE DATE, AND*

2 *LIMITATIONS ON ASSISTANCE*

3 *SEC. 703. (a) The functions, powers, duties, and*
4 *authorities and the assets, funds, contracts, loans, liabilities,*
5 *commitments, authorizations, allocations, and records which*
6 *are vested in or authorized to be transferred to the Secretary*
7 *of the Treasury under section 29(b) of the Area Redevelop-*
8 *ment Act, and all functions, powers, duties, and authorities*
9 *under section 29(c) of the Area Redevelopment Act are*
10 *hereby vested in the Secretary.*

11 *(b) The President may designate a person to act as*
12 *Administrator under this Act until the office is filled as pro-*
13 *vided in this Act or until the expiration of the first period*
14 *of sixty days following the effective date of this Act, which-*
15 *ever shall first occur. While so acting such person shall*
16 *receive compensation at the rate provided by this Act for*
17 *such office.*

18 *(c) The provisions of this Act shall take effect upon*
19 *enactment unless herein explicitly otherwise provided.*

20 *(d) Notwithstanding any requirements of this Act re-*

1 *lating to the eligibility of areas, projects for which applica-*
2 *tions are pending before the Area Redevelopment Admin-*
3 *istration on the effective date of this Act shall for a period of*
4 *one year thereafter be eligible for consideration by the Secre-*
5 *tary for such assistance under the provisions of this Act as*
6 *he may determine to be appropriate.*

7 (e) No financial assistance authorized under this Act
8 shall be used to finance the cost of facilities for the generation,
9 transmission, or distribution of electric energy, except on
10 projects specifically authorized by the Congress, or to finance
11 the cost of facilities for the production or transmission of gas
12 (natural, manufactured, or mixed).

13 *SEPARABILITY*

14 *SEC. 704. Notwithstanding any other evidence of the*
15 *intent of Congress, it is hereby declared to be the intent of*
16 *Congress that if any provision of this Act or the application*
17 *thereof to any persons or circumstances shall be adjudged*
18 *by any court of competent jurisdiction to be invalid, such*
19 *judgment shall not affect, impair, or invalidate the remainder*
20 *of this Act or its application to other persons and circum-*
21 *stances, but shall be confined in its operation to the provision*
22 *of this Act or the application thereof to the persons and*
23 *circumstances directly involved in the controversy in which*
24 *such judgment shall have been rendered.*

APPLICATION OF ACT

SEC. 705. *As used in this Act, the terms "State", "States", and "United States" include the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.*

ANNUAL REPORT

SEC. 706. *The Secretary shall make a comprehensive and detailed annual report to the Congress of his operations under this Act for each fiscal year beginning with the fiscal year ending June 30, 1966. Such report shall be printed and shall be transmitted to the Congress not later than January 3 of the year following the fiscal year with respect to which such report is made.*

USE OF OTHER FACILITIES

SEC. 707. (a) *The Secretary is authorized to delegate to the heads of other departments and agencies of the Federal Government any of the Secretary's functions, powers, and duties under this Act as he may deem appropriate, and to authorize the redelegation of such functions, powers, and duties by the heads of such departments and agencies.*

(b) *Departments and agencies of the Federal Government shall exercise their powers, duties, and functions in such manner as will assist in carrying out the objectives of this Act.*

1 (c) Funds authorized to be appropriated under this Act
2 may be transferred between departments and agencies of the
3 Government, if such funds are used for the purposes for
4 which they are specifically authorized and appropriated.

APPROPRIATION

6 *SEC. 708. There are hereby authorized to be appropri-*
7 *ated such sums as may be necessary to carry out those*
8 *provisions of the Act for which specific authority for ap-*
9 *propriations is not otherwise provided in this Act. Appro-*
10 *priations authorized under this Act shall remain available*
11 *until expended unless otherwise provided by appropriations*
12 *Acts.*

PENALTIES

14 *SEC. 709. (a) Whoever makes any statement knowing*
15 *it to be false, or whoever willfully overvalues any security,*
16 *for the purpose of obtaining for himself or for any applicant*
17 *any financial assistance under section 101, 201, 202, or 403*
18 *or any extension thereof by renewal, deferment or action, or*
19 *otherwise, or the acceptance, release, or substitution of secu-*
20 *rity therefor, or for the purpose of influencing in any way*
21 *the action of the Secretary, or for the purpose of obtaining*
22 *money, property, or anything of value, under this Act, shall*
23 *be punished by a fine of not more than \$10,000 or by im-*
24 *prisonment for not more than five years, or both.*

1 (b) *Whoever, being connected in any capacity with the*
2 *Secretary, in the administration of this Act (1) embezzles,*
3 *abstracts, purloins, or willfully misapplies any moneys, funds,*
4 *securities, or other things of value, whether belonging to him*
5 *or pledged or otherwise entrusted to him, or (2) with intent*
6 *to defraud the Secretary or any other body politic or cor-*
7 *porate, or any individual, or to deceive any officer, auditor,*
8 *or examiner, makes any false entry in any book, report, or*
9 *statement of or to the Secretary, or without being duly*
10 *authorized draws any order or issues, puts forth, or assigns*
11 *any note, debenture, bond, or other obligation, or draft, bill*
12 *of exchange, mortgage, judgment, or decree thereof, or (3)*
13 *with intent to defraud participates or shares in or receives*
14 *directly or indirectly any money, profit, property, or benefit*
15 *through any transaction, loan, grant, commission, contract,*
16 *or any other act of the Secretary, or (4) gives any unau-*
17 *thorized information concerning any future action or plan of*
18 *the Secretary which might affect the value of securities, or*
19 *having such knowledge invests or speculates, directly or*
20 *indirectly, in the securities or property of any company or*
21 *corporation receiving loans, grants, or other assistance from*
22 *the Secretary, shall be punished by a fine of not more than*
23 *\$10,000 or by imprisonment for not more than five years,*
24 *or both.*

EMPLOYMENT OF EXPEDITERS AND ADMINISTRATIVE
EMPLOYEES

3 *SEC. 710. No financial assistance shall be extended by*
4 *the Secretary under section 101, 201, 202, or 403 to any*
5 *business enterprise unless the owners, partners, or officers*
6 *of such business enterprise (1) certify to the Secretary the*
7 *names of any attorneys, agents, and other persons engaged*
8 *by or on behalf of such business enterprise for the purpose*
9 *of expediting applications made to the Secretary for assist-*
10 *ance of any sort, under this Act, and the fees paid or to be*
11 *paid to any such person; and (2) execute an agreement*
12 *binding such business enterprise, for a period of two years*
13 *after such assistance is rendered by the Secretary to such*
14 *business enterprise, to refrain from employing, tendering any*
15 *office or employment to, or retaining for professional services,*
16 *any person who, on the date such assistance or any part*
17 *thereof was rendered, or within one year prior thereto, shall*
18 *have served as an officer, attorney, agent, or employee,*
19 *occupying a position or engaging in activities which the*
20 *Secretary shall have determined involve discretion with*
21 *respect to the granting of assistance under this Act.*

PREVAILING RATE OF WAGE AND FORTY-HOUR WEEK

23 *SEC. 711. All laborers and mechanics employed by con-*
24 *tractors or subcontractors on projects assisted by the Secre-*
25 *tary under this Act shall be paid wages at rates not less than*

1 *those prevailing on similar construction in the locality as de-*
2 *termined by the Secretary of Labor in accordance with the*
3 *Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5).*
4 *The Secretary shall not extend any financial assistance*
5 *under section 101, 201, 202, or 403 for such a project*
6 *without first obtaining adequate assurance that these labor*
7 *standards will be maintained upon the construction work.*
8 *The Secretary of Labor shall have, with respect to the*
9 *labor standards specified in this provision, the authority*
10 *and functions set forth in Reorganization Plan Numbered 14*
11 *of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 133z-*
12 *15), and section 2 of the Act of June 13, 1934, as amended*
13 *(40 U.S.C. 276c).*

14 *RECORD OF APPLICATIONS*

15 *SEC. 712. The Secretary shall maintain as a permanent*
16 *part of the records of the Department of Commerce a list of*
17 *applications approved for financial assistance under section*
18 *101, 201, 202, or 403, which shall be kept available for pub-*
19 *lic inspection during the regular business hours of the De-*
20 *partment of Commerce. The following information shall be*
21 *posted in such list as soon as each application is approved;*
22 *(1) the name of the applicant and, in the case of corporate*
23 *applications, the names of the officers and directors thereof,*
24 *(2) the amount and duration of the loan or grant for which*

1 application is made, (3) the purposes for which the pro-
2 ceeds of the loan or grant are to be used, and (4) a general
3 description of the security offered in the case of a loan.

4 RECORDS AND AUDIT

5 SEC. 713. (a) Each recipient of assistance under this
6 Act shall keep such records as the Secretary shall prescribe,
7 including records which fully disclose the amount and the
8 disposition by such recipient of the proceeds of such assist-
9 ance, the total cost of the project or undertaking in connec-
10 tion with which such assistance is given or used, and the
11 amount and nature of that portion of the cost of the project
12 or undertaking supplied by other sources, and such other
13 records as will facilitate an effective audit.

14 (b) The Secretary and the Comptroller General of the
15 United States, or any of their duly authorized representa-
16 tives, shall have access for the purpose of audit and examina-
17 tion to any books, documents, papers, and records of the
18 recipient that are pertinent to assistance received under this
19 Act.

20 CONFORMING AMENDMENT

21 SEC. 714. All benefits heretofore specifically made avail-
22 able (and not subsequently revoked) under other Federal
23 programs to persons or to public or private organizations,
24 corporations, or entities in areas designated by the Secretary
25 as "redevelopment areas" under section 5 of the Area Re-

1 *development Act, are hereby also extended, insofar as prac-*
2 *ticable, to such areas as may be designated as “redevel-*
3 *opment areas” or “economic development centers” under the*
4 *authority of section 401 or 403 of this Act: Provided, how-*
5 *ever, That this section shall not be construed as limiting such*
6 *administrative discretion as may have been conferred under*
7 *any other law.*

8 *SEC. 715. All financial and technical assistance author-*
9 *ized under this Act shall be in addition to any Federal assist-*
10 *ance previously authorized, and no provision hereof shall be*
11 *construed as authorizing or permitting any reduction or*
12 *diminution in the proportional amount of Federal assistance*
13 *to which any State or other entity eligible under this Act*
14 *would otherwise be entitled under the provisions of any other*
15 *Act.*

Passed the Senate June 1, 1965.

Attest:

FELTON M. JOHNSTON

Secretary.

AN ACT

To provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

JUNE 2, 1965

Referred to the Committee on Public Works

JUNE 22, 1965

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued August 5, 1965
For actions of August 4, 1965
89th 1st; No. 142

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HIGHLIGHTS: House committee reported bill to extend International Wheat Agreement Act. House Rules Committee cleared public works and economic development bill. House committee agreed on provisions of Federal pay bill. Sen. Young, N. Dak., criticized "propagandists" attacks on wheat provisions of farm bill.

HOUSE

1. WHEAT. The Banking and Currency Committee reported without amendment S. 2294, to extend the operation of the International Wheat Agreement Act until July 31, 1966 (H. Rept. 723). p. 18746
2. PUBLIC WORKS; ECONOMIC DEVELOPMENT. The "Daily Digest" states that the Rules Committee granted an open rule on S. 1648, the proposed Public Works and Economic Development Act of 1965. p. D746
3. INDEPENDENT OFFICES APPROPRIATION BILL. Received the conference report on this bill, H. R. 7997 (H. Rept. 727)(pp. 18705-9). This bill includes funds for civil defense and defense mobilization functions of Federal agencies; disaster relief fund of the President; Civil Service Commission; Federal Power

Commission; Federal Trade Commission; General Accounting Office; General Services Administration; Housing and Home Finance Agency; Interstate Commerce Commission; the National Science Foundation.

4. MILITARY CONSTRUCTION. By a vote of 389 to 0, agreed to the conference report on H. R. 8439, the military construction bill, which includes an item for payment of CCC for certain family housing which was financed from the sale of surplus commodities. pp. 18698-703
5. PERSONNEL; PAY. The "Daily Digest" states that the Post Office and Civil Service Committee "agreed on provisions of a new pay bill to be introduced on August 5." p. D746
6. BANKING; FOREIGN TRADE. By a vote 330 to 54, passed without amendment S. 1742, to permit the U. S. to loan up to \$400 million to the International Finance Corporation for loans to private enterprise for development purposes in foreign countries. This bill will now be sent to the President. pp. 18709, 18716-24
7. LABOR STANDARDS. The "Daily Digest" states that a subcommittee of the Education and Labor Committee voted to report to the full committee with amendment H. R. 8259, to amend the Fair Labor Standards Act to extend its protection to additional employees, and that a clean bill will be introduced. p. D745
8. PEACE CORPS. Conferees agreed to file a conference report on S. 2054, to authorize appropriations for the Peace Corps for 1966. p. D745

SENATE

9. OCEANOGRAPHY. S. 944, to provide for expanded research in the oceans and the Great Lakes and to establish a National Oceanographic Council, was made the unfinished business of the Senate. p. 18661
10. VOTING RIGHTS; PERSONNEL. Agreed to, 79 to 18, the conference report on S. 1564, the voting rights bill, which includes authorization for the Civil Service Commission to appoint examiners, including Federal employees, to consider cases in which it is alleged that persons have been denied the right to vote on account of race or color (pp. 1866-5). This bill will now be sent to the President.
11. FARM PROGRAM. Sen. Long, Mo., commended and inserted the speech of Secretary Freeman before the Missouri Farmers Assoc., stating that it tells "the great success story of American agriculture in the 1960's." pp. 18687-9
Sen. Young, N. Dak. criticized "attacks by highly paid propagandists" against the wheat certificate proposal and inserted an article, "The Bread Battle."
12. FOREIGN TRADE. Sen. McGovern stated that Russia and the Eastern European nations are "bypassing" U. S. in their wheat purchase due to a ruling that 50% of sales "must be moved in American ships," and inserted an article by Foreign Agricultural Service Administrator Ioanes indicating that there will be a continuing opportunity to sell wheat to Eastern bloc nations. pp. 18692-95
13. VETERANS' BENEFITS. Sen. Yarborough inserted two telecast texts in support of his GI bill. p. 18687

Program for Thursday: Adjourned at 4:20 p.m. until Thursday, August 5, 1965, at 12 o'clock noon, when the House will consider H.R. 4750, the Interest Equalization Tax Extension Act of 1965 (3 hours of debate). Also will act on conference report on S. 24, to expand, extend, and accelerate the saline water conversion program.

Committee Meetings

DISPOSAL FROM NATIONAL STOCKPILE

Committee on Armed Services: Subcommittee No. 1 held a hearing on H.R. 9047, to authorize the release of certain quantities of zinc from either the national stockpile or the supplemental stockpile, or both; H.R. 9544, to authorize the disposal, without regard to the prescribed 6-month waiting period, of approximately 620,000 long tons of natural rubber from the national stockpile; and H.R. 6852, to authorize the disposal, without regard to the prescribed 6-month waiting period, of approximately 47 million pounds of abaca from the national stockpile. Testimony was given by departmental witnesses and a public witness. No final action was taken.

ARMED FORCES

Committee on Armed Services: Subcommittee No. 2 held a hearing on H.R. 8243, to provide certain authorities relating to the administration of the Reserve components of the Army and Air Force. Testimony was heard from a public witness. Adjourned subject to call of the Chair.

BANKING

Committee on Banking and Currency: Subcommittee on Domestic Finance continued hearings on the infiltration of banks and financial institutions by undesirable elements. Testimony was heard from Kenneth A. Randall, Chairman, Federal Deposit Insurance Corporation.

WHEAT

Committee on Banking and Currency: Met in executive session and ordered reported unanimously to the House S. 2294, the International Wheat Agreement.

PHYSICAL ABUSE OF CHILDREN

Committee on the District of Columbia: Subcommittee No. 3 met in executive session and ordered reported favorably to the full committee H.R. 3394 (amended), reporting the physical abuse of children; subcommittee agreed upon amendments to chancery law (P.L. 88-659), a clean bill will be introduced.

FAIR LABOR STANDARDS ACT

Committee on Education and Labor: General Subcommittee on Labor met in executive session and ordered reported to the full committee the subcommittee print

on H.R. 8259 (amended), the Fair Labor Standards Act; a clean bill will be introduced.

U.S.-OWNED FOREIGN CURRENCIES

Committee on Foreign Affairs: Subcommittee on Foreign Economic Policy held a hearing to determine the utilization of excess U.S.-owned foreign currencies in certain countries. Testimony was heard from Merlyn N. Trued, Assistant Secretary for International Affairs, Department of the Treasury.

SECRETARY OF STATE

Committee on Foreign Affairs: Subcommittee on International Organizations and Movements met in executive session and heard Dean Rusk, Secretary of State, on Project Camelot and the Behavioral Sciences Research Program of the State Department.

FOREIGN SERVICE ACT

Committee on Foreign Affairs: Subcommittee on State Department Organization and Foreign Operations met in executive session to continue markup of H.R. 6277, the Foreign Service Act.

HOUSE BUSINESS

Committee on House Administration: Met in executive session on pending business. No announcements were made.

COMMITTEE BUSINESS

Committee on Interior and Insular Affairs: Met briefly on miscellaneous committee business.

PENDING BUSINESS

Committee on Interstate and Foreign Commerce: Met in executive session on pending business.

PRIVATE IMMIGRATION

Committee on the Judiciary: Subcommittee No. 1 took testimony and acted upon several private immigration bills.

CLAIMS

Committee on the Judiciary: Subcommittee No. 2 acted on several private claim bills.

COPYRIGHT REVISION

Committee on the Judiciary: Subcommittee No. 3 heard public witnesses on H.R. 4347 and related bills, to provide for a general revision of the Copyright Law, title 17 of the U.S. Code.

APPORTIONMENT

Committee on the Judiciary: Subcommittee No. 5 heard public witnesses on H.J. Res. 2 and related bills, to propose an amendment to the Constitution of the U.S. that nothing in the Constitution of the U.S. shall

prohibit a State, having a bicameral legislature, from apportioning the membership of one house of its legislature on factors other than population.

OCEANOGRAPHY

Committee on Merchant Marine and Fisheries: Subcommittee on Oceanography held a hearing on various bills relative to the National Oceanographic Program. Testimony was heard from Representatives Downing, Hanna, Bob Wilson, and Huot.

TOWING VESSELS—OFFICERS

Committee on Merchant Marine and Fisheries: Subcommittee on Coast Guard, Coast and Geodetic Survey, and Navigation held a hearing on H.R. 723 and H.R. 156 (identical bills), to require inspection of certain towing vessels; and H.R. 7491, to provide for the licensing and certificating of officers on certain vessels. Testimony was heard from Representative Willis; and public witnesses.

PAY BILL

Committee on Post Office and Civil Service: Met in executive session and agreed on provisions of a new pay bill to be introduced on August 5.

RIVERS AND HARBORS—FLOOD CONTROL BILL

Committee on Public Works: Subcommittee on Flood Control held a hearing on the following projects with testimony from representatives of the Army Corps of Engineers on all projects and other witnesses listed:

Elizabeth River, N.J. (Representative Dwyer).

Increase general authorization for small navigation projects (H.R. 716).

Flood plain information monetary increase.

Flint River, Ga. (Lazer Creek and Lower Auchumpkee) (Representatives Flynt, Callaway, and public witnesses).

CONCESSION POLICIES

Committee on Rules: Action was deferred on H.R. 2091, relating to the establishment of concession policies in the areas administered by National Park Service. Testimony was heard from Representatives Aspinall, Udall, Dawson, and Brooks.

WORLD HEALTH ORGANIZATION

Committee on Rules: Granted an open rule with 1 hour of debate on H.J. Res. 403, authorizing an appropriation to enable the World Health Organization to hold the 22d World Health Assembly in Boston in 1969.

PUBLIC WORKS

Committee on Rules: Granted an open rule, waiving points of order, with 5 hours of debate, on S. 1648, making it in order to consider the committee substitute as an original bill for the purpose of amendment, and

making it in order to read the bill by title instead of by section. Testimony was given by Representative Cleveland.

METRIC SYSTEM

Committee on Science and Astronautics: Continued hearing on H.R. 2626, to provide that the National Bureau of Standards shall conduct a program of investigation, research, and survey to determine the practicability of the adoption by the U.S. of the metric system of weights and measures. Testimony was heard from public witnesses.

NATIONAL SCIENCE FOUNDATION

Committee on Science and Astronautics: Subcommittee on Science, Research, and Development continued hearings regarding the future of the National Science Foundation. Testimony was given by Government and public witnesses.

COCONUT OIL

Committee on Ways and Means: Held a hearing on H.R. 6568, the coconut oil bill. Testimony was given by public witnesses.

Joint Committee Meetings

ORGANIZATION OF CONGRESS

Joint Committee on the Organization of the Congress: Committee continued its hearings on various proposed changes in congressional organization, having as its witnesses Representative Pucinski; Mrs. Donna Allen, National Committee To Abolish the House Committee on Un-American Activities; and Col. T. N. Dupuy, Historical Evaluation & Research Organization.

Hearings continue tomorrow.

APPROPRIATIONS—INDEPENDENT OFFICES

Conferees, in executive session, agreed to file a conference report on the differences between the Senate- and House-passed versions of H.R. 7997, fiscal 1966 appropriations for independent offices.

PEACE CORPS

Conferees, in executive session, agreed to file a conference report on the differences between the Senate- and House-passed versions of S. 2054, to amend in several regards the Peace Corps Act.

WATER POLLUTION CONTROL

Conferees met in executive session to resolve the differences between the Senate- and House-passed versions of S. 4, establishing a national policy for the prevention, control, and abatement of water pollution, but did not reach final agreement, and recessed subject to call.

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

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OFFICE OF BUDGET AND FINANCE
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89th-1st; No. 143

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HIGHLIGHTS: See page 6

HOUSE

1. PUBLIC WORKS; ECONOMIC DEVELOPMENT. The Rules Committee reported a resolution for the consideration of S. 1648, the proposed Public Works and Economic Development Act of 1965. p. 18771
2. PEACE CORPS. Received the conference report on S. 2054, to authorize appropriations for the Peace Corps (H. Rept. 728). pp. 18751-2

3. MILITARY CONSTRUCTION. . The Appropriations Committee was granted permission to file by midnight Fri. a report on the bill making appropriations for military construction. p. 18750
4. FARM PROGRAM. Rep. Schmidhauser stated he hoped Congress would not adjourn until actions on the omnibus farm bill is completed. p. 18772
5. WATERSHEDS. The "Daily Digest" states that a subcommittee of the Agriculture Committee "ordered reported favorably to the full committee the Fishing Creek watershed project." p. D753
Received from the Budget Bureau plans for works of improvement on the following watersheds: Big Slough, Fla.; and Upper Big Nemaha, Nebr.; to Agriculture Committee. Choccolocco Creek, Ala.; Little Clear Creek, Ark.; Grove River, Ga.; South Fork Broad River, Ga.; Busseron (supplemental), Ind.; and Suasco (supplemental), Mass.; to Public Works Committee. p. 18805
6. STOCKPILE. A subcommittee of the Armed Services Committee voted to report to the full committee H. R. 9544, to authorize the disposal, without regard to the prescribed 6-month waiting period, of approximately 620,000 long tons of natural rubber from the national stockpile; H. Con. Res. 455, to dispose of hyoscine from the national stockpile; and H. R. 6852, to authorize the disposal without regard to the prescribed 6-month waiting period, of approximately 47 million pounds of abaca from the national stockpile. pp. D753-4
7. FOREIGN SERVICE. The "Daily Digest" states that a subcommittee of the Foreign Affairs Committee voted to report to the full committee, with amendments, H. R. 6277, to amend the Foreign Service Act of 1946. p. D754
8. PERSONNEL; PAY. The "Daily Digest" states that the Post Office and Civil Service Committee voted to report (but did not actually report) H. R. 10281, the Federal pay bill; and H. R. 6165, to repeal 5 U. S. C. 33, which gives department heads discretion as to whether to appoint women. p. D755
9. CENSUS. The "Daily Digest" states that the Post Office and Civil Service Committee voted to report (but did not actually report) H. R. 6183, to provide a mid-decade census of population, unemployment, and housing. p. D755
10. FOREIGN TRADE. Rep. Reid, Ill., urged consideration of legislation to amend the Trade Expansion Act. pp. 18782-3
11. DISASTER RELIEF. Rep. Randall discussed the recent Missouri floods and outlined the provisions of a bill he intends to introduce to establish new Federal programs to assist communities in their disaster recovery. p. 18787-9
12. FISCAL POLICY. Rep. Fountain expressed concern over the "increasingly serious tax and fiscal problems of our States and localities," and inserted an article "Federal-State Fiscal Imbalance: The Dilemma." pp. 18791-3
13. LEGISLATIVE PROGRAM. Rep. Albert on Wed. and the balance of the week the House would consider the public works-economic development bill. pp. 18771-2
14. ADJOURNED until Mon., Aug. 9. p. 18805

CONSIDERATION OF S. 1648

AUGUST 5, 1965.—Referred to the House Calendar and ordered to be printed

Mr. MADDEN, from the Committee on Rules, submitted the following

R E P O R T

[To accompany H. Res. 503]

The Committee on Rules, having had under consideration House Resolution 503, report the same to the House with the recommendation that the resolution do pass.

○

House Calendar No. 134

89TH CONGRESS
1ST SESSION

H. RES. 503

[Report No. 730]

IN THE HOUSE OF REPRESENTATIVES

AUGUST 5, 1965

Mr. MADDEN, from the Committee on Rules, reported the following resolution;
which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That upon the adoption of this resolution it
2 shall be in order to move that the House resolve itself into
3 the Committee of the Whole House on the State of the
4 Union for the consideration of the bill (S. 1648) to pro-
5 vide grants for public works and development facilities,
6 other financial assistance and the planning and coordination
7 needed to alleviate conditions of substantial and persistent
8 unemployment and underemployment in economically dis-
9 tressed areas and regions, and all points of order against
10 said bill are hereby waived. After general debate, which
11 shall be confined to the bill and shall continue not to exceed
12 five hours, to be equally divided and controlled by the chair-

1 man and ranking minority member of the Committee on
2 Public Works, the bill shall be read for amendment under
3 the five-minute rule by titles instead of by sections. It shall
4 be in order to consider without the intervention of any point
5 of order the substitute amendment recommended by the
6 Committee on Public Works now in the bill and such sub-
7 stitute for the purpose of amendment shall be considered
8 under the five-minute rule as an original bill, and read by
9 titles instead of by sections. At the conclusion of such con-
10 sideration the Committee shall rise and report the bill to
11 the House with such amendments as may have been adopted,
12 and any Member may demand a separate vote in the House
13 on any of the amendments adopted in the Committee of the
14 Whole to the bill or committee substitute. The previous
15 question shall be considered as ordered on the bill and amend-
16 ments thereto to final passage without intervening motion
17 except one motion to recommit with or without instructions.

89TH CONGRESS
1ST SESSION

H. RES. 503

[Report No. 730]

RESOLUTION

Providing for consideration of S. 1648, a bill to provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

By Mr. MADDEN

AUGUST 5, 1965

Referred to the House Calendar and ordered to be printed

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
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OFFICE OF BUDGET AND FINANCE
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Issued August 12, 1965
For actions of August 11, 1965
89th-1st; No. 147

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HIGHLIGHTS: House Rules Committee cleared farm bill. House debated public works-economic development bill. House committee voted to report Spruce Knob-Seneca Rocks recreation area bill and bill to expand various FHA loan authorities. Senate passed bill to establish Department of Housing and Urban Development. Sen. McGovern criticized cargo shipping restrictions on sales of wheat to Russia. Rep. Martin inserted article criticizing food for peace program. Rep. Matthews introduced and discussed bill to amend acreage-poundage quotas for tobacco.

HOUSE

1. **FARM PROGRAM.** The Rules Committee reported a resolution for consideration of the farm bill. p. 19189
2. **LABOR-HEW APPROPRIATION BILL.** Conferees were appointed on this bill H.R. 7765 (p. 19189). Senate conferees have already been appointed.
3. **PUBLIC WORKS; ECONOMIC DEVELOPMENT.** Began debate on S. 1648, the proposed Public Works and Economic Development Act of 1965. pp. 19190-239, 19242-3

4. RECREATION. The "Daily Digest" states that the Agriculture Committee voted to report (but did not actually report) H. R. 10330, to provide for the establishment of the Spruce Knob-Seneca Rocks National Recreation Area, W. Va.; S. 1764 to authorize the acquisition of certain lands within the boundaries of the Uinta National Forest, Utah, in lieu of H. R. 8344 and H. R. 9161; and H.R. 10366, a clean bill, to establish the Mount Rogers National Recreation Area in the Jefferson National Forest, Va., in lieu of H. R. 316. p. D777
5. FORESTRY; PROPERTY. The "Daily Digest" states that the Agriculture Committee voted to report (but did not actually report) with amendment S. 1689, to authorize the Secretary of Agriculture to hire or rent property from employees of the Forest Service for the use of that Service.
6. LOANS. The "Daily Digest" states that the Agriculture Committee voted to report (but did not actually report with amendment H. R. 10232, to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public or quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, and to increase the annual aggregate of insured loans thereunder. pp. D777
7. MARKETING ORDERS. The "Daily Digest" states that the Agriculture Committee voted to report (but did not actually report) H. R. 10206, to amend the Agricultural Marketing Agreement Act of 1937 (re marketing orders for certain fruits and vegetables) in lieu of H. R. 10209. p. D777
8. ANIMALS; RESEARCH. The "Daily Digest" states that the Agriculture Committee "ordered referred to the Subcommittee on Livestock and Feed Grains" H. R. 9743 to authorize the Secretary of Agriculture to regulate the transportation, sale and handling of dogs and cats intended to be used for purposes of research or experimentation." p. D777
9. WATERSHEDS. The "Daily Digest" states that Agriculture Committee approved plan for works of improvement on the following watersheds: Upper Crooked Creek, Ark.; Haney Creek, Ark.; Buffalo Creek, Ohio; Crooked Creek, Ala.; Muddy Fork of Silver Creek, Ind.; St. Thomas Lodema, N. Dak.; Assunpink Creek, N. J.; Mills Creek, Fla.; Turkey Creek, Iowa; Mitchell Swamp-Pleasant Meadow Branch, S. C.; Willis River, Va.; Cub Creek, Nebr.; Lakin, Kans.; Standing Pine Creek, Miss.; and Fishing Creek, S. C. p. D777
10. PERSONNEL; RETIREMENT. Rep. William D. Ford spoke in favor of H. R. 8469, "to provide equitable and desperately needed increases in the annuities of Federal civil service retirees and their survivors." p. 19249
11. COMMITTEE EMPLOYEES. Received from the various committees reports showing positions and salaries of employees during the first six months of 1965. pp. 19252-60
12. TARIFF. Received from Treasury a proposed bill to amend the Tariff Act of 1930 to authorize the collection of user charges, and to permit any charges for customs services to be collected on a flat fee basis; to Ways and Means Committee. p. 19260
13. WATER SUPPLY. Rep. Celler inserted the President's remarks before the Water Emergency Conference at the White House. pp. 19247-9



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House of Representatives

The House met at 12 o'clock noon.

The Chaplain, Rev. Bernard Braskamp, D.D., used this verse of Scripture: Jeremiah 30: 22: *And ye shall be my people, and I will be your God.*

Almighty and gracious God, Thy blessings of love and good will are like the sun shining and the rain falling upon the just and the unjust in impartial benediction.

Grant that we may believe that the commandments and duties of justice, faithfulness, kindness, and charity are likewise incumbent upon us, and that we must obey them.

Help us to understand that we are bidden to practice those principles which Thou hast enjoined in order that we may truly be Thy followers.

Transform and transfigure our minds and hearts that we may desire what Thou wilt and do what Thou dost command.

Illumine us with Thy spirit and may we grow up into the likeness of Thy character and nature.

In Christ's name we pray. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate had passed without amendment a bill of the House of the following title:

H.R. 8856. An act to amend section 271 of the Atomic Energy Act of 1954, as amended.

The message also announced that the Senate disagrees to the amendments of the House to the joint resolution (S.J. Res. 81) entitled "An act to authorize the Secretary of Commerce to apportion the sum authorized for the fiscal year ending June 30, 1967, for the National System of Interstate and Defense Highways," requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. RANDOLPH, Mr. McNAMARA, Mr. MUSKIE, Mr. FONG, and Mr. PEARSON to be the conferees on the part of the Senate.

The message also announced that the Senate has passed a joint resolution of the following title, in which the concurrence of the House is requested:

S.J. Res. 100. Joint resolution to provide for the designation of the period from August 31 through September 6 in 1965, as "National American Legion Baseball Week."

APPROPRIATIONS, DEPARTMENT OF LABOR, HEALTH, EDUCATION, AND WELFARE, AND RELATED AGENCIES, FISCAL YEAR 1966

Mr. FOGARTY. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill, H.R. 7765, making appropriations for the Departments of Labor, and Health, Education, and Welfare, and related agencies, for the fiscal year ending June 30, 1966, and for other purposes, with amendments of the Senate thereto, disagree to the Senate amendments and agree to the conference asked by the Senate.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Rhode Island? [After a pause.] The Chair hears none and appoints the following conferees: Messrs. FOGARTY, DENTON, FLOOD, MAHON, LAIRD, MICHEL, and BOW.

CORRECTION OF ROLL CALL

Mr. TUTEN. Mr. Speaker, on rollcalls Nos. 8 and 41 I am recorded as absent. I was present and answered to my name. I ask unanimous consent that the permanent RECORD and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. WYDLER. Mr. Speaker, on rollcall No. 226 I am recorded as absent. I was present and answered to my name. I ask unanimous consent that the permanent RECORD and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

MAINTAIN FARM INCOME, ETC.

Mr. YOUNG, from the Committee on Rules, reported the following privileged resolution (H. Res. 512, Rept. No. 777), which was referred to the House Calendar and ordered to be printed:

H. RES. 512

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 9811) to maintain farm income, to stabilize prices, and assure adequate supplies of agricultural commodities, to reduce surpluses, lower Government costs and promote foreign trade, to afford greater economic opportunity in rural areas, and for other purposes. After general debate, which shall be confined to the bill and shall continue not to exceed five hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture, the bill shall be read for amendment under the five-minute rule by titles instead of by sections. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

COMMITTEE ON EDUCATION AND LABOR

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the Committee on Education and Labor may sit while the House is in session today during general debate.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

Mr. HALL. Mr. Speaker, I object.

NATIONAL SYSTEM OF INTERSTATE AND DEFENSE HIGHWAYS

Mr. FALLON. Mr. Speaker, I ask unanimous consent to take from the Speaker's table Senate Joint Resolution 81, to authorize the Secretary of Commerce to apportion the sum authorized for the fiscal year ending June 30, 1967, for the National System of Interstate and Defense Highways, insist on the

House amendments and agree to the conference requested by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Maryland? The Chair hears none, and appoints the following conferees: Messrs. FALLON, KLUCZYNSKI, CLARK, CRAMER, and BALDWIN.

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

Mr. MADDEN. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 503 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 503

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (S. 1648) to provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions, and all points of order against said bill are hereby waived. After general debate, which shall be confined to the bill and shall continue not to exceed five hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Public Works, the bill shall be read for amendment under the five-minute rule by titles instead of by sections. It shall be in order to consider without the intervention of any point of order the substitute amendment recommended by the Committee on Public Works now in the bill and such substitute for the purpose of amendment shall be considered under the five-minute rule as an original bill, and read by titles instead of by sections. At the conclusion of such consideration the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and any Member may demand a separate vote in the House on any of the amendments adopted in the Committee of the Whole to the bill or committee substitute. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions.

COMMITTEE ON PUBLIC WORKS CONFERENCE REPORT ON NATIONAL SYSTEM OF INTERSTATE AND DEFENSE HIGHWAYS

Mr. FALLON. Mr. Speaker, I ask unanimous consent that the Committee on Public Works may have until midnight tonight to file a conference report on Senate Joint Resolution 81.

The SPEAKER. Is there objection to the request of the gentleman from Maryland?

Mr. CRAMER. Mr. Speaker, reserving the right to object, will the gentleman indicate what that resolution is?

Mr. FALLON. Mr. Speaker, that is the resolution we intend to go to conference on.

Mr. CRAMER. Providing highway authorizations for 1967?

Mr. FALLON. That is correct.

Mr. CRAMER. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection

to the request of the gentleman from Maryland?

There was no objection.

The conference report follows:

CONFERENCE REPORT (H. REPT. No. 778)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the joint resolution (S.J. Res. 81) to authorize the Secretary of Commerce to apportion the sum authorized for the fiscal year ending June 30, 1967, for the National System of Interstate and Defense Highways, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the joint resolution and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the House amendment insert the following:

"That subsection (b) of section 108 of the Federal-Aid Highway Act of 1956, as amended, is amended by striking out 'the additional sum of \$2,900,000,000 for the fiscal year ending June 30, 1967,' and inserting in lieu thereof 'the additional sum of \$3,000,000,000 for the fiscal year ending June 30, 1967,'"

"SEC. 2. The Secretary of Commerce is authorized to make the apportionment for the fiscal year ending June 30, 1967, of the sum authorized to be appropriated for such year for expenditures on the National System of Interstate and Defense Highways, using the apportionment factors contained in table 5 of House Document Numbered 42, Eighty-ninth Congress, but the Congress reserves the right to disapprove the cost estimate for completion of such National System submitted by the Secretary on January 11, 1965, and contained in such document.

"SEC. 3. It is the sense of Congress that the Secretary of Commerce, acting under authority of existing law and through the Bureau of Public Roads, shall report to Congress in January, 1968, and in January of every second year thereafter, his estimates of the future highway needs of the Nation.

"SEC. 4. (a) Chapter 1 of title 23 of the United States Code is amended by adding at the end thereof the following new section:

"§ 135. Highway safety programs

"After December 31, 1967, each State should have a highway safety program, approved by the Secretary, designed to reduce traffic accidents and deaths, injuries, and property damage resulting therefrom, on highways on the Federal-aid system. Such highway safety program should be in accordance with uniform standards approved by the Secretary and should include, but not be limited to, provisions for an effective accident records system, and measures calculated to improve driver performance, vehicle safety, highway design and maintenance, traffic control, and surveillance of traffic for detection and correction of high or potentially high accident locations."

"(b) The analysis of chapter 1 of title 23 of the United States Code is amended by adding at the end thereof the following:

"'135. Highway safety programs.'"

And the House agree to the same.

That the Senate recede from its disagreement to the amendment of the House to the title and agree to the same.

GEORGE H. FALLON,
JOHN C. KLUCZYNSKI,
FRANK M. CLARK,
WILLIAM C. CRAMER,
JOHN F. BALDWIN,

Managers on the Part of the House.

PAT McNAMARA,
JENNINGS RANDOLPH,
EDMUND S. MUSKIE,
HIRAM L. FONG,
JAMES B. PEARSON,

Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the House to the joint resolution (S.J. Res. 81) to authorize the Secretary of Commerce to apportion the sum authorized for the fiscal year ending June 30, 1967, for the National System of Interstate and Defense Highways, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The House amendment strikes out all of the Senate joint resolution after the resolving clause and inserts a substitute. The Senate recedes from its disagreement to the amendment of the House, with an amendment which is a substitute for both the Senate joint resolution and the House amendment. The differences between the House amendment and the substitute agreed to in conference are noted in the following outline.

The first two sections of the conference substitute are identical with the first two sections of the House amendment.

Section 3 of the House amendment authorizes the Secretary of Commerce to make a comprehensive study of the needs of the Federal-Aid Highway System including the Interstate System after 1972. Such study is to be made in cooperation with the State highway departments and is to include possible extensions of the Interstate System, costs, and all other considerations that the Secretary deems advisable. A report of his findings is required to be made not later than January 1, 1967. The proposed conference substitute expresses the sense of Congress that the Secretary utilizing the authority available to him under existing law and acting through the Bureau of Public Roads shall submit to Congress in January 1968 and every two years thereafter his estimates of the future highway needs of the United States.

Section 4 of the House amendment amends title 23 of the United States Code to add a new section 135. This section provides that after December 31, 1967, a State not having a highway safety program approved by the Secretary shall not have funds apportioned to it. A State highway safety program is required to be in accordance with uniform standards approved by the Secretary which shall include accident records system, measures calculated to improve driver performance, motor vehicle safety, highway design and maintenance, traffic control, and surveillance of traffic for detection and correction of high or potentially high accident locations. Funds withheld from a State are to be re-apportioned to other States. The proposed conference substitute deletes from this section all provisions requiring funds to be withheld from a State in case of non-compliance and providing for their re-apportionment, and substitutes for these provisions a statement that by December 31, 1967, each State should have an approved highway safety program. It is the expectation of the conferees that the Committees on Public Works will examine from time to time the extent of voluntary compliance by the States with this new section of title 23 with a view of determining whether any further legislative action is necessary.

GEORGE H. FALLON,
JOHN C. KLUCZYNSKI,
FRANK M. CLARK,
WILLIAM C. CRAMER,
JOHN F. BALDWIN,

Managers on the Part of the House.

CALL OF THE HOUSE

Mr. HALL. Mr. Speaker, in view of the rule waiving points of order, that

has just been read, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 231]

Baring	Fraser	Pool
Bonner	Hawkins	Powell
Brown, Ohio	Hosmer	Roncallo
Cahill	Irwin	Roybal
Cameron	Keogh	Ryan
Carter	King, N.Y.	Stafford
Collier	Lindsay	Sullivan
Colmer	McDowell	Teague, Calif.
Culver	McVicker	Thomas
Cunningham	Mathias	Toll
Daddario	Mills	Tupper
Ellsworth	Morrison	Willis
Evins, Tenn.	Murray	
Flood	Pelly	

The SPEAKER. On this rollcall 392 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

The SPEAKER. The Chair recognizes the gentleman from Indiana [Mr. MADDEN].

(Mr. MADDEN asked and was given permission to revise and extend his remarks.)

Mr. MADDEN. Mr. Speaker, I urge adoption of the rule to consider S. 1648, the proposed Public Works and Economic Development Act of 1965.

The purpose of this bill is to make sure that every American has an opportunity to earn a decent living for himself and his family.

The effect of the bill will be to help areas create more jobs for the people who need them most and in the places where they are most needed.

This bill was sent to the Congress by the President on March 31, 1965. It was passed by the Senate on June 1, 1965, by an overwhelming vote of 71 to 12.

A companion bill was introduced in the House by Congressman FALLON, the distinguished chairman of the Committee on Public Works, and by many other Members.

The Committee on Public Works, after holding extensive hearings, adopted a number of perfecting amendments and reported a substitute bill on June 22, 1965, with only six members signing the minority report.

We are dealing with legislation which will help the economy directly or indirectly in every State in the Union. It has been carefully prepared and received strong bipartisan support.

This bill is not a duplication of current legislation.

The area redevelopment bill was enacted May 1, 1961, expired on June 30, 1965.

The public works acceleration program enacted September 14, 1962, was financially exhausted almost 2 years ago. It is now dead.

The Appalachian Regional Development Act passed in March of this year is directed 80 percent to highway construction and in no way conflicts with the pending bill.

This bill will not only bring prosperity to unemployed and stricken areas, but will indirectly aid all sections by reason of the demand created for steel, machinery, lumber, automobiles, and thousands of other manufactured products.

THE PURPOSE OF THE BILL

Let me emphasize the purpose of the bill. I quote from the bill:

The Federal Government, in cooperation with the States, should help areas and regions of substantial and persistent unemployment * * * to take effective steps in planning and financing their public works and economic development * * * (to) enable such areas to help themselves achieve lasting improvement and enhance the domestic prosperity by the establishment of stable and diversified local economies.

Mr. Speaker, the purpose of this bill is to help people become self-supporting.

The purpose of this bill is to help people earn a living.

The purpose of this bill is to help make our Nation stronger.

The purpose of this bill is to use the strength of the national economy to make sure that all of the smaller economies which make up the national economy are getting a fair share of the Nation's prosperity.

THE PROVISIONS OF THE BILL

The bill has been carefully designed to accomplish these purposes.

First of all, it provides for help to relatively small areas such as towns, counties, and cities.

Second, it provides for help to large multicounty areas such as development districts so that areas with like problems will work cooperatively, in the traditional American way, to help each other.

Third, it provides for help to the so-called development centers which can serve as the most efficient job-producing localities in a district, where rising economic activity can overcome pobelessness in the associated depressed areas; and

Fourth, it provides for help to the large multi-State regions where common problems of transportation and resource utilization can best be resolved by careful multi-State regional planning and development.

The provisions of the bill are based on the best features of the public works acceleration program, the area redevelopment program, and the Appalachian Regional Development Act. No duplication or repetition. In most cases, there are tried, tested, and perfected features which can best accomplish their purposes by being tied together in a single, integrated program.

These features include:

First, help to hard-pressed communities for the public works and development facilities which form the foundation for any economic development program;

Second, help to establish new, and otherwise impossible to achieve payrolls through financial assistance for new and

expanded industrial or commercial enterprises;

Third, help to plan, understand, and administer the economic development programs of localities, States, districts, and regions; and

Fourth, help to solve technical obstacles to economic development by assisting management and making feasibility and resource studies.

These are practical provisions. They are tested provisions.

Where they have been imperfect, they have been improved. Where they have worked, they have been retained.

THE OBJECTIVES OF THE BILL

The objectives of this bill are most worthy of your support.

We want to make taxpayers out of tax consumers, as the President has pointed out.

Those who are now unemployed are a drain on our resources. Not only do they now contribute nothing to the national wealth, but they must be supported by other taxpayers. During the last 3 years millions have been removed from relief rolls by similar programs and are benefited by helping them to become self-supporting.

We want these people to become self-supporting under the private enterprise system, not under some system of Government dole. That is why this program is based upon providing support for and inducements to private enterprise. We help businessmen under this program not because they need our help but because we need their help in expanding job opportunities in the areas where these opportunities are now lacking.

INVESTMENT PROGRAM

This is not a spending program, it is an investment program. By investing in the development of the entire Nation, we will in fact save money. We will reduce our welfare and unemployment compensation costs and earn dividends in the form of new tax payments.

And finally, one of the major objectives of this bill is to strengthen the ability of separate communities to guide and carry out their own economic development programs. It strengthens local initiative.

THE PROSPECTS OF THE BILL

This bill can achieve the virtual elimination of depressed areas. It could be responsible for 1 million extra jobs over the next 5 years. These jobs can bring extra annual payrolls of \$3.5 billions into our depressed communities. These jobs can mean sales of \$50 million additional for household appliances, \$40 million additional for radio and television, \$60 million for furniture, \$170 million for automobiles and other necessary products.

These figures only hint at the potential in this bill—a potential for economic growth and better lives for the folks who live in the areas that are now sitting helplessly on the sidelines watching the rest of the Nation enjoy the greatest prosperity in our history.

NO DUPLICATION

There is no duplication in the supplementary grants portion of the bill be-

cause S. 1648 specifically forbids duplicate approvals.

I have heard talk that projects should not be approved under this bill in the Appalachian region.

Any such policy would be the most serious of injustices. It would have the effect of making the depressed areas in Appalachia—some of our most serious areas—eligible for less help from the Federal Government than areas in other parts of the country. Surely, this Congress, which recognized the need to do something special to help the Appalachian region, in order to bring it up to a level comparable with other areas of the country, would not want to end up doing something that would renew the inequities which it set out to cure.

THE ACCOMPLISHMENTS OF ARA AND APW

Mr. Speaker, in his message to the Congress on area and regional economic development the President referred to ARA repeatedly, pointing out that the program will be based primarily on the experience of ARA and APW. The President emphasized four major accomplishments of the ARA program:

First, ARA has shown that helping businessmen to expand or to build new plants, can produce new jobs. Over 115,000 jobs will be created when the projects approved under the ARA program reach their full potential. According to a recent study, more than three out of four persons now working on ARA-assisted projects were not working full time beforehand.

Second, ARA has shown that the cost to the Government of creating these new jobs is repaid quickly in increased taxes. Taking into account all outlays, the estimated cost for each ARA job is \$800. Taxes will bring this sum back to the Federal Treasury in 2 years.

Third, ARA has shown that people in communities will work together on self-help programs. More than 1,000 local committees are working under the ARA program.

Fourth, ARA has shown that counties can be grouped together advantageously. This forms the basis for the economic development district program in the new bill.

No one is claiming that the ARA was without defects. In fact, the House report cites six deficiencies. All of these are now corrected.

Mr. Speaker, I was impressed during the hearings before the Rules Committee with the testimony of my distinguished colleague from Pennsylvania [Mr. Flood], who was one of the original sponsors of the Area Redevelopment Act. Certainly, he ought to be in the position of telling us whether or not the act works.

His testimony was overwhelmingly in the affirmative. He pointed out that he comes from a county which has consistently done worse than the national economy year after year. Yet, in the years since the passage of the Area Redevelopment Act, 25,000 new jobs have been created in the county. The unemployment rate has gone down from over 13 percent to slightly more than 6 percent. The economy of his district has performed almost half again as well as the national economy.

This is what was accomplished under this act. With the improvements which this bill will make, I am confident that it can accomplish even more.

The public works acceleration program, which had a more limited purpose, was even more effective. Under this program more than 7,700 long-needed public works projects were approved. These projects not only met a desperate need for new facilities in areas which could not otherwise afford them, but they also provided many man-months of employment on the job and they resulted in the establishment of new industries and new businesses as well.

We must not forget accomplishments of these two programs, nor should we abandon what has been only begun. We can do the same and more under this new act, because we will combine them with new features for greater effect. We have attempted to weld all these programs into one unified, effective, sensible program that will make available the right kind of help to the places that need it most.

This bill will bring needed new payrolls for depressed communities.

This bill will bring needed new jobs for the unemployed.

This bill will bring needed new facilities for the public.

This bill will bring needed new taxes to the Treasury.

The American people now realize the importance of public buying power in our economy. We have not had a depression in 5 years.

Mr. Speaker, I earnestly commend this bill to the favorable consideration of every Member of the House.

It has benefits not only for those who live in the eligible areas, but in fact its benefits will flow to all areas.

It should appeal to what is humane in all of us, because it is a bill which will bring relief for a desperate human problem—joblessness.

It should appeal to what is conservative in all of us, because it is a bill which will provide a greater return than its initial investment.

It is a bill which provides significant benefits to the North, to the South, to the East, and to the West.

It is a bill for the cities and a bill for the rural areas.

It is a bill for the banker and a bill for his depositors.

I say to all my colleagues in this House—whatever district you represent, whether it is in a depressed area or not, your constituents will benefit from this bill.

S. 1648, the proposed Public Works and Economic Development Act of 1965 merits the support of every Member of this House.

Mr. MADDEN. Mr. Speaker, I yield 30 minutes to the gentleman from California [Mr. SMITH], and reserve the balance of my time.

The SPEAKER. The gentleman from Indiana has consumed 15 minutes.

Mr. SMITH of California. Mr. Speaker, I yield myself 12 minutes.

(Mr. SMITH of California asked and was given permission to revise and extend his remarks.)

Mr. SMITH of California. Mr. Speaker, House Resolution 503, upon adoption, will provide for 5 hours of debate for the consideration of S. 1648, the Public Works and Economic Development Act of 1965. It will waive points of order, and although I personally do not think this is necessary, the majority of the members of the Rules Committee voted to waive points of order because, as I understand it, there is some type of revolving fund in the amount of \$220 million per year which can be used over and over without having to go through the Appropriations Committee process.

The rule calls for the bill to be read by titles, and the committee bill is made as an amendment for substitute for the bill under consideration. The rule is open from the standpoint of offering amendments.

The Area Redevelopment Act would have expired on June 30, 1965. You will recall, Mr. Speaker, that on June 23, by a vote of 224 to 167, the Area Redevelopment Act was extended for a period of 2 months until August 31, 1965. It was my understanding at that time that probably legislation would be offered to extend the Area Redevelopment Act. In fact, it was my impression that the 2-month extension was granted in order to give the committee sufficient time to work out appropriate legislation.

Apparently I was wrong in that assumption. Statements which I have heard subsequent thereto have indicated that there seems to be a question as to whether or not sufficient votes could be obtained to extend this very unsatisfactory program, with the result that the Area Redevelopment Act was combined with the Public Works Acceleration Act, and we now have S. 1648 before us for consideration.

Mr. Speaker, S. 1648 is basically a uniting of two present programs of public works and redevelopment projects, the Public Works Acceleration Act and the Area Redevelopment Act. The combined program will be administered by a new agency within the Department of Commerce.

The committee report, pages 45 to 56, contains a summary of reports made over the last year by the Comptroller General to the Congress on the Area Redevelopment Act and Public Works Acceleration Act programs. It details examples of poor administration, overstated claims of success, poor procedures for approving projects based on lack of knowledge, and inadequate analysis of pertinent available information. There are 17 such reports, all critical. Taken together they paint a very poor picture of two major Federal programs which are now to be combined into one massive multibillion-dollar program, when prudence, and available evidence would seem to indicate that what is truly needed is a complete reevaluation of this program. Certainly the Area Redevelopment Act and the Public Works Acceleration Act have proven that they are not the answer.

The total cost of S. 1648 through June 30, 1970, is set at \$3.3 billion; \$2 billion of this total is contained in title I, which sets up the direct and supplemental grant programs. Direct grants of up to 50 per-

cent and supplemental ones of up to 80 percent are authorized by title I for public works and redevelopment facilities which it is claimed will directly or indirectly improve the long-term employment in the area. Supplemental grants are available for approved projects where local capital is not available in sufficient quantity, under criteria to be prescribed by the Secretary.

An additional \$850 million is authorized under title II to provide for, first, guarantees of up to 90 percent for private working capital loans made in connection with direct loans projects, and second, loans of up to 65 percent for the purchase or development of land and facilities for industrial or commercial use.

Title III authorizes \$25 million annually for 5 years for technical assistance and research, expanding the program now available under Area Redevelopment Act. It also sets up a board to study the effect of Government procurement policies on regional development, and to report within 2 years.

Title IV sets up eligibility requirements under the program. To qualify, an area must first have substantial and persistent unemployment; or second, have a median family income of 40 percent, or less, of the national average; or third, suffer a sudden loss of jobs it will not be able to make up within a 3-year period; or fourth, be eligible as of March 1, 1965, for assistance under Area Redevelopment Act; or fifth, have suffered a substantial loss of population due to lack of employment opportunities.

Title IV also establishes a new program of multicounty development districts, each containing at least two redevelopment areas and one development center; \$50 million annually for 4 years is authorized.

Title V authorizes regional planning commissions, similar to the one set up under the Appalachian Regional Development Act; \$15 million is authorized annually for 5 years as grants to the commissions.

Titles VI and VII deal with administrative and technical provisions.

S. 1648 is a vague and poorly drafted bill. Many of the bad features stem from this weakness. The following observations should be noted in considering the bill:

First. There is no requirement for the State or local governments receiving Federal grants to maintain their prior level of expenditures on projects on which they receive Federal assistance. The Appalachian bill required this much and the Public Works Acceleration Act required an increase equal to the non-Federal share of the project cost.

Second. S. 1648 has no provision, as did the Appalachian bill, to prohibit the use of Federal grants in relocating a business or industrial plant from one area to another. Grants may be made for facilities, sewers, waterlines, streets, and so forth, whose purpose may be to lure industry away from its present location.

Third. Section 202 guarantees up to 90 percent of private loans made in connection with title I projects. There are no guidelines as to the size of the loan

to be guaranteed, the rate of interest, the time period, and so forth. The only limitation is the authorization of \$170 million annually for 5 years.

Fourth. Title II sets up an economic development revolving fund. This enables the program to bypass Congress, avoiding annual reviews through the process of annual appropriations. The Comptroller General opposed this provision in its present form.

Fifth. Section 401 sets up criteria for qualifying areas for assistance. The Secretary is not required to follow the unemployment standard set forth in section 401(a) as long as his own criteria is generally comparable to it. Section 401 allows areas to be included if they were included under the Area Redevelopment Act, with no other requirement to meet as to the showing of need. This allows 432 counties not otherwise eligible under the act to participate. This is about 40 percent of the counties eligible.

Sixth. Areas in Appalachia can receive funds under the bill. The only limitation is that funds granted under S. 1648 cannot go to projects already approved under the Appalachia program. New projects may be funded out of S. 1648.

Mr. Speaker, despite the fact that both the Area Redevelopment Act and the Public Works Acceleration Act have been discredited because of their ineffectuality and poor administration, S. 1648 would reactivate and broaden both programs. It is my personal opinion that this should not be done at the present time.

It may be that my thinking is much too conservative from the standpoint of the desires of the Great Society, but from my college studies, including economics, my experience as an attorney for many corporations over the years and my association with various businesses, it is clearly indicated to me that we cannot continue to spend and spend on program after program and still hope to maintain a reasonably sound fiscal status so far as the United States is concerned.

We are presently faced with a war in South Vietnam, and in that regard I have approved of the administration's position. I have made two detailed speeches in that regard and firmly believe that if we do not defeat communism in this area, communism will spread through the entire southeast Asia area, eventually to other areas and eventually to the United States of America. Since this conflict in South Vietnam started, the Communists have probably made more strides in the United States than they made during many years prior thereto. In my opinion, it is a very serious situation.

We are being asked for additional money to carry on the defense in southeast Asia, and I will support the request. I supported appropriate salary increases for the military, I supported the defense appropriation, and I will support all measures which have to do with the preservation of the United States of America. But to start these new programs and expand existing ones, to spend several billion dollars on foreign aid, to increase the farm program which we will be requested to do next week, to

expand the so-called war on poverty program, and on and on, simply on a basis of spending money is, in my opinion, the wrong thing to do.

The fact is that when the 5 consecutive fiscal year deficits of the Kennedy-Johnson administrations are aggregated with those of the last 5 years of the Eisenhower administration, there is certainly no cause for exuberance. The sum of the deficits of the Eisenhower years was \$14 billion, and \$12.4 billion of this came from the so-called recession year of 1959. For the Kennedy-Johnson years the deficit is \$28.3 billion, more than twice as great as the Eisenhower deficit. This is an average of about \$5.6 billion a year. It is rather interesting to note that when the deficit for the last fiscal year was announced as being only \$3.5 billion, apparently this was supposed to be cause for us to shout with joy. In other words, the deficit was anticipated to be somewhat over \$5 billion. It reminds me of the situation where the chairman of the board of a large corporation would be beaming and glowing with self-satisfaction at the annual meeting of the stockholders when he stated, "I am pleased and proud to be able to inform you that we only lost \$1 billion last year when we thought we were going to lose twice that much. We hope to keep the loss at the same amount this year, but it might be more." Whereupon the meeting would break up and the stockholders would rush out to their brokers to buy more stock on the basis of being so happy they did not lose as much as they thought they were going to lose.

Information is reported that there was a furniture factory in Varney, W. Va., which the ARA decided was needed to provide employment in the area. They called it National Seating & Dimension, Inc., and put up somewhere between \$572,000 and \$679,960 for it. The Small Business Administration added another \$288,000 for working capital.

With an investment of around \$1 million the plant opened. In 25 months it closed. Operating losses were \$678,000. ARA was stuck with a highly touted failure. Apparently, whoever selected the site made a monumental mistake. It was miles from anywhere without even a railroad spur to carry the finished products to market. Retraining of coal miners was supervised by inexperienced, incompetent personnel.

The men assembled parts for sale while in training. They were shipped to customers. Most of the parts were shoddy, came unglued, or were otherwise unacceptable. Complaints poured in, and capital was lacking to make up money lost on the orders.

There was labor trouble the whole time the plant was open. There were no strikes but the workers slowed down and held protest meetings. The chairman of the company board summed up the local attitude, "The men were little more than apprentices and felt that the Federal Government would never let the plant close, no matter what happened."

We are now enjoying one of the most prosperous eras in our history. We should be reducing our national debt, but instead we continue spending more

than we take in year after year and produce one deficit after another and increase rather than reduce the debt.

Whether we want to admit it or not, we are engaged in an actual war in southeast Asia, and when we are at war it seems to me that the time has arrived for dispensing with spending for nonessential purposes and programs. I believe we should wait a time with patience to see how our expanded education programs will work out, how the Economic Opportunities Act will work out, the expanded housing bill, the Appalachia program, the expanded omnibus farm bill and others.

Mr. Speaker, I firmly believe that for the future welfare of our great Republic, this bill before us today should be defeated and that we should have a detailed study and reevaluation of our situation between now and next year in order that we can more intelligently approach matters such as are being presented to us today in S. 1648.

Mr. Speaker, I am opposed to the rule and I am opposed to the bill. I reserve the balance of my time.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. SMITH of California. I yield to the gentleman from Iowa.

Mr. GROSS. Did the gentleman state why points of order were waived on this bill?

Mr. SMITH of California. I attempted to state why they were waived. The majority of the members of the Rules Committee voted to waive points of order because, as I understand it, there is some type of revolving fund provision in the bill in the sum of \$220 million per year for 5 years and waiving points of order will permit that to continue without having to go through the appropriations process.

Mr. GROSS. And this is the Committee on Rules that was packed in order to give the House an opportunity to work its will on various bills. Is that correct?

Mr. SMITH of California. I yield to the gentleman for his statement if he wishes. I agree with him, though.

Mr. GROSS. I am sure the gentleman knows that our distinguished Parliamentarian is now in the process of bringing the rules and precedents of the House up to date. If this sort of thing is going to continue endlessly and forever, I would suggest that we take this work away from the Parliamentarian, turn the rule book over to the Committee on Rules, and let them write the ticket for conduct of the House in the future, because to deprive the Members of making points of order against bills is to deprive the House of ability to freely work its will, as the gentleman well knows.

Furthermore, I have heard a good deal this afternoon about the wonderful era of alleged prosperity in this country, the greatest prosperity the Nation has even known or words to that effect. If this is true, why do the same speakers allege there are some 25 million people living in poverty? If this is true, why have we been confronted with all of the pov-

erty legislation that has come before us, including this bill?

I would like somebody tell me how we can be enjoying the greatest era of prosperity in the history of this country and still be wallowing in poverty.

Mr. SMITH of California. I cannot explain it to the gentleman.

Mr. GROSS. I wish some of these people who do so much talking about it would get up here and give us some of the facts of life.

The SPEAKER. The time of the gentleman from California [Mr. SMITH] has again expired.

Mr. MADDEN. Mr. Speaker, I yield 2 minutes to the gentleman from Oklahoma [Mr. EDMONDSON].

Mr. EDMONDSON. Mr. Speaker, I thank the gentleman, because I think that the gentleman from California [Mr. SMITH], the able minority member of the Committee on Rules, has just—I am quite sure unintentionally—misstated rather substantially the facts concerning this revolving fund. He described it as a \$660 million a year fund. Yet, if the gentleman will turn to page 77 of the bill he will find that funds go into this revolving fund to carry out the purposes under section 201 and under section 403; and he will find that under section 201 there is authorization for not more than \$170 million to be appropriated annually. So that \$170 million has to be appropriated annually to go into the fund. And he will find under section 403 that there is authorization for not to exceed \$50 million a year to be appropriated annually into this fund.

So, in the first place, it does not come anywhere near being \$660 million a year going into the fund. In the second place, both of those two sections provide that the payments into the fund shall be pursuant to action of the Appropriations Committee and a vote of the House of Representatives and the Senate upon specific appropriations.

In all honesty there is a provision that collections and repayments received under this act can go into the fund once the fund is operative. So in that sense there will be some repayments over the 20- to 25-year period of these loans going into this revolving fund, without specific appropriation procedure, if this bill is in operation for that long a time, which is very doubtful.

Certainly there is no basis for the statement that there is a \$660 million a year revolving fund independent of any appropriations control by the House.

Mr. MADDEN. Mr. Speaker, I yield 10 minutes to the gentleman from Virginia [Mr. SMITH].

Mr. SMITH of Virginia. Mr. Speaker, this is a bill of great magnitude being considered, I believe, by probably one-fourth of the Members of the House present in the House. We have gotten into that habit recently. But I do not think in this discussion up to now we have had any appreciable consideration of what, I think, is the reason why this bill ought not to pass. And that is the previous history, the history of what has happened concerning the area redevelopment bill and the bill which was called

the acceleration of public works bill, both of which were adopted by the Congress, were tried, and failed. And when they came back to Congress for a further appropriation and an extension, Congress voted them down, in the last Congress, and discarded this program.

Now it comes back here disguised under a new administrative agency, coming out of the Public Works Committee instead of the Committee on Banking and Currency that previously handled it.

This bill, like the previous bill, is so vague and indefinite and so extensive in its grant of authority of administration that no one knows to what extent this thing can go.

Let us take, for instance, the area that is proposed to be covered. My good friend the gentleman from Indiana [Mr. MADDEN], in his opening statement, said that this covers the waterfront; everybody was to be advantaged, every area was to be advantaged by this bill. But, as a matter of fact, the committee in reporting the bill reported out a map—I have it in my pocket somewhere—of what areas would be benefited by this. The principal area, you will note, is the Appalachian region, covered like a blanket with a second layer of relief.

Mr. Speaker, the Members will remember that in March of this year—and there was a lot of controversy about it—we passed a bill for the relief of Appalachia area. It has not even gotten warm. We do not know whether it is needed or whether it is going to work. Here we come along with this bill in August, that covers Appalachia again for a lot of other things.

Mr. Speaker, I am just wondering when Congress is going to assume some of its own responsibilities for legislating and nail these things down so that when we pass a bill we know what is going to be permitted and what happens under it, and stop duplicating relief programs on top of relief programs.

But we pass bills with this vague authority to some bureaucrat to administer and spend the taxpayers' money in great globs of billions of dollars. After it is done we do not know what is happening down there.

I wonder, Mr. Speaker, if anybody knows here what vague authorities we have granted to the Public Housing Administration in this bill passed the other day, about a half inch thick? I just wish the Members would take the time, out of curiosity if nothing else, to read the first title of that bill which is rent subsidies for people who are supposed to be in financial distress, and tell me what is the limit on how much you can pay on the rent of a person who would like to become accustomed to a more elaborate apartment or dwelling place. Just look at that little formula—and it took me about a half an hour to figure it out, but I figure that in the areas where the cost of living is high a person is entitled to public housing whose income is up in some places, as it was testified before the Rules Committee on that bill, between \$10,000 and \$12,000 a year. And, if you will take and figure that out under the formula as to how much rent

one of these relief persons can get in the way of rent, he could rent an apartment and the Government would pay up to somewhere in the neighborhood of \$400 or \$500 a month. Look at it yourself. It is the first title in that bill. I think it might make you sit up and take notice about a lot of things.

I am not going to give you many illustrations—and I wish I had more time. In the Rules Committee when this bill was under consideration something was said about recreation in this bill, and that brought up another subject. I was informed that we had peculiar functions for the Farmers Home Administration. You know what the Farmers Home Administration is. Well, what we thought it was, was something to help the little farmer and small farmer who needed help, and God knows they do need plenty of it. They are not getting it out of these programs.

Well, it developed, or rather it was stated there, that this Farmers Home Administration was fostering the building on farms, to possibly take them out of production, golf courses and country clubs. Now, that astonished me so that I could not believe it and I wrote a letter to the Administrator. I wrote that letter on the 20th of July, and I waited for 2 weeks and did not get an answer. I just wanted to know whether he was authorized to do it and how much of it was being done with this money which supposedly was being spent on the farmers. I wrote a second letter and sent a copy of the first letter, and I still did not get any answer. We spoke about it in the Rules Committee yesterday, and one of my friends said, "I have a friend in that agency and I am sure if I call him on the phone he will give you an answer."

The answer is that they are not, strange to say, granting them; but under their authority they are guaranteeing loans to build golf courses all over the country, going much farther than I had thought, golf courses and country clubs in rural communities. I find by counting this up that most of your States are involved. If you need recreation on golf courses, you will find them in your State if you will look into this.

I added it up, from the list given in the letter, and we are now fostering the building of 160 golf courses and country clubs. By doing so, I am told, this will take that amount of farmland out of surplus production. That seems to be the justification. What a farmer that has to get up at sunrise and work until after sundown on his farm is going to do with a golf course, I do not know. Yet I am told it is for the use of the farming areas.

That is the kind of thing by this vague, indefinite, and perfectly wide open authorization, we are doing in all of these programs. I am not speaking of this program in particular, although it has spent a great deal of money and it provides a program that the Congress has tried and repudiated.

Here is one of the reasons it was repudiated—and I want to talk to you people who come from industrial areas that expect you to look after the industry of your community. This not only involves taking industry from one part of the

country that needs it to another part of the country that does need it, although we were assured that would not be done. We were assured in the consideration of the bill it will not happen, but I received a letter this morning, and I expect a good many of you got it, from the poultry industry. That is an industry that is suffering from overproduction. The scientific methods of producing chickens, turkeys and poultry are encouraging greater production.

The SPEAKER. The time of the gentleman from Virginia has expired.

Mr. MADDEN. Mr. Speaker, I yield the gentleman two additional minutes.

Mr. SMITH of Virginia. This is from a representative of the industry, the chicken-raising industry. They are complaining that while they are over-producing now, this ARA outfit is encouraging more production.

Mr. Speaker, I ask unanimous consent to insert this letter in the RECORD at the conclusion of my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. SMITH of Virginia. Mr. Speaker, they are complaining because this same outfit we are talking about now, that you are going to give many millions to, to keep on doing what they are doing, is about to finance a loan to put up a very elaborate broiler business in Pennsylvania, because that is in the Appalachia area, and it needs industry.

So they are going to produce more chickens with this money that we are going to give them, when we have more chickens than we can consume. One of the biggest industries in this country is the poultry-raising business, which is in a sad condition at this time. Now, why do you want to do this and raise a lot more chickens to increase that problem? These are the kinds of problems that are not taken care of in this bill, and these are the kinds of problems that will persist, and many such problems were mentioned in the hearings before the Committee on Rules.

I just think it is about time that we stop this kind of thing, and it is about time the Congress stopped delegating its duty to legislate to administrators in the executive departments, because after you pass one of these vague bills, and I could show you a dozen of them pending before the Committee on Rules now, you just do not know where they start and where they stop and what they can do and what they are prohibited from doing. And when they are in doubt about it, they construe the law as they think it ought to be written.

Mr. Speaker, the letter to which I referred previously is as follows:

NATIONAL BROILER COUNCIL,
Washington, D.C., August 9, 1965.

Re application before the Area Redevelopment Administration for an industrial loan to finance an integrated broiler-producing operation, filed by Greater New Castle Development Corp. and Lipman Bros., Inc.

Hon. HOWARD W. SMITH,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN SMITH: On behalf of the National Broiler Council as well as the Delmarva Poultry Industry, Inc., Mississippi

Poultry Improvement Association, West Virginia Poultry Association, Virginia Poultry Association, Delaware Poultry Improvement Association, Eastern Shore Grain and Feed Dealers Association (Delmarva Peninsula), North Carolina Poultry Processors Association, Alabama Poultry Industries Association, Eastern Shore Poultry Growers Exchange, Southeastern Poultry & Egg Federation, Arkansas Poultry Federation, Inc., and Georgia Poultry Federation, we urgently request you to inquire into and oppose this application for an ARA industrial loan to establish a fully integrated broiler-producing operation in New Castle, Pa. We believe this loan application must be denied for the following reasons:

1. The loan will not cause any net increase in employment. Although the proposed facility will employ perhaps 300 workers, that many more would become unemployed as a result of the loan in other broiler-growing areas whose living index is much worse than that in New Castle, Pa., due to the inability of the Nation to absorb this extra production.

2. The loan would be made in an area where substantial unemployment (6 percent) does not exist. The Department of Labor removed the New Castle area from the critical unemployment list more than 6 months ago. In April 1965, this area had only 2.4 percent unemployed. The Comptroller General has reported to Congress (April 1964) ARA's processing and granting of loans in areas which were no longer eligible for such loans under the provisions of the Area Redevelopment Act.

3. The loan would add 350,000 broilers per week to an industry USDA reports is heading toward an unprecedented oversupply problem.

United States Department of Agriculture's July 22, 1965, issue of Poultry and Egg Situation warns of a 10- to 15-percent overproduction and lower broiler prices in the next several months. Other projections indicate this overproduction condition will exist at least for the next few years.

4. No investigation or inquiry was ever conducted by the ARA into the effect of the loan on existent integrated operators and contract farmers in competitive broiler areas.

The area which would be served by the proposed facility is being adequately served with processed broilers by other broiler-growing areas. Contract farmers and integrated operators with substantial shorter-term commercial bank loans might easily be forced into bankruptcy if this loan is approved.

5. The money sought by the applicants is available to them from private sources at reasonable rates.

The applicants have made no effort, nor have they been so required by ARA, to secure private capital at rates paralleling those secured by other industry integrated operators and contract farmers, which rates are normal and reasonable for industrial facilities as contemplated. Further substantiation of Lipman Bros.' ability to finance this facility lies in the fact that they have indicated their determination to build the facility whether they obtain approval from ARA or not.

Members of the House Agriculture Committee are familiar with this matter and can add further detail to what has been set forth above. We shall, of course, be happy to provide you with complete substantiation of the statements herein.

We again urge you to take action to avoid this misapplication of Federal funds and this blatant and illegal use of the Area Redevelopment Act.

Very truly yours,

C. W. PARIS, President.

The SPEAKER. The Chair recognizes the gentleman from Indiana [Mr. MADDEN].

Mr. MADDEN. Mr. Speaker, how much time is remaining on this side?

The SPEAKER. The gentleman from Indiana has 1 minute remaining.

Mr. MADDEN. Mr. Speaker, in this 1 minute of time, I want to say, in my 23 years in the Congress, although we revere and honor our distinguished Rules Committee chairman, on programs of this type I have never observed the gentleman supporting or voting for programs of this legislative category and his remarks of opposition do not surprise me or other members. I notice that my good friend, the gentleman from California [Mr. SMITH], mentioned the national debt, and deplored what, in his opinion, was going to happen if we did not curtail expenditures in areas of unemployment and poverty. Well, 22 years ago when I came to the Congress, the national debt was \$210 billion and our gross national product was \$220 billion. Today our national debt is around \$325 billion and the gross national product is \$630 billion. So I do not think we need to worry about the country going to the dogs if we continue to legislate programs to increase the Nation's buying power, take people off the relief rolls so they can be taxpayers instead of tax dependents.

I remember during the Eisenhower administration programs similar to this legislation were defeated or greatly curtailed. We endured the pain of four depressions during the 8 years of that administration.

But in the first 5 years of the Kennedy and Johnson administrations the gross national product went up over \$150 billion. This prosperity brought millions into the Federal Treasury, and produced more money in the form of State and local taxes.

The SPEAKER. The time of the gentleman has expired.

Mr. SMITH of California. Mr. Speaker, I yield myself 1 minute.

Mr. Speaker, I find on checking my notes the amount of \$660 million which I mentioned is the total annual cost of the bill per year and it is not all in the revolving fund. I think that figure would be around \$220 million per year. I appreciate the gentleman from Oklahoma [Mr. EDMONDSON] calling this to my attention and I want to correct the RECORD in that regard.

Mr. Speaker, at this time I yield 2 minutes to the gentleman from Florida [Mr. CRAMER].

Mr. CRAMER. Mr. Speaker, the reason I have asked for this time is to make sure that the record is clear relating to the matter of this revolving fund which was discussed by the gentleman from Oklahoma [Mr. EDMONDSON].

The language clearly states that this revolving fund, established under section 203, which fund is known as the economic development revolving fund, shall last in perpetuity. It is not limited to 5 years.

Second, the fund is not subject to Appropriations Committee review of any kind.

There is payable into the fund, on an annual basis for 5 years, a total of approximately \$220 million per year.

In addition to that \$220 million per annum, there is payable into this revolving fund, in perpetuity, interest which is paid on these loans when the loans are repaid, which goes into this fund.

In addition to that, as appears on lines 21 through 24 on page 77 of the bill, there is to be paid, and I quote:

There shall also be credited to the fund such funds as have been paid into the Area Redevelopment Fund or may be received from obligations outstanding under the Area Redevelopment Act—

Meaning the Area Redevelopment Act in existence—which means, according to the majority report—and I am reading on page 3 of that report—\$302,740,000 in addition to that—

a substantial portion of which is repayable with interest.

So the fact of the matter is that it is possible that at least \$1.1 billion under the authorization in this bill and \$302 million under the authorization in the previous bill, a total of \$1.4 billion, will go into this fund without Congress having even a right to look at it, and that will be in perpetuity without review of the Appropriations Committee or the appropriations process. This is contrary to any precedent of which I know at the present time in such agencies as the FHA, where there is a revolving fund under proper review.

Mr. SMITH of California. Mr. Speaker, I yield to the gentleman from Texas [Mr. PATMAN].

Mr. PATMAN. Mr. Speaker, I support the bill.

Mr. Speaker, today more than half of the Nation's poverty is in the rural areas of the Nation. Many rural communities have undertaken programs to revitalize their economy. The economic development measures which this Congress has passed over the last 4½ years have done much to aid these efforts and to instill new hope in rural areas.

The projects carried out under the Area Redevelopment Administration have been a major factor in many of these communities. In the First Congressional District of Texas, which I represent, the ARA programs have been of great benefit.

S. 1648, the Public Works and Economic Development Act will be another important tool in these development efforts. Chairman GEORGE H. FALLON of the Public Works Committee was very kind in soliciting comments from the Banking and Currency Committee on various phases of this bill.

The Public Works Committee is to be congratulated on this legislation. This is no new untried measure the House considers today. It is a combination, an extension, and an improvement of two of the country's most successful undertakings in regional economic development—the Area Redevelopment Administration Act of 1961 and the Public Works Acceleration Act of 1964.

While I rise in support of this bill, I would like to discuss some of the questions raised by members of the Banking and Currency Committee when we reviewed the bill on Mr. FALLON's invitation.

The Banking and Currency Committee was most interested in the area and district eligibility province of the bill contained in title IV. Of especial interest is the new criteria for determining area eligibility. Some members of the committee felt that the new proposed criteria would eliminate many areas now qualified to participate under the existing Area Redevelopment Act area eligibility definition. This view is substantiated by the fact that during the discussion it was brought out that some 900 rural areas which now qualify under the Area Redevelopment Act program, less than 30 percent of these would be eligible to participate under the new definition as proposed. This is a matter which deserves the most intense consideration.

It would be most unfortunate if rural areas—where the need is so great—did not share in an equitable manner. We should make it clear that it is the intent of this legislation to include fully the rural areas and communities.

The Banking and Currency Committee also noted that sections 16 and 17 of the Area Redevelopment Administration Act which relate to training have been deleted from the bill and in effect replaced by section 241 of the Manpower Development and Training Act as amended which recently was passed by the Congress. In other words there is no mention in the public works and economic development bill of training or coordination of training.

It is obvious that many of the programs now successfully in operation as a result of the Area Redevelopment Act program could not have been so concluded without adequate training provisions.

We should make it clear that it is our intent to have meaningful coordination of training in the Administrator's office.

The Banking and Currency Committee also was concerned over the rather extreme delay in time which transpires from the day upon which a project application is received and then finally acted upon. I hope some means can be found to eliminate this delay which has existed under the Area Redevelopment Act program.

In general the committee approved of the liberalized financial assistance program under title II. Perhaps most important to the communities is the provision permitting the local people to be repaid as fast as the Federal Government. In the original law, local industrial development corporations could not be repaid for their 10 percent of each loan until the Federal Government was entirely repaid. This could mean 25 years before they could get their first nickel back. This has meant tying up the communities' funds, not permitting them to revolve and be used again for additional growth and diversification.

The new act permits communities to be repaid as fast as the Federal Government—a great improvement. Their security will still be junior to the Government's, but they will begin to get their money back for reuse many years earlier.

Next, the community will only be required to put 5 percent on each loan and

the entrepreneur, 10 percent. Now the entrepreneur puts up 5 percent and the community, 10 percent. For many small towns with large projects, this 10-percent money has been a big stumbling block. Many have surmounted it successfully, but many others have been barred from participation altogether. Reduction should permit many of these to benefit, and at no increase in Federal participation.

The past 4 years' experience has also shown the need for working capital, particularly for new enterprises. The new act will provide 90-percent working capital guarantees on Education Development Act projects where the provision of such working capital is essential to the project's success.

I think it is clear that the original Area Redevelopment Act provided a badly needed tool for communities faced with economic crisis to diversify and broaden their economic base.

It is clear to me and to most of the Banking and Currency Committee that needed improvements have been made in the business loan program under the proposed Public Works and Economic Development Act.

The longrun success of our efforts to improve depressed areas will depend very largely on these loan provisions. Everyone recognizes that adequate financing is essential to any business undertaking. You may have trained workers, willing entrepreneurs, and a market for your product, but first it is necessary to finance the investment in plant and equipment before these factors can make a contribution to our economy.

In the past, financing has been one of the serious needs of depressed areas. Local banks and other sources of money could not meet the need because of years of undernourishment when the areas suffered from high unemployment. Outside savings were reluctant to come into a depressed area until we had a program of positive action that gave them sound reasons to expect an improvement in the local economy. We were often told that we did not need this loan assistance because the money was available—at a price. Unfortunately, that price was often so high that it meant the difference between success and failure for the local industry. Moreover, the terms were so restricted and maturities so limited that a businessman who attempted to finance a new company or expand an existing one was crushed under the burden. The long-term financing made possible under the Area Redevelopment Administration Act has made the difference between success and failure—in fact, the difference going into business or turning to something else—for many small businessmen.

Further, members of the Banking and Currency Committee felt that broadening the criteria of the act to make loans for needed public works, public service, and other direct or indirect facilities will increase the employment opportunities in a given area by making it more economically and socially attractive for business and industry to remain, expand,

or create new plants in needed depressed areas.

Again, Mr. Speaker, I congratulate the Public Works Committee for the fine job they have done on this bill which I am sure will mean much to the future prosperity of the country.

I would like to conclude my remarks by inserting a copy of a letter transmitting the views of members of the House Banking and Currency Committee on this legislation:

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C., May 14, 1965.

HON. GEORGE H. FALLON,
Chairman, Public Works Committee,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: On April 6 you sent me a letter as chairman of the Banking and Currency Committee making reference to the Public Works and Economic Development Act, H.R. 6991, which was referred to your committee. In this letter you kindly solicited comments from the Banking and Currency Committee on those phases of the bill of which our committee had knowledge. Of course, the members of the Banking and Currency Committee are interested in the entire bill, but as you indicated, due to past committee interests the members, as a result of study and hearings over the past years, were most qualified to comment on titles II and IV of the bill before your committee.

It was decided to hold informal hearings on titles II and IV before the full Banking and Currency Committee in executive session. A hearing was held on May 11, 1965, at which time representatives of the Area Redevelopment Act were heard. At the close of these hearings the committee decided to communicate their observations to you. These observations follow, including other comments and observations made by individual members of the committee.

1. In general the committee approved of the liberalized financial assistance program under title II. It was felt that redevelopment areas could be assisted more quickly by this liberalized financial assistance program than other previous similar legislation.

Further, the committee felt that broadening the criteria of the act to make loans for needed public works, public service and other direct or indirect facilities will increase the employment opportunities in a given area by making it more economically and socially attractive for business and industry to remain, expand or create new plants in needed depressed areas.

The committee approves of the reduction from 10 to 5 percent in the local share contribution under section 202 of the bill, and the guarantee of working capital.

Finally, some question was raised concerning the 2-percent point subsidy feature of the bill on that part of the project financed from private sources. Questions were raised concerning the need for this subsidy, the ultimate beneficiaries, and basically, whether this incentive was needed or not. It is suggested that your committee explore this matter in detail to determine answers to these questions.

2. The committee was most interested in the area and district eligibility province of the bill contained in title IV. Of especial interest is the new criteria for determining area eligibility. Some members of the committee felt that the new proposed criteria would eliminate many areas now qualified to participate under the existing ARA area eligibility definition. This view is substantiated by the fact that during the discussion it was brought out that of some 900 rural areas which now qualify under the Area Re-

development Act program, less than 30 percent of these would be eligible to participate under the new definition as proposed.

This is a matter which deserves intense inquiry since, as you know, the true extent of poverty in rural areas cannot necessarily be determined in terms of a percentage of national median income. This formula has discriminatory features in it which can and will adversely affect many rural areas of the country.

Your committee may well wish to consider the possible retention of the existing formula under the Area Redevelopment Administration Act as contained in sections 5(a) and 5(b), or an amended version of the proposed formula which deals more equitably with the depressed rural areas of the country.

The committee also was concerned over the rather extreme delay in time which transpires from the day upon which an application is received and then finally acted upon. This is due, as you know, to the fact that the Small Business Administration is involved in determining whether or not a given project has enough economic feasibility in it to repay the loan made. As a result of two agencies—the ARA and the SBA—being involved in this feasibility determination many projects for which support had initially been given have gone by the board without coming to a fruitful conclusion due to this delay. In other words, by the time all the redtape had been cut, the sponsors had taken up other interests and were no longer interested in the project. Your committee may well wish to consider a solution to this bottleneck by providing that the new institution to be created in the Department of Commerce to handle redevelopment projects and provide for its own complete and self-contained economic analysis section. In this way there will no longer be two agencies involved in ruling on such projects and as a result it would be hoped that the process of feasibility determination can be expedited more rapidly than under the current procedure.

4. Finally, your committee should note that sections 16 and 17 of the Area Redevelopment Administration Act which relates to training has been deleted from your bill and in effect replaced by section 241 of the Manpower Development and Training Act as amended which recently was passed by the Congress. In other words there is no mention in your public works and economic development bill of training or coordination of training.

It is obvious that many of the programs now successfully in operation as a result of the Area Redevelopment Act program could not have been so concluded without adequate training provisions.

It has been suggested that a specific section be included in your bill to clarify the role of coordination by the Secretary of Commerce in conjunction with the Secretary of Labor and the Secretary of Health, Education, and Welfare. There has been considerable discussion about which department's responsibility it should be to supply coordination staff in the redevelopment office to coordinate and make effective job training and retraining as a part of the overall program. Some of the members of the Banking and Currency Committee therefore suggest that the bill under consideration in your committee stipulate that the Secretary of Commerce shall supply the necessary coordination staff within the redevelopment agency to provide such coordination as will be necessary to make job training more effective in redevelopment areas.

The above comments are some of the feelings and observations of the members of the committee. As indicated above, attached to this letter are additional comments submitted by members that cared to do so.

Finally, it should be noted that neither this letter nor any of those attached will restrict the right of any member of the Banking and Currency Committee to vote for or against the bill or propose and support any amendments thereto.

Again I would like to take the opportunity to express the committee's appreciation to you for the courtesy granted the Banking and Currency Committee in allowing us to view pertinent sections of the Public Works and Economic Development Act which is now pending before your committee. I trust that these views will be given serious consideration by the members of your committee.

With best personal regards, I am,
Sincerely,

WRIGHT PATMAN,
Chairman.

(Mr. PATMAN asked and was given permission to revise and extend his remarks and to include extraneous matter.)

Mr. SMITH of California. Mr. Speaker, I yield 2 minutes to the gentleman from California [Mr. SISK].

Mr. SISK. Mr. Speaker, I take this time to indicate that I expect to offer an amendment to title I of this legislation at the appropriate time.

Mr. Speaker, I ask unanimous consent to revise and extend my remarks and to include with those remarks certain extraneous matter, which will be a list of counties which would be included under title I in addition to those presently covered, if the amendment is agreed to.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. SISK. This list broken down by States will be in the RECORD tomorrow. I express my appreciation to the gentleman from California [Mr. SMITH] for yielding me this time.

The matter is as follows:

COUNTIES HAVING 1964 ANNUAL AVERAGE UNEMPLOYMENT OF 6 PERCENT OR MORE AS OF AUGUST 9, 1965

(NOTE.—Complete information is not available for all counties at this time. Further investigations may show that additional areas will qualify. INA indicates that the area will probably qualify, but the final rate for 1964 is not available. Esmeralda County, Nev., has a 1960 population of 619 and therefore is too small to qualify under the Economic Development Act criteria.)

STATE AND COUNTY

Alabama: Cleburne.
Arkansas: Greene, Carroll.
California: Glenn, Yolo, Lake, Humboldt, Sonoma, Mariposa, Shasta, Merced, Fresno, Kern, Santa Clara (San Jose), San Diego, L.A. (except city of San Diego), San Bernardino-Riverside-Ontario, Tulare.
Colorado: Pueblo.
Connecticut: Waterbury, Norwich, Torrington.
Florida: Polk.
Georgia: Turner, Decatur, Mitchell, Rockdale, Douglas.
Indiana: South Bend, Marshall, St. Joseph.
Kentucky: Marion, Spencer, Jessamine.
Louisiana: Bienville, Cameron, Calcasieu, Grant, Rapides, Avoyelles.
Massachusetts: Brockton, Fitchburg-Leominster, Lawrence-Haverhill, Milford, Nantucket, Southbridge-Webster, Springfield-Chicopee-Holyoke, Ware, Pittsfield.
Michigan: Newago, Mason.
Minnesota: Polk, Becker, Kittson, Wadena.

Missouri: Camden, Marion, Ralls, Pemiscot, Stoddard, Ray.

Nevada: Esmeralda.

New Jersey: Hudson (Jersey City), Paterson-Clifton-Passaic, Bergen (part).

New York: Delaware, Jefferson, Utica-Rome, Herkimer County, Oneida County.

North Carolina: Dare, Wilson.

Ohio: Warren, Muskingum.

Oklahoma: Caddo, Kiowa, Jefferson, Pottawatomie.

Oregon: Lake.

Tennessee: Dyer.

Texas: Atascosa, Cameron, LaSalle, Zavala, Hidalgo, Willacy, Beaumont-Port Arthur, Jefferson, Orange, Duval.

Utah: Utah.

Vermont: Bennington, Rutland, Critten-den, Addison (part).

Virginia: Bristol.

Washington: Whatcom, Klickitat, Grant, Seattle, Kings, Tacoma, Pierce.

West Virginia: Jefferson, Berkeley.

Wyoming: Uinta.

Mr. MADDEN. Mr. Speaker, I move the previous question on the resolution. The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

Mr. BLATNIK. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (S. 1648) to provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

The SPEAKER. The question is on the motion offered by the gentleman from Minnesota.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill S. 1648, with Mr. LANDRUM in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Minnesota [Mr. BLATNIK] will be recognized for 2½ hours and the gentleman from Florida [Mr. CRAMER] will be recognized for 2½ hours.

The Chair recognizes the gentleman from Minnesota [Mr. BLATNIK].

Mr. BLATNIK. Mr. Chairman, I yield such time as he may consume to our distinguished chairman of the House Committee on Public Works, the gentleman from Maryland [Mr. FALLON].

Mr. FALLON. Mr. Chairman, S. 1648 is the proposed Public Works and Economic Development Act of 1965. The original legislation was sent to the Congress by the President on March 31, 1965. At that time, the President said:

The millions of people living in those areas and regions of our Nation which have not shared fully in our general prosperity are in urgent need of help.

Transmittal of this legislation to the Congress followed closely the President's message on area and regional economic development of March 25, 1965. In this message the President said:

The promise of America is opportunity for our people. It must, therefore, be a matter of concern to all Americans when any of our fellow citizens is denied the chance to build a full life for himself and his family.

It would be well to underscore this point. It is a matter of concern to all our fellow citizens, whether they live in distressed areas or not. And the conditions of economic life in our distressed areas ought to be a matter of concern to all legislators, whether they represent districts with depressed economic conditions or not.

Following the Presidential message, I had the honor of introducing the proposed bill in this body as H.R. 6991. A number of other colleagues introduced similar bills. In the Senate, a bill was introduced by the distinguished Senator from Michigan, Senator McNAMARA; the distinguished Senator from Illinois, Senator DOUGLAS; and 37 other Senators, including the distinguished ranking minority member of the Senate Committee on Public Works, from Kentucky, Senator COOPER.

Extensive hearings were held on the legislation by the Senate Committee on Banking and Currency and the Senate Committee on Public Works. It was reported unanimously by the Senate Committee on Public Works and passed the Senate by an overwhelming bipartisan vote of 71 to 12 on June 1.

In the House, extensive hearings were held by the Committee on Public Works. In addition, the Committee on Banking and Currency held an informal hearing on the bill, and the chairman of that committee reported that the committee generally approved the financial assistance programs contained in the bill.

The bill was considered with great care by the Committee on Public Works. Every section was considered at length. No less than 53 proposed amendments were debated, over a number of days. Those members of the committee who opposed the bill were given every opportunity to make their objections known at length. There was full and free debate.

Moreover, the committee took particular care to consider with special attention the reports of the General Accounting Office on the Area Redevelopment Administration and the Public Works Acceleration Act, the testimony of the General Accounting Office during our hearings, and amendments to the legislation recommended by the Comptroller General. Full attention was given to all these matters, and every major point is dealt with in the report of our committee.

After lengthy debate and discussion by the full Committee on Public Works and after the adoption of a number of perfecting amendments, the bill was ordered reported. Only six members opposed the bill.

Mr. Chairman, I ask that this House move speedily toward the adoption of this bill. It meets a great human need,

perhaps the greatest human need of them all—the need to be able to earn a living for oneself and one's family. It has been drafted with great care and considered at length. It has broad bipartisan support. It has the support of many Members of this body, and I urge favorable action on the legislation.

The purpose of S. 1648 is to provide a comprehensive program of Federal assistance to areas and regions of economic distress so that the local governments and leaders of those areas can take effective action to see to it that there are more jobs and higher incomes for the people who live there. Let us examine more fully what is contained in that statement of purpose.

First of all, the program is comprehensive. It is not just a program of public works, or a program of business assistance, or a program of technical assistance, or a program of regional development. It is all these, welded together into a single, significant, coordinated, and comprehensive program.

The proposed Public Works and Economic Development Act combines the best features of the Area Redevelopment Act, the Public Works Acceleration Act, and the Appalachian Regional Development Act. But it is more than just a simple addition of these separate acts. By combining them and putting them to work in harness, we will get more out of each than we could ever hope to get separately.

Moreover, the program is not only comprehensive in terms of the variety of features encompassed by its provisions, but it is also comprehensive by way of the levels at which it works. It provides assistance for local communities, for economic development centers, for counties, for labor areas, for multicounty combinations called development districts, and for multistate regions. This means that the program provides assistance at whatever level of economic development that assistance can be most effective.

A second aspect of the purpose of this legislation merits emphasis. It is a program of Federal assistance to areas and regions of economic distress. It is Federal assistance. It is not a Federal takeover. It is not a substitute for what private enterprise can do, is doing, and will do. It is assistance to help the local areas do better than they are now doing and to add to what private enterprise is doing. It does not supplant local initiative; it supports it. It does not replace private enterprise; it reinforces it.

A third aspect of the program is that it is expected to result in more jobs and higher incomes for the people who live in areas where jobs are scarce and incomes are low. All of us should want to share in this goal whether or not we live in distressed areas or whether or not we will benefit materially from its attainment. But we all will benefit materially from its attainment because it will mean more customers for our businesses and more taxes for our Treasury.

As the President has said, let us make taxpayers out of tax consumers, and that is precisely what this program will do.

The bill contains five major programs, each contained in a separate title.

Title I of the bill provides for grants of up to 80 percent for public works in eligible areas which are necessary for economic development or for the objectives of the antipoverty program. In addition, title I gives the Secretary authority to make supplementary grants to reduce the local share for other Federal grant-in-aid programs which require local contributions to as low as 20 percent, where communities because of exceptionally high unemployment or very low income cannot be expected to have the capacity to meet the requirements for local matching funds. Authorizations for annual appropriations of \$400 million are provided for this title.

Title II of the bill provide financial assistance for loans for public facilities, for loans for commercial or industrial facilities, and for guarantees of working capital loans made in connection with businesses being established or expanded under the provisions of this title. Annual authorizations of \$170 million are provided for the purposes of this title. Such appropriation would be deposited in a revolving fund together with collections and repayments to be used for loans and guarantees authorized under title II. Loans for public facilities could be made for as long as 40 years. A formula for determining interest rate would provide for a rate which is one-half percent less than the average current market yield for Treasury securities of comparable maturity. At current yields, this would mean a rate of 3½ percent.

Loans for commercial or industrial facilities could be made for as long as 25 years and for up to 65 percent of the total cost of the project. There interest rate would be determined by the current market yield for Treasury securities of comparable value. At current yields, this would mean a rate of 4½ percent, which is one-eighth of 1 percent higher than the present rate under the Area Redevelopment Act program. The present requirement in the area redevelopment act law that at least 10 percent be provided by a State or local community on an equity or standby basis has been modified to 5 percent with repayment possible at the same rate as repayment of the Federal loan.

Title III of the bill provides the means by which communities and businessmen can find the answers to economic problems which are obstacles to economic growth. In addition to such technical assistance, the Secretary of Commerce would also be authorized by the provisions of this title to pay up to 75 percent of the cost of providing full-time staff for State, district, and selected local economic development organizations; to undertake research on the problems of long-term unemployment or underemployment; to give communities information and advice on how to reduce unemployment and attain economic growth; and to establish an independent study board to investigate the effects of Government procurement on regional economic development. Provision is made for authorization of annual appropriations of \$25 million for this title.

Title IV provides for the designation of eligible areas on the basis of unemployment, low income, or heavy loss of

population. All areas eligible under the Area Redevelopment Act as of March 1, 1965, would continue to be eligible until the first annual review of designation which is expected to take place about June 30, 1966. At that time, a considerable number of areas are expected to lose their eligibility. In general, the standards for designation on the basis of unemployment are the same as those under the Area Redevelopment Act. All counties where the median family income, on the basis of the latest figure, is less than 40 percent of the national average would be eligible. This means that counties with a median family income of \$2,264 or less would qualify. Indian areas would be eligible for designation on a basis similar to that of other areas. Areas which suffer sudden sharp rises in unemployment because of a loss or curtailment of a plant or defense installation could be designated if their unemployment rate is expected to reach 50 percent above the national average. The Secretary will establish standards for the designation of areas on the basis of loss of population.

Title IV also provides for the organization of multicounty development units, called development districts.

These would include both distressed areas and non-distressed areas and would have within their boundaries designated economic development centers, defined by the President as "the places where resources can be most swiftly and effectively used to create more jobs and higher income for the people of the surrounding area." Projects could be approved in development centers, even though they did not qualify on the grounds of low income or high unemployment. Moreover, distressed areas cooperating in such programs would receive a 10 percent bonus for their development facility grants. Funds would be provided to help development districts plan their programs; and, in order to make sure that such planning was carried out carefully, grants and other projects could not be approved until a year after the act is passed. Annual authorizations of up to \$50 million are provided for this purpose.

Title V provides for Federal participation in the organization of regional development commissions similar to the Appalachian Regional Development Commission. Upon passage of the act, the Secretary would be authorized to designate economic development regions upon a finding that the areas contained within the region are related to each other and that the region has lagged behind the Nation as a whole in economic development.

After he designates the region, the Secretary would be authorized to work with the Governors to establish a regional development commission, and the President would name a Federal cochairman. The regional development commission would work to draw up a plan for economic action in the region and would recommend appropriate action in the region and would recommend appropriate action to State and Federal bodies. The Secretary would be authorized to provide technical assistance to the regions, and for 2 years after their establishment, he could pay 100 percent of

the cost of administering the regional programs. Annual authorizations of \$15 million are provided.

The bill also provides authority for a new Assistant Secretary of Commerce and a new Administrator for Economic Development. A National Public Advisory Committee on Regional Economic Development is also established.

In total, the bill provides for annual authorizations of \$400 million for public facility grants, \$170 million for loans and guarantees, \$25 million for technical assistance, \$50 million for economic development districts, and \$15 million for regional development commissions, or a total of \$660 million. The authorizations are limited to 5 years or through fiscal year 1970.

A number of safeguards are provided in the legislation. No assistance whatsoever could be given to help businesses relocating from one area to another or where the effect of the assistance in one area would cause a loss of jobs in another. No assistance can be given to facilities which would compete with private utilities. Except for projects authorized by Congress, no assistance could be given for projects for the generation, transmission or distribution of electric energy or the generation and transmission of gas. State and local concurrence is provided at a number of points to make sure that projects are in accord with locally devised and approved programs for overall economic development. No financial assistance of any kind can be given under this act if other means are available to accomplish the same ends.

Mr. Chairman, the lives of a great many people can be influenced for the good by what we do here today. We can replace hopelessness with hope for hundreds of thousands of families. We can replace loss of pride with self-respect for hundreds of thousands of family heads who will once again be given the chance to earn a living for themselves and their loved ones. We can help thousands of children continue their education where otherwise it might be interrupted. We can keep thousands of families together where otherwise they might be separated. We can help thousands of families earn descent, self-respecting livings in their own native towns where they can grow in accomplishment among familiar surroundings where otherwise they will be uprooted.

These are the basic issues. The issue before us today is not whether we should keep Area Redevelopment Act or drop it; not whether we should continue Accelerated Public Works or let it lapse; not whether we should provide little Appalachias for other needy regions. No.

What we have to decide today is bigger than all this. Rather we must make up our minds that we are going to set this country on a course of economic growth—not only for some, but for all. We must make up our minds that this Nation, if it stands for anything, it stands for opportunity for all—no matter what basic disadvantages we start with. This bill provides economic opportunity for those who start with the disadvantage of living in an area of economic distress.

I am confident, Mr. Chairman, that the Members of this body will recognize this big issue and that they will, today, cast their votes for economic growth—for all.

(Mr. FALLON asked and was given permission to revise and extend his remarks.)

Mr. CRAMER. Mr. Chairman, I yield myself such time as I may consume.

Mr. BERRY. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] Eighty-three Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 232]

Bonner	Flood	Roncallo
Brademas	Hawkins	Roybal
Brown, Ohio	Hosmer	Ryan
Cahill	Irwin	St Germain
Cameron	Keogh	Stafford
Carter	King, N.Y.	Sullivan
Collier	Lindsay	Thomas
Colmer	Mailliard	Toll
Culver	Mathias	Tunney
Cunningham	Mills	Tupper
Daddario	Morrison	Willis
Dickinson	Pelly	Wilson,
Diggs	Pool	Charles H.
Ellsworth	Powell	
Evins, Tenn.	Rivers, S.C.	

Accordingly, the Committee rose; and the Speaker pro tempore [Mr. HARRIS] having assumed the chair, Mr. LANDRUM, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill S. 1648, and finding itself without a quorum, he had directed the roll to be called, when 389 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. The gentleman from Florida [Mr. CRAMER] is recognized.

Mr. CRAMER. Mr. Chairman and Members of the Committee, my objective will be first to discuss briefly how the bill got here, how it got before the Committee on Public Works, a little bit about what is in it, and a lot about what is wrong with it, because there is a lot wrong with it.

As the minority, we should carry out our responsibility as a minority party. I am one who believes even though we are outvoted 2 to 1 on the floor of the House that we should carry out our responsibility. I think it is obvious in this legislation that there are many shortcomings, and in carrying out our responsibility we have a duty to try to do something about these shortcomings. We will do so with the means before us, that is, through the amendment process, tomorrow.

Secondly, of course, if a substantial number of amendments are not adopted, then, of course, we will take such action as is available; namely, a motion to recommit.

I would like to say that this legislation, if enacted, will result in the expenditure of \$3.3 billion, which is unprecedented in amount, in a program getting into all kinds of omnibus bill approaches. The objective is to combine

bad with good and make us swallow it all. That is exactly what has been done in this bill. The area redevelopment bill was voted down in 1963 by this House by a 5-vote majority, but it is now before us again. What is more, it is before us in even worse condition than the present existing legislation or, rather, the legislation which expired because of the lack of additional money. So, area redevelopment is here. Pirating of industry will return. The pirating of industry from one area that is prosperous or just above the area redevelopment definition, that is. Industry from those areas will be pirated away to areas that do come within the definition. That, together with the accelerated public works under title I of this bill to the tune of \$400 million a year for 5 years amounts to \$2 billion, as compared to the previously authorized \$900 million total program, which former program was proven to be a failure and which cost an average of \$14,000 of the taxpayers' money per man-year; that is, per man employed per year.

Now, that is not the way to fight unemployment. It is a temporary solution at best. I am talking about public works construction. That is back with us under title I. Area redevelopment is back with us under title II. And, lo and behold, in order to make sure that they got the kitchen sink in, we have titles here relating to "little Appalachias"—multi-state regional commissions—which are to be authorized by the passage of this legislation, all over America. They already have programs cranked up and ready to go. We discuss them in our minority views on page 27 of the report on the bill. Here they are. It will not require any more congressional authorization, no more congressional action, to put into effect broader programs of an Appalachian nature on an interstate basis and on a regional basis in all of these areas where you have substantial unemployment to some extent. You can see them here in this proposed area redevelopment regional map. Here they are: New England, the Great Lakes Basin, the Great Plains States, the Ozarks region, and the intermountain region relating to Colorado, New Mexico, Arizona, and Utah.

They are already cranked up and ready to go, new Appalachia programs having all the abhorrent aspects of the existing Appalachia programs meaning, as specifically written into this legislation, veto power by the Federal representative, extremely broad, general powers relating to what the jurisdictions of those regions are. They can be formed simply by the Secretary and the States getting together and deciding this is the region.

In other words, every conceivable area has to be put in and we do not get another look at it here in the Congress in the sense of authorizing the existence of such regions as we did in Appalachia. This is a blanket authorization. You enact this bill, and these regions can be set up anywhere in America.

One hundred percent of the administrative cost of multi-State regional commissions will be paid by the Federal Government for 2 years and 50 percent of the administrative cost thereafter;

and even so, there does not have to be a single redevelopment area included in such regions under the criteria written into the legislation. Now, that just does not make sense.

So here we have a \$3.3 billion program. This is a program that is supposed to be for 5 years, but will be permanent in nature. Take, for instance, the revolving fund under section 203. The revolving fund is in perpetuity. It was discussed under the rule briefly. It provides for approximately \$220 million a year for 5 years, to go into the revolving fund, to be used for loans to industries principally, to pirate away industries from presently prosperous areas and send them to so-called depressed areas under a rather broad definition of depressed areas and not really related to unemployment in many instances.

So you have got a permanent program relating to these regions. It is not limited to 5 years. Once a region is set up it goes on indefinitely. And you have a revolving fund to the tune of \$1,100 million over a 5-year period. And in addition to that there will be money paid into this revolving fund as these loans are paid back. That, too, becomes a part of the revolving fund. And a substantial part of the \$302 million expended by the existing ARA was in loans, repayments of which will come into the revolving fund.

Those who serve on the Appropriations Committee will not even get a look at it under the wording of this legislation; no review by the Appropriations Committee, which, so far as I know, is unprecedented in revolving fund legislation.

FHA, for instance, has a revolving fund, but you have a review annually by the Appropriations Committee. But, no, you are not going to have it under this loan program, and the revolving fund setup to the tune of \$1,100 million plus up to \$302 million, or \$1.4 billion going into this revolving fund within a 5-year period. So this is bad legislation.

How did this legislation get here? The President sent up earlier this session a separate message relating to area redevelopment. If a bill had been introduced and sent to the proper legislative committee, it would have gone to the Committee on Banking and Currency. This request was sent up. Incidentally, it was a request that President Kennedy saw fit not to send up in the last session of Congress. He did not send up a request for a new authorization for accelerated public works. He specifically said he was not going to send it up, obviously because it was not doing the job for the cost involved.

President Johnson sent it up separately; he sent up area redevelopment separately and, lo and behold, when they realized that area redevelopment was killed in the last session as a result largely of opposition out of the Banking and Currency Committee, the President changed his mind and sent up a new message. And, thus was born the Economic Development Act, the potpourri if you please, the ARA, accelerated public works and "little Appalachias" all in one package.

So, Mr. Chairman, we have the Economic Opportunity Act; if this passes, the Economic Development Act; the Office of Economic Opportunity, OEO; and we will now have the OED. We are getting all kinds of new programs. The irony of it is that we are told that this is one of the most prosperous eras in the history of our country, and there are more people with higher incomes, greater gross national product, and that we are having less unemployment, below 4 percent, and lo and behold, we are having more and more of these depressed areas to be considered. It just does not make sense.

Mr. Chairman, I put in the RECORD at the last session, when we had another matter up before the House at that time, a list of programs for which we are already appropriating funds to fight poverty in one form or another, to the tune of \$31 billion. That was before we increased the Economic Opportunity Act by doubling it to \$1.8 billion, before we provided additional funds for education to the tune of over \$1 billion a year, and other programs that have been acted upon such as Appalachia to the tune of \$1.1 billion this year.

So, Mr. Chairman, we are spending directly in the field of economic development; that is, in the field of depressed areas and unemployment in excess of \$17 billion directly and we are spending in excess of \$35 billion, taking into consideration all of the programs that have an effect upon employment.

Mr. Chairman, where is it going to end? Are we a prosperous Nation or are we a poverty-stricken Nation?

Mr. Chairman, this bill pending before us today would indicate that we are a poverty-stricken Nation.

Mr. Chairman, I would think the people of this country would be confused as to what we really are when we are considering a bill which carries the authorization for the appropriation of \$3.3 billion.

Mr. Chairman, we are considering a bill relating to Area Redevelopment Act in principle that carries out what Mr. Johnson, the President, said was his philosophy when he spoke to a group of the senior citizens at the White House a year ago and said—and I quote:

We are going to take all the money that we think is unnecessarily being spent and take it from the haves and give it to the have-nots that need it so much.

I inserted this in the CONGRESSIONAL RECORD for February 6, 1964, page 2227. That is his philosophy. Well, he is surely doing it under this legislation, and believe you me, the Members of this body that represent an area that is now prosperous but which does not qualify under this new definition in the bill, you are going to have your industries stolen and pirated away, if you please, with the very tax money that your industries are paying into the Federal Treasury. And, there is no adequate guarantee against it in this legislation.

Mr. Chairman, as a matter of fact the committee would not go as far as it went on the Appalachian program in attempting to write a so-called antipirating provision. They would not even go as

far as they went in the Appalachian legislation in trying to write one. They limited it. It is not an adequate section to start with. It is limited solely to section 202, industrial loans, and does not apply to the rest of the bill, such as Federal grants under section 101 and loans under section 201. So, the result is that any public organization; yes, any charitable organization, can take these Federal funds, for up to 80 percent of the cost of construction, and go build all types of public facilities. They can provide land, they can provide all sorts of industrial incentives at the taxpayers' expense, 80 percent of it, and they can provide it for industrial expansion and they can provide for the pirating of industries from your congressional districts to be sent into the so-called depressed areas.

Mr. Chairman, that is why Congress turned down ARA in 1963. That is one of the principal reasons why Congress ought to turn it down in 1965, because I do not think we in this country should subscribe to the theory, the leveling off process, of taking from the "haves" and giving to the "have nots." That is precisely what they are attempting to legislate into law if this bill is passed.

Mr. CLEVELAND. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from New Hampshire.

Mr. CLEVELAND. As a matter of fact, speaking about this pirating that is possible under this legislation, is it not worse than that? Is it not possible for an industry to move from a place where there is organized labor into an area of the country where labor is not organized; is it not a fact that legislation is so designed to finance the flight of industry from an area where labor is well organized, and the standards of labor wages are high, to a rural area where generally labor is not organized and the prevailing wages are lower?

Is that not also one of the threats latent in this legislation? Is it not a fact that has happened with industries? For example, when shoe factories were closing in New England, they were opening them up in rural Indiana where there was no organized labor and where the prevailing wages were much lower than New England?

Mr. CRAMER. The gentleman is correct, and that is not corrected by this legislation. The gentleman will agree that our committee in considering the 17 reports of the General Accounting Office, which are set out in summary on page 45 of the report and the following pages, instead of tightening up the legislation in order to prevent further criticism, what the committee did and what the administration recommended, despite the General Accounting Office recommendations, was to broaden the discretion of the Secretary so he would not be subject to criticism in the future. If he had broad discretion he would not be violating the mandate of Congress. So that to get him around the criticism of the General Accounting Office they gave this discretion. The gentleman is correct with regard to his comment, and that will be demonstrated by some of the examples I shall cite.

Mr. CLEVELAND. Under this legislation then as it is being presented to the House, there is no real safeguard that will prevent this legislation being used to move industry from a relatively highly organized and highly paid labor market to a low-paid, unorganized labor market? In other words, as written it could be used by an industry to escape its responsibilities; is that not correct?

Mr. CRAMER. That is correct. That is my analysis. That is one of the shortcomings of the legislation.

Let me go to this appendix of the report on the bill and cite a couple of examples of actual cases handled by the Area Redevelopment Administration. That is what has happened in the past and will happen in the future. It is going to continue to be wrong.

Here are some of the examples of what was done, and the General Accounting Office criticized the Area Redevelopment Administration for doing it. But they went on and did it anyway, and they will do it under this legislation but even more so.

Take the Roustabout Co. They applied for loans to assist in financing a plant for the production of three-wheel light vehicles. The Small Business Administration recommended against the loans. They said the company could not qualify because the product could not be marketed, they did not have adequate working capital, and they did not have collateral. As an aside, I should point out that this bill provides guarantees for working capital unlimited, with no top limit. That is taken care of by providing it out of the taxpayers' pockets in the form of guarantees. The Roustabout Co. got loans totaling \$342,000 in March 1963, and went bankrupt in November of 1963, for the very reason that SBA turned them down. That is what can happen under this new legislation.

What happened with regard to the Plant Food Center of Post Falls, Idaho? They said they were going to employ some 23 additional people. They got \$53,000, but they ended up by employing six additional persons. There is example after example in reference to this. In some instances a project even resulted in a decrease in the number of employees.

For instance in the case of the Josephine Plywood Corp., in Portland, Oreg., the result was, after a \$494,000 loan, no additional employment. There is a citation of another example where the result was decreased employment. In other words the ARA just did not apply proper standards. Let me give you another example; listen to this example. The Pueblo of Laguna Indian Tribe loan. Look what they did in December 1962, and there is nothing to prevent their doing it again in the future. The Pueblo of Laguna, an Indian tribe, got a \$118,000 grant for the construction of a new industrial plant which the Pueblo Indians plan to lease—not use themselves—but lease. So what happens? Twelve days thereafter, the Bureau of Indian Affairs was asked to find out what the financial condition of this tribe was. And what did they find out relating to the financial ability? They found out in 1960, 1961, and 1962, the Indian tribe

had an income of \$1,600,000, \$1,700,000, and \$1,500,000, respectively, and the cash balance at the end of 1962 was \$1,200,000—the market value of investments in stocks and bonds at the end of 1962 by the Indian tribe was \$9,867,685. But they got a grant of \$118,000 based upon their ability to finance a plant to be leased. And when the ARA was faced up with this, what do they say in reply? They attempt to justify on the basis of “lack of sophistication of the Laguna people in commercial matters has made Government participation essential.” And that is in providing a commercial plant to be leased. This is what is wrong and these are examples of what is wrong with this program.

There was an example of chickens cited just a minute ago. There is an example in our minority views relating to the loan to a chicken or egg processing plant as well. In addition to that, the gentleman from Wisconsin [Mr. BYRNES] placed in the record on July 1, 1965, a statement relating to paper and pulp mills. Seventeen paper and pulp mill loans, or the processing of those loans, is in progress now and despite the fact that there is an over-supply of paper products in America today and there is no one who would deny that; yet 17 paper and pulp mills are being encouraged and in some cases, actually, moneys are being loaned and public facilities are being built to accommodate those facilities—17 of them despite the fact there is an oversupply of this product in America today.

Here is an example of what happened to one of them. In Norfolk, N.Y., a mill that had twice gone bankrupt was reopened with long sought ARA loans. It was shut down last January when previous ARA and State loans of \$1,200,000 ran out. A local newspaper reported that the liability of the former owners totaled \$2,249,000—bankrupt—and that is what has happened to business after business as a result of the manner in which this program is administered.

The minority views contain example after example of the shortcomings of this program. Very briefly, here are some of them: There are no requirements for maintenance of effort by State and local governments, which was in the previous Accelerated Public Work Acts. It permits loans to industries to compete with private enterprise. And what is the definition of the type of facility involved—a new terminology—“development facility usage,” which is not defined anywhere in the legislation and which includes those things mentioned by the distinguished gentleman from New Jersey [Mr. SMITH] previously, and these are golf courses, ski slides, swimming pools—as long as they are related to economic development—ski slides, motels and hotels—as long as they are related to economic development.

Grants and loans may be made to private organizations, chambers of commerce, and what have you.

This permits Federal financing of pirating of industry, which I discussed a moment ago. The so-called antipirating provision under section 202(b)(1) is totally inadequate and applies solely to commercial loans and does not prevent

pirating relating to all other phases of the legislation.

The bill authorizes grants under title I, APW public works, of \$400 million, \$150 million more than the President asked for, and without justification.

I mentioned the revolving fund device without congressional review in the future, on an annual or any other basis.

There are inadequate needs standards for designation of redevelopment areas.

And there is another layer of cake as it relates to Appalachia. I want to make sure that is understood.

This entire program relates again to Appalachia. After having gotten \$1.092 billion to fight poverty in Appalachia, Appalachia is to get unlimited portions of this legislation, this additional \$3.3 billion, as another layer of cake. Even in areas where there are existing programs, supposedly, to solve the problems of Appalachia, such as highways, \$840 million, to help in regard to unemployment, Appalachia is to get another layer of cake here.

We provided programs for Appalachia of vocational education facilities. There were specific money authorizations. We provided for sewerage treatment plants. They will get more money under this legislation.

I know that the majority is going to say, “We wrote language into the legislation supposedly not to give double treatment to Appalachia.” But all this language does is relate to a given project, such as a specific treatment plant. They will not get a double payment. Obviously, they would not get it anyway. But the area of Appalachia will get double money for sewerage treatment and other programs to the exclusion of other areas of America which have unemployment and poverty problems, and that is not fair.

Amendments will be offered in an effort to do something about that.

Mr. PERKINS. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from Kentucky.

Mr. PERKINS. If I understand the Appalachian program, there is only \$6 million for sewerage. Is that not a correct statement?

Mr. CRAMER. That is correct, \$6 million over a 2-year period specifically for sewerage treatment. They will get unlimited funds under this program as well. There is no need for double treatment. If they need more money for sewerage treatment, that should come from the Appalachian program and not in this form.

Mr. PERKINS. That \$6 million does not have application in any community which does not have sanitation at the present time; is that not true?

Mr. CRAMER. It is in addition to the money in the regular authorization bill, which we now have in conference, which goes up to \$150 million a year. That also applies to Appalachia under the regular program. They get \$6 million more, and will get unlimited funds under this to boot.

Mr. PERKINS. If the gentleman will permit me to make an observation, I represent a needy district in Appalachia and I consider that the funds for sanitation are nil. There are no funds for water

systems in the Appalachian bill. There are no funds in the Appalachian bill which will be of any assistance to the Appalachian area for sanitation purposes. We must look to the passage of this legislation before we can get the sanitation we need in Appalachia.

Mr. CRAMER. I say to the gentleman that the proposal of the minority will not prevent or exclude that at all. It will merely prevent a second layer of cake as related to specifically authorized programs in Appalachia, supposedly adequate to take care of the situation. That is why we passed the bill. We understood the \$1.092 billion would do the job. Now we are told it will not, and perhaps we need a second layer of cake. That is not fair with respect to the rest of the Nation, which also has unemployment problems.

Mr. PERKINS. The gentleman realizes that the funds are limited in the Appalachia bill to develop our physical resources, outside of roads.

From the standpoint of need, there must be a second layer, with a good coat of icing, before we can move forward in Appalachia, in providing necessary community facilities. This legislation is indispensable for our area.

Mr. CRAMER. The gentleman supported the program. The committee voted it out on the basis that it would help in all of these specific areas, quite adequately—vocational education, sewerage treatment plants, highways, and health facilities. It was specifically to be adequate to do the job.

I do not believe that Congress made such a big mistake as it relates to the amount of money, as will be evidenced by giving them a second layer under this legislation.

Mr. CLEVELAND. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from New Hampshire.

Mr. CLEVELAND. Is it not true that besides this \$6 million in Appalachia to which the gentleman from Kentucky [Mr. PERKINS] just referred, there is also what we or some of us on the Committee on Public Works fondly refer to as a slush fund of \$90 million and this \$90 million can be used indiscriminately by Appalachia communities to match money to get Federal programs which would include such things as water pollution programs?

Mr. CRAMER. The gentleman is correct.

Mr. CLEVELAND. So it is not absolutely correct to say that only \$6 million of the Appalachia bonus is in this sewage treatment area.

Mr. CRAMER. The gentleman is correct. Ninety million dollars a year of accelerated public works was written into the Appalachia bill and there will be substantial additional funds under this legislation.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman.

Mr. JONAS. The gentleman from Florida served on the Blatnik investigating committee, did he not?

Mr. CRAMER. I still do. Yes.

Mr. JONAS. Was not the purpose of that committee to look into problems and alleged scandals that had arisen as a result of the type of financing that was authorized under that legislation?

Mr. CRAMER. The investigating committee looked into irregularities in the highway construction program and found substantial irregularities in many areas.

Mr. JONAS. Is not the same kind of financing provided for under this bill, with complete back-door spending out of a revolving fund?

Mr. CRAMER. That is correct, that this bill provides for a revolving fund.

Mr. JONAS. Without any annual control or supervision by the Congress?

Mr. CRAMER. The gentleman is correct.

Relating to the commercial loan section, to the tune of \$220 million a year, for a 5-year period, as I discussed earlier, plus interest paid into the fund and plus a substantial \$302 million to be paid back from previous area redevelopment loans, this is back-door spending. The Committee on Appropriations will not get a look at it.

Mr. JONAS. There will not be anybody getting a look at it. It is a revolving fund, is it not?

Mr. CRAMER. That is correct.

Mr. JONAS. Without any annual review by anybody?

Mr. CRAMER. The gentleman is correct. There will be amendments offered to try to correct that aspect of it.

Mr. Chairman, I have two more points that I would like to cover very briefly.

One is this: Let us not kid ourselves that this is not a permanent program. Again I say it is ironic that the Secretary of Commerce will come before our committee, having made all of these statements that he has with respect to the economy of this Nation and how sound it is, and yet ask for a permanent antipoverty program relating to public works. I questioned him, as appeared on page 41 of the minority report, where I said:

Mr. CRAMER. I am talking about the bill before us, the bill we have before us. We have no way of reviewing this, the authorizing committee, do we?

Secretary CONNOR. No, sir. This provides for an indefinite duration. We think continuity in these programs is extremely important.

This also refers to the question asked by the gentleman from North Carolina.

Then he further says that we are recommending that it be of indefinite duration.

The second point I want to make relating to area redevelopment is what are we doing? I think it is unfair to existing industry to use their tax money to subsidize new industry which will compete for their markets. That is what we are doing. Secondly, I think such a subsidy program will result in an efficient type of allocation of U.S. resources. What you are doing is shifting. You are taking from the haves and giving to the have-nots. The resulting high cost and inefficiency in this program will hamper

rather than help the economy to compete with the economies of other nations. Also, such a subsidy program introduces artificial considerations. It will result in unsound and often temporary industrial stimulation for the communities involved. Industrial development is highly competitive. It is unfairly discriminatory for the Federal Government to take sides in behalf of some areas working against other areas to create competition for their products and their jobs in many instances where the products are not even needed and where there is a surplus of them already in America.

There are more effective ways of solving unemployment, such as job retraining, not trying artificially to stimulate areas that themselves would not be entitled to the development of industry based upon their own economies and their own capabilities.

I say this is a bad bill and should be defeated.

There follows a list of the President's budget requests submitted in January 1965, for fiscal year 1966 for Federal programs then operating to combat poverty.

FEDERAL PROGRAMS CURRENTLY OPERATING TO COMBAT POVERTY

(As provided for in the Budget for fiscal year 1966)

These are Federal programs having the purpose or effect of helping to eliminate the causes of poverty or to ameliorate the conditions of poverty; many of these programs are aimed specifically at the poor, others are of a more general application:

Agency, program, and amount budgeted	Millions
Office of the President: Office of Economic Opportunity.....	¹ \$1,465.5
DEPARTMENT OF AGRICULTURE	
Agricultural Research (Hatch Act).....	² 45.9
Cooperative Extension (Smith-Lever Act).....	70.8
Farmer Cooperative Service.....	1.2
Economic Research Service.....	³ 9.5
Special milk program.....	⁴ 100.0
School lunch program.....	⁵ 411.7
Food stamp program.....	100.0
Donation of commodities to needy persons (other than school lunch program).....	⁶ 197.1
Farmers Home Administration—Rural housing grants and loans:	
Development loans.....	1.4
Grants.....	10.4
Loans to elderly.....	19.0
Building loans.....	11.0
Total.....	41.8
Rural renewal loans.....	3.0
Direct loan accounts:	
Real estate.....	49.0
Operating.....	300.0
Total.....	⁷ 349.0
Rural Community Development Service.....	.1
Rental housing for elderly.....	5.0
Total Department of Agriculture.....	1,335.1

Footnotes at end of table.

Agency, program, and amount budgeted—
Continued

DEPARTMENT OF COMMERCE		
Area Redevelopment Administration:		
Operations and technical assistance	Millions	\$4.1
Grants for public facilities (requires new legislation)		10.5
Total		14.6
Area Redevelopment Loan Fund		0
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE		
Office of Education:		
Vocational education acts		⁸ 257.5
Student loan program (National Defense Education Act)		⁹ 179.3
Science, mathematics, foreign language instructional equipment and audiovisual equipment for elementary and high schools (National Defense Education Act)		¹⁰ 79.2
Improved counseling, testing, and guidance in schools (National Defense Education Act)		¹¹ 31.7
Cooperative research and demonstrations		25.0
Education of handicapped children		¹² 21.5
Vocational Rehabilitation Administration:		
Vocational rehabilitation grants to States		¹³ 124.0
Vocational rehabilitation research and training		¹³ 45.8
Public Health Service:		
Chronic diseases and health of the aged		¹⁴ 61.2
Communicable diseases		¹⁴ 39.3
Community health practice		¹⁴ 63.4
Hospital construction (amount here is that proposed for 5-year extension of Hill-Burton Act)		¹⁵ 303.0
Environmental engineering and sanitation		¹⁶ 15.9
Indian health activities		¹⁷ 66.0
Social Security Administration:		
Federal Old-Age and Survivors Insurance Trust Fund payments		17,800.0
Unemployment compensation and employment services		492.1
Welfare Administration:		
Public assistance grants to States		¹⁸ 2,966.4
Public Assistance Administration, services and training (grants to States)		¹⁹ 295.7
Bureau of Family Services		²⁰ 6.2
Maternal and child welfare		²¹ 162.0
Office of Aging		0.7
Cooperative research for social security		2.0
Total		²² 22,937.9
DEPARTMENT OF THE INTERIOR		
Indian education and welfare		²² 106.8
Indian resources management		²³ 0.1
(Indians) construction of facilities and irrigation systems		²³ 70.0
Total		176.9
DEPARTMENT OF LABOR		
Manpower training and development		16.8
Unemployment Insurance Service and U.S. Employment Service		13.4
Total		30.2

Agency, program, and amount budgeted—
Continued

HOUSING AND FINANCE AGENCY		Millions
Low-income housing demonstration programs		\$0.1
Public facility loans (1965 capital outlay)		100.0
Urban renewal grants		1,623.0
Low rent public housing grants		248.2
Low rent public housing development loans		646.8
Total		2,618.1
SMALL BUSINESS ADMINISTRATION		
Business loans		240.1
Investment and development company assistance; debenture purchase and loans		79.0
Total		319.1
Total		²³ 28,897.4
¹ Includes the Job Corps, community action programs, migrant agricultural employees program, rural areas program, work experience program, adult literacy program, volunteer program, and general direction and administration.		
² Includes projects for improving rural life.		
³ Farm economics and marketing economics.		
⁴ Whole milk for children in schools, day camps, etc.		
⁵ Includes both commodities and cash payments.		
⁶ 1964 figure (1966 estimate not available) for donation of food for needy persons through public and private welfare and charitable agencies.		
⁷ 90 percent of loans go to farmers with income of \$3,000 or less. Purpose identical to poverty act grants and loans to farmers.		
⁸ Includes funds to Commissioner for direct help for culturally deprived youth (residential schools, work-study, and special projects), also State plans include heavy emphasis on out-of-school youth.		
⁹ Specifically intended for needy but able college students fund is now meeting colleges' requests.		
¹⁰ States give priority to schools most in need of assistance to buy expensive equipment.		
¹¹ Key part of efforts to prevent school dropouts.		
¹² Program designed to prevent future dependency.		
¹³ These two programs heavily emphasize and assist in expanding, improving, and coordinating State and local services and facilities.		
¹⁴ These programs make a major contribution to State and local efforts to improve general health and to prevent, control, and treat disease.		
¹⁵ Includes nursing homes, diagnostic and treatment centers, rehabilitation centers, and project grants for comprehensive area plans for medical facilities.		
¹⁶ Grant assistance to States, cities, industries, and researchers to eliminate health hazards from food and water.		
¹⁷ Full range of health, medical, and hospital services for Indians and Alaskan natives; health education.		
¹⁸ Payments to individual recipients, medical care for the aged.		
¹⁹ A major purpose of these grants is to finance State and local programs to prevent dependency and causes of dependency.		
²⁰ Administers public assistance grants, coordinates Federal and State efforts, provides technical and other assistance for programs to prevent dependency.		
²¹ Grants to States, including research and demonstration for improved maternal and child health services (particularly in rural		

areas), child welfare services and crippled childrens' services.

²² These 3 programs, plus Public Health Service health services, relate to nearly every phase of Indian life.

²³ Includes \$17,800,000,000 Federal old-age and survivors insurance trust fund payments (social security).

Mr. BLATNIK. Mr. Chairman, I yield myself such time as I may require.

(Mr. BLATNIK asked and was given permission to revise and extend his remarks.)

Mr. BLATNIK. Mr. Chairman, the bill we are considering today is S. 1648, the proposed Public Works and Economic Development Act of 1965.

The bill combines three subject areas that have been fully considered and approved by the House in recent years. These are not any great new concepts or programs we have to explain; but tested programs now being improved and extended.

This bill is very much like the Public Works Acceleration Act, which we passed in 1962. Two-thirds of the authorization for this bill goes for grants for public works, very much like the accelerated public works bill, one of the most popular and successful bills we ever passed in this House. It has been overwhelmingly supported by local bond issues in thousands of communities across the Nation.

Another part of the bill is like the Area Redevelopment Act, and there is nothing new or unfamiliar in this. This has been a useful act, and it deserves to be extended. It has had faults and deficiencies, being applied for the first time to a difficult problem. We recognize these faults in our committee report.

We have made recommendations for improvement, to streamline and perfect the existing authorities in the bill.

Another part of the bill is based on the Appalachian Act, with which we are all familiar, and which we passed earlier this year.

There is nothing new about all this. These are all familiar ideas. These are all things we know about. These are mostly tried and tested ideas.

We believe this is the best bill that we can put together. It has been carefully thought through, carefully considered in our committee, carefully worked out. We have had 8 days of hearings—some day-long.

So, gentlemen, the bill before you today represents the best features of three major pieces of legislation, the Area Redevelopment Act, the Public Works Acceleration Act, the Appalachian Regional Development Act. It is a clean-cut essentially simple program for helping hard-pressed communities to help themselves.

The bill provides authorization for the appropriation of \$660 million annually for 5 years. Of this total, \$400 million is authorized annually for grants for public works and development facilities; \$170 million is authorized annually for first, loans for public works and development facilities; and second, for loans and guarantees in connection with industrial and commercial facilities; \$25 million is

authorized annually for technical assistance and grants-in-aid for planning and administering economic development programs; \$50 million is authorized annually after the first year for a special program of grants and loans for economic development districts; and \$15 million is authorized annually for planning, organizing, and administering regional development commissions and for providing technical assistance to such commissions.

TITLE I

Title I of the bill authorizes annual appropriations of \$400 million for grants for public works and development facilities. The basic grant for all projects would be 50 percent of the cost of the facility, as was done under the accelerated public works program. Supplementary grants which could bring the Federal share up to 80 percent of project cost would be provided for those areas judged most needy on the basis of very high unemployment or low income statistics.

Title I of the bill authorizes a good deal more than was available under the old Area Redevelopment Act program which provided only \$75 million for grants over a 4-year period and which had to be administratively limited to projects directly related to new employment. However, title I is less liberal than the Public Works Acceleration Act, because it requires that projects must have a definite relationship to economic development or be related to poverty criteria. In this respect the bill is a compromise between an overly restrictive Area Redevelopment Act program and the accelerated public works program.

Examples of projects which would be eligible under this program include sewer and water facilities, access roads, port facilities, watershed projects, industrial park improvements, tourism facilities of a public nature, needed hospitals and health centers, and vocational training facilities. Examples of projects which would not be eligible include courthouses, local recreational facilities not related to tourism, such as municipal golf courses and swimming pools, electrical power projects, and primary and secondary schools.

In order to be approved, projects would have to be located in an eligible area and generally tend to improve the opportunities for the establishment of industrial or commercial enterprises which would provide long-term jobs or which would help carry out the objectives of the President's antipoverty program.

Supplementary grants could be made to reduce the local share in the most needy communities both for projects approved for direct grants under this program and for projects approved for direct grants under other Federal programs, but there would be no duplication as to individual projects. However, 50 percent would be considered a basic grant in both instances, just as in the accelerated public works program. No area could get a grant under either or both of the programs which would have the effect of reducing the local contribution lower than 20 percent, and relatively few areas would qualify for that much.

TITLE II

Title II of the bill authorizes loans for public works and development facilities and loans and guarantees for commercial and industrial projects, and establishes a revolving fund into which loan repayments can be made and used again. A maximum appropriation of \$170 million annually is authorized for title II.

Loans for public works and development facilities could be made for the same types of projects as are eligible for grants under title I. The term of the loans could be for as long as 40 years. The interest rate would vary in accordance with the current yield on Government securities of comparable maturities, which would make the initial interest rate $4\frac{1}{8}$ percent, or one-eighth of 1 percent higher than the current rate for loans under the Area Redevelopment Act.

Of the total cost of the project, 15 percent would have to be supplied either as equity or as a loan with its security inferior to that of the Federal loan. Of the 15 percent, 5 percent would have to be supplied by a State or local government or by a local development organization. That 5 percent could be repaid concurrently with the Federal loan. In cases of demonstrated need, the Secretary may waive the 5 percent.

Those who are familiar with the Area Redevelopment Act will recognize that this new provision will help to ease the so-called local 10-percent requirement which was a stumbling block in connection with many promising Area Redevelopment Act projects.

A new feature has been added to the business loan section of this bill which will further increase its usefulness. The Secretary is authorized, in connection with projects approved for direct business loans, to guarantee up to 90 percent of the outstanding balance of loans for working capital made by private lending institutions. Experience under the Area Redevelopment Act revealed that many good local projects suffered from a lack of working capital. This provision should help remedy that deficiency.

TITLE III

Title III of the bill provides authorization of \$25 million annually for technical assistance and for grants-in-aid to help plan and administer State and local development programs.

One of the most successful parts of the Area Redevelopment Act program was its program of technical assistance, which accomplished a great deal despite a far too restrictive budget of only \$4.5 million annually. In my own district, Area Redevelopment Act technical assistance was responsible for a number of highly specialized studies which are having a profound influence on our economic growth potential.

The provisions of this title will make it possible for the Secretary to help communities both to find out what they need to know to succeed in their economic development programs and to keep working on those programs on a full-time, professional basis.

Technical assistance will make it possible for communities to plan economic development programs, to study local resources and their relation to economic

development, to undertake feasibility studies of specific economic development projects, to help local businessmen acquire the knowledge they need to expand and maintain their employment, and to train community leaders and others to become more expert in community economic development.

Federal grants-in-aid of up to 75 percent would be available to share the cost of State programs for helping eligible areas take advantage of these programs, and to help share the administrative costs of district, and in some cases local, area development organizations.

TITLE IV, PART A

Part A of title IV prescribes the basis for area eligibility. There are six ways by which an area may be designated.

First. If an area has an unemployment rate of 6 percent or more and its unemployment rate has been at least 50 percent above the national average for 3 of the past 4 years; 75 percent above the national average for 2 of the past 3 years; or 100 percent above the national average for 1 of the past 2 years, it will qualify. The Secretary of Labor will provide the data needed to make these determinations.

Second. If an area has suffered from a large decline in population, it may be designated. The Secretary will have to establish standards and determine how to obtain information with respect to this provision at a later date, since it was not applicable to the previous program.

Third. If an area has a median family income not in excess of 40 percent of the national median, it will qualify. The national median is now \$5,660; areas which have median incomes of \$2,264 or less will qualify.

Fourth. If an area is an Indian area and is recommended by the Secretary of the Interior or an appropriate State agency as having a population of 1,000 or more and is needy in relation to similar areas, it will qualify.

Fifth. If an area suffers a sudden and sharp rise in unemployment and the Secretary believes that unless it is helped, unemployment will rise to 50 percent above the national average within 3 years, it will qualify.

Sixth. If an area was designated under the Area Redevelopment Act as of March 1, 1965, it will qualify until the first annual review, which will be conducted as soon as 1965 data are available and probably prior to June 30, 1966.

No area will be designated unless it first, specifically requests designation; and second has an approved overall economic development program.

We estimate that about 1,100 areas will initially qualify for designation on these standards. However, some 300 to 400 of these will probably not qualify after the first annual review next year.

PART B

Part B of title IV provides for a unique new program which will encourage eligible areas to combine into multicounty economic development districts. These districts will be designated by the Secretary with the concurrence of the States and, for planning purposes, can include nondistressed counties as well as dis-

tressed counties. Districts must also have designated economic development centers. These centers are places in the districts which have the best capability or potential for fostering the economic development activities necessary to relieve economic distress within the district.

Economic development centers would not have to be located within the distressed area itself, but if they are not, the Secretary would still be able to provide grant and loan assistance for projects in these centers which would further the economic development of the district. Moreover, in order to encourage distressed counties to participate in district programs, they would receive a bonus of up to 10 percent of the cost of a grant project participating in a district program.

A total of \$50 million annually would be available for bonus grants and for projects in economic development centers beginning a year after the enactment of the act. The year's delay is provided so that ample time is available to organize districts and to develop sound district programs. Technical assistance and grants-in-aid under title III for planning and administration would be available immediately.

TITLE V

Title V of the bill provides authority for the establishment of regional development commissions similar to the Appalachian Regional Development Commission. While title V does not provide funds for specific programs, such as highways, as were included in the Appalachian program, it does provide \$15 million annually to help plan, organize, and administer the programs, which, in the opinion of the committee, is adequate during this preliminary phase of regional development.

Under the provisions of this bill, the Secretary would be authorized to designate regions on the basis of a relationship between the States and areas included in the region, provided a finding can be made that the region has lagged behind the whole Nation in economic development.

Upon designation, the Secretary will work with the States and provide funds with which to establish appropriate regional commissions. At the same time, the President will appoint a Federal co-chairman to assist each region in its activities. The commissions are intended to develop comprehensive plans for the economic development of the regions and to present these plans to the respective States and to the Federal Government through the Secretary of Commerce for the necessary legislation and programs to carry them out.

An annual authorization of \$15 million is provided to defray the organizational and administrative expenses of the various commissions and to provide technical assistance to them and on their behalf. Administrative grants-in-aid to the commission would be 100 percent for the first 2 years and 50 percent thereafter, as is the case for the Appalachian Regional Commission.

Regions would have to be multistate in character, except that the Secretary, in his discretion, may consider the desig-

nation of Hawaii and Alaska as single-State regions.

This title of the bill may prove to be far reaching in its effects. It would begin, for the first time, a program of regional planning, not in every region of the country to be sure, but in those regions which have clearly lagged behind the others in economic development. I am thinking particularly of regions such as the Upper Great Lakes, Ozark, Upper New England, and the Four Corners area of Utah, New Mexico, Arizona and Colorado. Of course, no region will be eligible unless it can establish its need for assistance on the basis of the criteria contained in the act.

Titles VI and VII of the bill are administrative in nature. It should be pointed out, however, that title VI of the bill provides for a new Assistant Secretary and an Administrator for Economic Development within the Department of Commerce.

It should also be pointed out that in title VII the Senate and this committee have specifically deleted language which was carried over from the Area Redevelopment Act, requiring utilization of other agencies in carrying out the act's provisions. Those of us who have had extensive experience with this program know that the multiagency approach to its administration never worked effectively, despite the efforts of all the dedicated people in the various agencies who tried to make it work.

I do not want to criticize anyone in any of the agencies which had responsibilities under the Area Redevelopment Act, but I want to emphasize as the SBA Administrator has himself testified, that the use of other agencies in carrying out the act's provisions has led to confusion, delay, and inefficiency.

The best way to run a program is to give one agency the responsibility for handling it and then to hold it responsible for proper and efficient administration. This is what we propose under this new program.

Several aspects of the bill have been emphasized by both the President and the Secretary of Commerce, and these deserve to be restated and kept in mind by the Members as they consider this legislation.

First, this program is not just a program for the areas which are eligible. The whole Nation will benefit from its results. Areas which have consistently lagged behind the rest of the Nation consistently draw far more from the Federal Treasury than they contribute. If they can be made self-supporting, the whole Nation will benefit.

Moreover, increased economic activity in one area means more customers for businessmen in all areas. I want to assure the Members of this House that when we get some of the needlessly unemployed workers in my district back to work, they will be able to buy more goods from businessmen in your districts.

A second point stressed by the President is the fact that this program is based upon the free enterprise, profit-making system. It is a program designed to provide more jobs in the places where they are most needed—not by more Gov-

ernment employment but by more private employment. Nearly every type of assistance authorized under this bill has as its goal the creation of more private economic activity.

It is this private economic activity which pays dividends to the Federal Government. One businessman assisted under the previous Area Redevelopment Act program told the committee that he and his employees had repaid to the Federal Government in income taxes within 2 years more than the amount of his original loan. And he is continuing to repay his loan, with interest.

A third point stressed by the President is reliance on local economic initiative. No area will be designated against its will. No program will be forced on a local community. No project will be approved unless it has demonstrated local approval.

We should all keep in mind that this program is not an extension of Federal power, but an extension of Federal assistance. Congress will provide, and the executive branch will administer, a program which makes available various types of assistance. But it will be entirely up to the local people whether to take advantage of it.

A fourth point to keep in mind, was emphasized by Secretary Connor in his testimony to the committee. He pointed out that the purpose of the program was to create new jobs and new economic activity without moving jobs or economic activities from one area to another. There has been some fear that this program could lead to relocations of businesses from one area to another, but I can assure the Members that such fears are groundless. We not only have the assurances of the Secretary that he will not let this happen, but we also have expressed in the bill and in the language of the report our clear intention in this regard.

There is a fifth point to keep in mind. This is not a bill that is designed to take a piece of pie away from one to give to another. We are in a period of unparalleled economic expansion. Everything is growing. What this bill proposes to do is to channel some—a very small part—of that expansion into areas which have been bypassed in recent years.

Nothing is being taken away from anyone with this bill. Everybody will benefit from it to some extent, but the areas which need it most and which have suffered deprivation in the past will benefit from it the most.

In the course of our discussions and considerations of this bill, various Members have expressed a number of fears and opinions which need to be brought out into the open.

First, there is the fear that the whole idea of this bill is wrong. We should not encourage businesses to expand in economically disadvantaged areas because businesses can do better in the prosperous area. It is better, according to this argument, to relocate the people to the jobs rather than to create new jobs where the people are.

Those who make these arguments must live in a dream world where every-

thing is ordered perfectly and where people can be moved about at will and where it is easy to put a finger on the map and say that the spot you are touching is the best place for any particular business.

Unfortunately, this argument does not apply to the real world. We cannot move people about like pawns in a chess game. They have families. They have churches. They have roots in the places where they are born. We need only look at many of the so-called prosperous areas in our big cities today to see the social and economic problems which result when people leave their place of origin and migrate to a strange metropolitan environment.

Nor can we say that the economically prosperous places are necessarily the best places for every business. Some businesses might find it even more advantageous to locate in a distressed area, but have never considered it because of a lack of proper sites or inadequate utilities. Many businesses which already exist in distressed areas cannot expand because of a lack of local capital, but once that lack is remedied are perfectly able to grow and compete. Many businesses will never get started in any area without a little help.

We who have investigated and taken advantage of programs of this type know that they can work and that they can provide new jobs for the benefit of all. We cannot afford to let textbook arguments deter us from what we know is needed by our distressed areas.

A second fear which has been expressed is the fear that the bill, as reported by the committee, is too loose. Some believe that the bill gives too much discretion to the Secretary, that it needs tightening.

I think that some of the people who use this argument would like to tighten the bill just enough to choke it to death.

Economic development is not a simple matter like selling stamps at the post office. Rigid procedures which tie the hands of the Secretary and his administrators are likely to make it difficult, if not impossible, for him to encourage the kind of economic development effort which the Congress intends for these areas.

Admittedly, this will be a difficult bill to administer. Economic development is a complex process. The Secretary and his aids will have to make judgments. They will have to be reasonable and yet courageous judgments. We have confidence that he can exercise the discretion that we have given him in a manner which will carry out the purposes of this act.

We cannot see the logic of the position of some who would give the Secretary the job of economic development but then tie his hands so as to make it impossible for him to do the job.

There is a third argument put out by some who want only the public works features of this bill, but no program for commercial and industrial facilities. They would do away with the business loan program and the loan guarantee program. One argument made is that loans are available under the Small

Business Administration program, and are therefore not needed under this program.

Those who make this argument forget that SBA loans are limited in size and may not be made to concerns which are not small businesses. They also forget that the objectives of the two programs and their credit standards are different.

If we adopt the proposal of those who would eliminate the loan program it would be like building a highway which does not go anywhere. What sense is there to helping to improve the economic environment of an area, of building up its water and sewer facilities—if those facilities will be unused by businesses?

As I noted earlier, the purpose of this program is to help private enterprise create more jobs in the areas where jobs are most needed. This purpose can partially be achieved by providing public works and development facilities, but not entirely achieved unless businessmen can get the capital needed to expand in these depressed areas. By helping to make that capital available through the program proposed in this bill, we can get the job done far more quickly and far more effectively than we would if we were limited to, and had to wait for, only those businesses which could borrow privately to take advantage of our improved facilities.

We want private capital to come into distressed areas. But our experience tells us that if we want action quickly, we cannot afford to limit our program.

I am convinced that if we fail to provide a business loan program in this bill, we will have failed our responsibilities to the distressed areas.

This is a comprehensive and far-reaching bill.

It is a bill which is based on the past, but looks to the future.

It is a bill which expressed compassion for the unfortunate.

It is a bill which expresses practical, hardheaded commonsense.

It is a bill which benefits the many, as well as the few.

It is a bill urgently recommended by the President, overwhelmingly passed in the Senate, strongly recommended by the Public Works Committee of this body, supported by labor and by many business interests, including bankers, local chambers of commerce, and privately owned utilities.

It is a bill which deserves the support of every single Member of this body.

And I am confident that a large majority will want to give it that support.

Mr. CRAMER. Mr. Chairman, I yield 10 minutes to the gentleman from New Hampshire [Mr. CLEVELAND].

Mr. CLEVELAND. Mr. Chairman, because my views on this legislation are set forth in some detail in the report of the committee, under the title of "Supplemental Views" on page 57 of the report, I shall not go into them in too great detail. I shall include them at the end of my remarks. Before I begin my remarks, and I hope the gentleman from Minnesota will give me his kind attention, I would like to question his statement that those of us who have opposed this legislation in the past and are very

lukewarm about it at the present, never come up with a constructive alternative—I do not think that is a fair statement. I want to call his attention to this fact, which is mentioned in my supplemental views on page 59. This is in connection, with the Republican alternative to the Appalachian bill. That is the bill we called the Resources Development Act of 1965. Now, I know that it is widely accepted by many Members of this House and by many members of the public, and certainly by a segment of the fourth estate, that those of us who oppose some proposals of the Great Society never come up with constructive and meaningful alternatives.

This may be comforting to those who hold this belief, but it is untrue and it is unfair. I would like to remind the gentleman from Minnesota that we do have a constructive alternative to this bill and to Appalachia.

H.R. 4466, introduced by the gentleman from Florida [Mr. CRAMER] and myself and other Republicans, is a sound, meaningful and constructive alternative.

I want to refresh the gentleman's memory as to what H.R. 4466 proposed to do. I believe our constructive alternative raises some very interesting and deep-seated questions.

Our alternative was not to single out a 10-State area known as Appalachia, including as it does some of the richest areas of the country, to pour into that area untold billions. Our approach was a national approach.

Another thing was that instead of working through the Appalachia Commission, a new monstrosity over which the Federal Government had a complete veto power, the Republicans would have worked, as they have liked traditionally to work, through established State organizations.

So there was no necessity for setting up a new bureaucratic monster, as set up by Appalachia. There was no necessity for setting up a new bureaucratic monster, as is set up by the Area Redevelopment Act accelerated public works programs.

We would work it out with a minimum of new employment for bureaucracy, since we do not consider this a way to attack unemployment. Our alternative would work directly with the States through already established, time-tested and proven programs.

We would have given special assistance for construction of new roads, not just for Appalachia but for all of the States, which have areas of distress and disadvantage. The gentleman from Minnesota, interestingly enough, admitted that there are such areas of distress in all of the States.

Then, as we go on to read the language of the bill, H.R. 4466, we note that besides development highways we would have provided funds for demonstration health facilities, which would have helped with hospitals, for timber development organizations, for mining area restoration, for water resource studies, for housing, for sewage treatment, and for vocational education facilities.

The foregoing would have been, not just for Appalachia or the district of the

gentleman from Kentucky, but for those areas suffering disadvantage throughout the country.

This would have been done under existing programs, with no new programs and no new bureaucracies.

It is interesting to note in this connection that testimony given before the Public Works Committee very clearly indicated that the ARA Administrator was not working with the States, in spite of the fact that the testimony before the Public Works Committee was almost unanimous that most of the States have extremely well-developed industrial resource commissions or economic development commissions which have a wide fund of knowledge about the particular areas of distress in each State. The Area Redevelopment Administrator has turned his back on this entire fund of knowledge. He does not work with the States whatsoever. Apparently, he scorns the States. He does not like the States. He does not believe in the States.

Because of this there have been countless examples where Area Redevelopment Act money has gone not to an area within the State which is in real distress, but to pockets of prosperity which happen to be located within the areas of disadvantage.

I am glad the gentleman from Minnesota raised this point by saying that we on this side of the aisle do not have constructive alternatives. We on this side of the aisle do have constructive alternatives. We have introduced a proposal in the House. We have pleaded with this House to adopt it. And we have been turned down, for obvious reasons.

It is not true that those of us who are carping and critical, to quote the gentleman from Minnesota, are not deeply concerned and have not come up with hard and sound constructive alternatives.

My remarks, as I have already stated in my lukewarm support of this legislation, are fairly well detailed in my supplemental views which will follow. In the few minutes I have to speak here I want to stress particularly an amendment I will offer, known as the so-called prevention of unfair competition amendment, or the fair-trade amendment. This is set forth on page 59 of the supplemental views.

This is an amendment which I particularly hope will be adopted, because certainly it will go far to remove many of the criticisms of this program. My amendment in effect would provide that one cannot construct new factories and new facilities with taxpayers' money, with government money, if this is going to result in over-supply or unfair competition for existing facilities.

How ridiculous can the U.S. Government get, when it spends almost \$2 million to build a new motel outside of Detroit at the time that the motel and hotel industry in Detroit had a 54-percent occupancy rating?

This is not doing anything for unemployment. This is simply making a tough situation worse. There is absolutely no justification for the U.S. Congress enacting legislation like this unless

it is at least willing to go a sled length with existing industry, by saying that we will not build competition for you right across the street from you. That is the amendment I have in detail on page 59 of my report. It would be extremely difficult for me to understand how anybody could vote against this amendment.

The gentleman from Minnesota said that the general purpose of this legislation is to create new jobs and to make people taxpayers instead of tax-eaters. Now, who can argue with that objective? I concur with it. But what kind of a program is it that takes taxpayer dollars and builds the taxpayer's competition or a situation of oversupply, creating employment in one part of the country, but creating unemployment in another part of the country? This is the type of situation that destroys people's confidence in commonsense and in their Government. It is not right and there is nobody in this House who can say it is right. For that reason I particularly plead for this amendment of mine which will prevent this kind of unfair competition and this type of situation where the taxpayer's own dollars are going to finance his competition and put him out of business.

Mr. Chairman, I have two other amendments that I plan to offer. One is perhaps selfish in nature because it involves my own State and also involves the States of Hawaii, Vermont, and Delaware. All of these States have priceless advantages. Among other things they share is the fact that they are all small. That fact bodes ill for the future of my amendment, I know, but I am hopeful that this House will have heart enough to go along with this amendment, which is also detailed in my supplemental views on page 58.

Under the present legislation as written, these four States will lose entitlement under the provisions of this act after the first year because they will not qualify. They qualify now under what is known as the grandfather clause, and the Proxmire amendment to the old Area Redevelopment Act legislation. This has not been widely noted, but it is a fact. It seems only fair to me at least to have one area in each State, however small. The administrator of the program would benefit from having a presence in each State. Since this is supposed to be a truly national program, each State should have one area which is qualified for this special treatment.

Another amendment that I plan to offer has to do specifically with not constructing new hotels or motels at a time when there is an excess of them in an area.

The CHAIRMAN. The time of the gentleman has expired.

Mr. HARSHA. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. CLEVELAND. This is specifically aimed at the situation I have already referred to which we found in Detroit and other parts of the country.

Mr. Chairman, in concluding my remarks I would like to reiterate something that I stated earlier. I attended the hearings carefully because I am in-

terested in this legislation, and the hearings made one thing very clear indeed; namely, that this type of a Federal program, which goes not through the States down to the communities but goes directly from the Federal Government to the communities, is failing in one respect and a very substantial respect indeed. What happens is this: the well-organized city, the city with an industrial agent, the city with a large company in it, which has a battery of accountants and lawyers and has good connections in Washington, is the city that will get the aid under this act. The poor towns that the gentleman from Minnesota invokes in his impassioned plea for this legislation, the meek and the poor meant to be helped by this legislation, are not being helped by this legislation.

And do not let anyone kid you to the contrary. Time after time you will find that in these areas that qualify there is a rich town, there is a big hospital, or a well-heeled business that finds out about this, and through their attorneys and through their accountants and through their contacts in Washington these are the guys who get the goodies; and do not let anyone ever kid you that, the way this is set up and the way it is working, the really poor communities are getting a break under this legislation. It just is not so. The race is to the swift, to the rich, and to the large. This is why I include my supplemental views, which now follow, by observing that if this legislation is not fairly and wisely administered it could serve to create new areas of disadvantage:

**SUPPLEMENTAL VIEWS OF REPRESENTATIVE
JAMES C. CLEVELAND, OF NEW HAMPSHIRE,
ON S. 1648**

It is with regret that I cannot concur fully with the minority views although they describe eloquently the faults of this legislation, both in its general conception and in the way it would execute that conception. They set forth how the minority endeavored in vain to direct the basic philosophy into more productive channels, and how, failing that, the minority sought to forge language for the clear administration of the program. I shared actively in these minority endeavors and shall describe later on in these supplemental views four amendments that I offered in committee and will offer from the floor.

Some general comments must first be made. First, that it is to be regretted that so important a subject should be dealt with in such a generalized, hasty, and sloppy manner. The program embraced in this bill, S. 1648, is yet another example of this administration's reliance on costly, blunderbuss assaults on national problems which require, instead, the utmost precision. Our resources, great as they are, are not so great that we can afford to spend them wastefully. Second, this legislation is so concerned with financing provisions—loan guarantees, interest rates, and the like—that it should not have been sent only to the Public Works Committee. It properly belong also in the Banking and Currency Committee, which has the membership and staff competent by training and experience to deal knowledgeably with the subject matter. Insofar as this legislation is part of the war on poverty it also deserved scrutiny by the Education and Labor Committee.

A third matter of concern is raised by the manner in which this legislation positively would encourage the bypassing of State and local governments. A good many of the

States and communities have done a superb job in developing their economies. To turn our backs on this fact, to ignore this experience, and to set up conditions deliberately designed to thwart these efforts is a mistake, in my opinion. It would accelerate the steady undertow of recent years by which more and more functions of government are being drawn inexorably away from the States and communities and centralized in the hands of Washington bureaucrats.

These reservations are powerful and they would be compelling but for the naked realization that major problems do exist across the country, problems calling for urgent Federal attention and that this bill is the only one we are going to get. For all its faults, and they are many and major, there is some good. Although its vague, even vacuous, language, will be an administrator's nightmare, watchful towns and States, and a watchful Congress, can all help to correct them. It is exasperating that the program could not be set up skillfully and properly at the outset.

During the markup of the bill in committee, I offered without success several amendments designed to improve the bill. I shall offer them again on the floor of the House and urge my colleagues to consider them carefully and to act favorably on them. Following are brief résumés of them.

Amendment 1—To strike out loans and guarantee of loans to private business: The purpose of this amendment is clear. It is not fair to loan taxpayers' money to a private industry at preferential rates which add to the competition of the taxpayer. Many of the criticisms of the Area Redevelopment Administration (and they have been many and well founded) have sprung from the provisions for loans to private industry. It must be remembered that the Small Business Administration can and does make loans to business, and if its authority to help industry in disadvantaged areas is not adequate, then it should be given the necessary authority. It is a senseless and wasteful duplication of Government effort to set up a new agency in this field, particularly in view of the fact that the Small Business Administration has been quite successful in this general area.

Amendment 2—To prohibit the construction of new hotel and motel facilities in areas which do not need them: The purpose of this amendment is obvious. The most glaring example of shortsighted ARA policy in this connection is the building of a large motel on the outskirts of Detroit at a Federal cost of nearly \$1.9 million at a time when the occupancy rate of Detroit hotels and motels was 54 percent. (See p. 33, H. Rept. No. 276, 88th Cong., to accompany H.R. 4996, Area Redevelopment Amendments of 1963.) The hotel and motel industry has suffered from tax policies which have curtailed, unfairly in some respects, expense accounts. The industry is being forced to act as a collection agent for social security on tips, which is largely a guessing game. Minimum-wage and fair-labor proposals before the Congress are threatening some members of this industry with extinction.

To add to this series of federally inspired woes, Federal financing for their direct competition is so manifestly unfair that it almost defies description. It must be remembered that as of June 30, 1964, about \$68.5 million, or more than 28 percent of ARA's total investments to that time, had been spent on the construction of hotels and motels.

Amendment 3—To provide that every State should have one redevelopment area: The purpose of this amendment is to insure that every State will have at least one area entitled to the advantages of this act. The ARA Administrator will benefit from having at least one area in every State. It is only fair to States which do not have areas that qualify for the benefit to have at least one

area, however small. Under the present state of the law and the facts, New Hampshire, Vermont, Hawaii, and Delaware will be left without any area covered as soon as the first annual review is completed. The reason that they have areas now is because of the so-called Proxmire amendment, which requires the broadest possible distribution of the program, and because of the grandfather clause in the bill.

I cannot speak for Vermont, Delaware, or Hawaii, but the reason that New Hampshire will not qualify after the first annual review is because the unemployment rates in our most disadvantaged area (northern New Hampshire) do not qualify under the criteria of S. 1648. This is because people in northern New Hampshire, when they have not been able to obtain work, have had the "get-up-and-go" spirit to go out to find work, often at great personal sacrifice. They do not stay at home on unemployment, but their departures leave a diminished number of taxpayers to bear the burdens of the communities which they have left. This problem of out-migration, which is a real one, has been almost totally ignored and overlooked by ARA officials who rely too heavily on official unemployment statistics. The committee has amended the bill to force upon the ARA Administrator consideration of out-migration problems, but apparently he remains unconvinced. It is unfortunate that the four States that will be excluded from the Area Redevelopment Act are small States, but hopefully the House of Representatives will protect them in this instance by adopting my amendment.

Amendment 4—Fair trade amendment; prevention of unfair competition:

"PREVENTION OF UNFAIR COMPETITION"

"SEC. 702. No financial assistance under this Act shall be extended to any project when the result would be to increase the production of goods, materials, or commodities, or the availability of services or facilities, when there is not sufficient demand for such goods, materials, commodities, services, or facilities, to employ the efficient capacity of existing commercial or industrial enterprises."

The ARA has been rightfully criticized for building factories which contribute to oversupply and overcapacity. For example, they built a shoe factory in Indiana at a time when shoe factories in New Hampshire were closing because of oversupply. They have constructed pulp and tissue mills at a time when problems of oversupply were seriously affecting these industries in my State, and the same can be said for plywood and other industries. The purpose of my amendment would be to prevent this type of shocking and prodigal waste of Government money and this gross unfairness to American taxpayers. This amendment to prevent unfair competition touches on the whole problem of industrial and job piracy. By adopting this amendment, the House can do much to improve this legislation.

On February 8, with other Republican members of the Public Works Committee, I introduced the Resources Development Act of 1965—a program for all the Nation—as an alternative to the special-interest Appalachian Regional Redevelopment Act of 1965.

This legislation recognized that problems, similar to those in the 11-State Appalachian region, existed throughout the country. The Republican bill would have allocated a large part of the funds to the development of roads and community facilities, just as the Appalachian program does. It called for spending its authorization, however, in all disadvantaged areas in the United States which would have been eligible for assistance.

Most regrettably, this approach was rejected by the House, but I maintain that the approach taken by the minority in offering the Resources Development Act is the only

one which will truly benefit the entire country. It called for no new agencies. It worked through and with State and local government.

I must express my disappointment at the wholly inappropriate inclusion of Appalachia in this bill. This point is well covered in the minority views. At first, the committee adopted an amendment to bar those counties on which the bounties of the Appalachia Act already have been showered from competitive participation in this program but, it then retreated in abject and shameful flight from this program.

Finally, I want to caution all States and, especially communities that would be eligible under this bill, the race is to the swift. During the hearings on this bill, a great deal of disturbing evidence was piled up to show that the fruits of the program will go in many cases to the prosperous, well-organized communities—pockets of prosperity, in effect—which, through accidents of geography, are located in counties that are generally depressed economically. Town fathers across the land should be on notice to act swiftly if they expect to share this wealth. Experience with the area redevelopment and accelerated public works programs exposes the ironic fact that many communities in direst need have been left out because the money tree had been plucked bare by their richer and more aggressive neighbors.

In conclusion, then, it is with understandable reluctance that I cannot concur fully with the minority views, and shall vote for this legislation. In the final analysis, my vote is a protest against the totally unfair Appalachia legislation passed earlier this year by the Congress. Under the Appalachia legislation, the Federal Government undertook to refurbish Appalachia with a massive public works program designed to make that area of the Nation more attractive for new industry. Parts of my district are just as badly in need of new industry and the benefits of the Appalachia-type approach as are parts of the Appalachia region. For this reason, I cannot in good conscience vote against legislation—poorly drafted as it is—that would make it possible for parts of my district to obtain (on an apparently temporary basis) at least a small measure of similar Federal largesse. Hopefully, the House will adopt at least some of the important amendments which will be offered by the minority to improve this legislation. I also hope that this legislation will be fairly and wisely administered, for if it is not, it can serve to create an ever-accelerating rate of new areas of disadvantage.

JAMES C. CLEVELAND,
Member of Congress,
Republican, New Hampshire.

Mr. BLATNIK. Mr. Chairman, I yield 10 minutes to the gentleman from Texas [Mr. WRIGHT].

Mr. WRIGHT. Mr. Chairman, the bill presently before us is an entirely logical projection of modern economic theory keyed to the private sector and its job-creating dynamics. Its basic thrust is to provide incentives for venture capital, to create new employment opportunities in those scattered pockets throughout our Nation where even in the midst of our unprecedented prosperity men still walk the streets in search of work.

It seeks to perform this task by encouraging the establishment of new business ventures, and expansion of existing plant and production capability in these presently disadvantaged areas of the country.

The entire bill has one underlying purpose and that purpose is to stimulate economic growth in the individual localities where it is most needed.

I think it is quite important to point out at this point that we are not speaking of public employment; we are speaking of private employment. We are not talking only of temporary work; we are speaking of permanent employment opportunity in a sound business within our capitalistic structure. Even the criteria for public works grants and loans under this bill require a showing that construction of the needed public facilities will serve the long-term purpose of economic growth in the private sector.

Title I of the bill would authorize appropriations of \$400 million annually for 5 years for matching grants-in-aid to public bodies and private community nonprofit organizations for public works and development facilities. These facilities under the bill must be located in the areas of high unemployment and low family income which for a variety of reasons have continued to fall behind the spectacular climb of our Nation toward new heights of full employment and economic growth.

These facilities must fulfill a pressing local need of the area, evidenced by the fact that the local citizens themselves, not some bureaucrat in Washington, have identified these facilities in their overall economic plan as necessary for the economic growth of the area. And so, "economic development" is the key phrase in title I and in the entire bill. To be eligible for grant assistance, public works projects therefore must meet a very stern test. It would not be possible under this bill for the Federal Government to assist in the development of a public works enterprise, however praiseworthy in itself, unless it is established that such an enterprise will improve the opportunities for the successful establishment or expansion of industrial or commercial plants or facilities, or that it will assist in the creation of additional long-term jobs; or that it will primarily benefit the long-term unemployed members of the low-income families, or otherwise substantially further the objectives of the Economic Opportunity Act of 1964, more popularly known as the poverty program.

Mr. Chairman, lack of essential job facilities is unquestionably one of the principal reasons why we have in the midst of this general prosperity these islands of economic distress which are the targets of this legislation.

I brought with me today one page torn from the financial section of the Washington Star of last Monday. I invite your attention to the headlines:

"Last Year's Big Profit-Makers Doing Even Better in 1965"; "Gains Range From 5 to 41 Percent Among the \$100 Million Firms of the Country"; "General Motors Per-Share Earnings Rebound to Record Levels"; "Profits Are Double Since 1961"; "Meat Packers' 1964 Sales Gained 2 Percent for a Record"; "Area Telephone Firms To Share Long Line Growth"; "Electric Industry Linking Up Vast Connecting Power Web."

Mr. Chairman, these are the headlines that might appear in any daily newspaper which we could pick up. They appeared in one selected at random this week.

These are the signs of our times, signs of unprecedented general prosperity. We are in our 54th month of continued economic expansion, the longest period of unbroken economic growth, uninterrupted by a recessionary trend, in the entire peacetime history of the United States.

Mr. Chairman, our gross national product soars toward an unprecedented \$650 billion.

We have gainfully employed in the United States at this moment some 72.5 million Americans. This is 1.4 million more Americans employed than had jobs on January 1 of this year.

But still with this record growth it is not enough. Even with the stunning growth rate that we have attained, 4½ percent of our job force still is without work. If we are to avoid the specter of growing unemployment, the employment figure must be raised from 72.5 million today to at least 75 million by next year.

Mr. Chairman, is it not easy to see why we are finding it necessary to have a continually expanding, growing economy realizing as nearly as possible its total full productive potential?

If we do not create 3 million new jobs every year, then we will be losing ground, because it will take 3 million new jobs in the private American economy annually to keep pace with the growth of the numbers newly coming onto the job market and to take up the slack annually created by automation.

This is a stern task. Think what an enormous challenge—3 million additional jobs every year. We are inhibited from realizing the total potential of our economy—and handicapped in our efforts to reach this ambitious but necessary goal—by certain areas throughout the country wracked by chronic inability to keep pace with the growth of the Nation. They drag back the Nation. They drag back the realization of our total economic potential.

Mr. HOLIFIELD. Mr. Chairman, will the gentleman yield?

Mr. WRIGHT. I am glad to yield to the gentleman from California. I do so with great pleasure.

Mr. HOLIFIELD. I just want to compliment the gentleman on what he has just said.

I have heard some allusions today to the present prosperity and the making of an invidious comparison as to why we are proposing to do this when we are in the midst of an era of great prosperity and great employment.

The gentleman from Texas is explaining very clearly the fact that even though we are in a time of great prosperity, we face this constant need for more jobs as our population expands and increases.

And to say we should not be concerned with those pockets of poverty and these areas of unemployment and stagnation in our economy is like saying in a family of six if one person is sick we do not need to worry about the health of the family. We are worrying about those areas that are in need. This is one way we can continue to have not only the prosperity we enjoy but also to increase that prosperity to those people who are not sharing it.

Mr. WRIGHT. I thank the gentleman for his very appropriate contribution, timely as always, and particularly for his extremely apt illustration which points up exactly what we are attempting to do. It might seem anachronistic that in this great economy we have produced record levels of business profits, record levels of retail sales, record levels of general employment, record levels of freight car loadings and all the other indexes that are pointing up our economic growth, but that in the midst of these barometers we have these islands of distress. I should like to say, however, that this is precisely the problem that title I and title II of this bill undertakes to assail.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. BLATNIK. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. WRIGHT. Mr. Chairman, regardless of how rich such an area might be in human resources or in mineral resources or in natural beauty, no area can hope to attract new economic activity unless it has essential public facilities and basic public services. It has to have an adequate water supply; it has to have an adequate sewage disposal system; it needs a network of streets and roads to connect it with the outside world; it needs utility lines to serve industrial sites; it needs airports, railroad sidings, and all of the related structure of basic public facilities without which industrial and commercial enterprise cannot operate.

Mr. CLEVELAND. Mr. Chairman, will the gentleman yield?

Mr. WRIGHT. I am happy to yield to the gentleman from New Hampshire.

Mr. CLEVELAND. In connection with the question and the remarks of the gentleman from California, and with reference to the gentleman's remarks, I can agree with much of what the gentleman says. In fact, I do.

The issue here—and it is an issue that we constantly lose sight of—is not our objective, but how to attain those objectives. I share with the gentleman the thought that it is intolerable to have pockets of disadvantage in our Nation at a time when we are enjoying great prosperity. However, we should come back to the real issue, which is not whether or not these pockets exist. The real issue is how we can proceed to cope with the problem once it has been identified. It is regrettable, the time we lose as we discuss the issue in reference to whether these areas exist. We agree they do exist. Let us forget our eloquence in pointing out these areas, let us have more hard debate on how we can go about coping with the problem.

The gentleman from Texas must agree that the great State of Texas has a fine State organization to help these areas, but the ARA Administrator bypasses it. They should work together. That is the type of thing I mean. The debate and discussion should be directed more toward methods of meeting the problem that we all agree exists.

Mr. WRIGHT. I thank the gentleman. I blush to confess that in our own vaunted State of Texas we do have areas which fall below the national norm. We

have areas which are below the national income average. We have areas which are above the national unemployment average. We do have a number of economically distressed areas in my State. Those, happily, do not occur in my own particular district. None of my specific district would be eligible for the benefits of this bill.

But that certainly does not take away the value of the bill. It serves that national good, and I hold to the view that what serves the Nation serves my district.

As the gentleman suggested, let us address ourselves immediately to this particular question: How do we go about attacking this problem which we all acknowledge to exist? Why have these areas become distressed? Well, basically most of them have become distressed because their former economic base, whether it be coal or cotton, iron or timber, fertile soil or skilled manpower, has become eroded. Or they have become distressed because 20th century technology has gone ahead and left them far behind, outmoding the technology of their existing business. Unemployment follows and property values decline.

Now, because their tax revenues have dwindled in the wake of this occurrence, these localities no longer can maintain or expand their essential public facilities—and without such essential public facilities they can no longer attract any new kind of economic activity to provide the wellsprings of a new prosperity from which new economic growth can flow.

So this vicious cycle of distress leading to distress can only be broken by helping these localities to improve what the economists call their basic infrastructure or the foundation without which no economic activity can flourish and prosper.

Title I of the Public Works and Economic Development Act of 1965 therefore combines the best features of the accelerated public works program, which ran out of funds in 1963, and the public facilities grant program of the Area Redevelopment Act, which also exhausted its authorization in 1963.

The program authorized by this bill is more stringent than the APW program in that each development facility must not only provide immediate jobs on the construction site, but must also contribute to the creation of permanent jobs through the economic development of the area. It is broader than the public facilities program of ARA because the permanent jobs which these projects help to create need not be on hand immediately, provided they are in sight somewhere in the foreseeable future.

This bill, then, is fully in tune with all that we have been trying to do in coping with the realities of the mid-20th century. The period since World War II has brought to our Nation an entirely new range of possibilities, of new problems, indeed of a New World. Out of this has developed a new economics. To call it Keynesian is a mistake. It is post-Keynesian. To call it socialistic is altogether wrong. It is the reverse. It is capitalistic.

An entirely new orientation, a new dimension and direction, a new purpose and a wholly new mission has been given to economic thought and policy in the past several years. We need to understand it. Keynes and his devotees wanted to stabilize the capitalistic system and by doing this to avoid mass unemployment. This basically was the goal also of the New Deal.

The new economic concept which permeates the Great Society, and of which this bill is one application, goes much further. It seeks not to stabilize but to expand the Nation's business structure. It asserts a new and original thesis in political economics—that the overriding function of government is to promote continual economic growth.

The need for an ever-expanding economy should be obvious. This we must do, as stated earlier, to avoid growing unemployment.

This is the distinctive political creed of the 20th century, post World War II. It had its first conscious expression in the Full Employment Act of 1946, but even those who wrote that act still imagined prosperity as a sort of static condition rather than as a progressive one. The very vocabulary of the modern political economist was then only in its infancy. The first official recognition by the U.S. Government of the gross national product as a basis concept was in 1945.

Since that time the United States has reached proportions of growth which then would have been thought utterly impossible. Today our economic structure is generally sound and still growing. The present period proves that sustained growth is possible. A combination of wise Federal policies and prudent business and labor leadership has enabled private production and incomes to grow without the stimulus of either a major war or the painful dislocation of general business recession.

While it is premature to say that business cycles have been eliminated, we can say with certainty that there is no necessary reason why an expansion must end in 26 months, 36 months, 50 months, 80 months, or any other arbitrary length of time.

But we cannot see the picture clearly unless we view also the human element. A family breadwinner without a job is a distressed individual. A community that is losing its people is a distressed community.

We have learned that it is a logical and appropriate role of government to ease the dislocations which have followed in the wake of such rapid change. The total economic potential of our country cannot be realized unless we can place new industries in areas where the ever-changing present has made the old ones obsolete. We cannot build the Nation as a whole if we sit by passively and let ghost towns develop among the ashes of old industrial plants which new techniques have outmoded or rendered uneconomical.

We cannot build the kind of an America in which we want to live by letting the small towns of our country wither on the vine and finally blow away.

So the new economic theory of which this bill is an extension is in fundamental harmony with the most basic traditional American concepts. We know that public works employment, however valid and needful, is not continuous employment. Private employment is. Public works employment does not promote goods and services for sale. Private employment does. Public works employment does not generate new capital for additional expansion. Private employment does.

And so this Public Works and Economic Development Act of 1965 builds upon the past to meet the problems of the future. It attacks unemployment in its very breeding grounds. It attacks it with the very weapon which we have traditionally found to be availing. That weapon is encouragement to private capital to assume private risks and to create jobs for Americans in sound private business—not in just a few growth-burdened communities but throughout the land.

This bill, therefore, is a highly necessary weapon in our ever increasing national effort to build a truly Great Society upon an expanding economic plant which draws its sustenance from the grassroots of America.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. WRIGHT. I yield to the distinguished Speaker of the House.

Mr. McCORMACK. In addition to the many logical arguments made by the gentleman from Texas, it seems to me the most powerful argument is the human argument—we are helping human beings. We are doing it abroad and properly so. But these are human beings who are American citizens. They live in areas of the country where they are faced with economic conditions over which they have no control and over which, to a great extent, the local communities do not have control.

This legislation provides a means for the Federal Government, in cooperation with the State and local governments, to bring hope to human beings, Americans like ourselves—but above all, human beings.

There is also the further principle that when we help these human beings, we strengthen the family life of our fellow Americans. Then we strengthen the family life of the people in the community in which they live and their State and the family life of our country as a whole, we strengthen America itself. Because the strength or weakness of the Nation depends upon the collective strength or weakness of the family life of a country.

So, Mr. Chairman, in addition to the able arguments that my colleagues have brought out, it seems to me, and it appeals to me, when the facts justify it, that one of the most important, if not the paramount consideration that enters my mind, is the helping of human beings who happen to be Americans and the strengthening of American family life and thereby the strengthening of our country itself.

Mr. WRIGHT. I thank the distinguished Speaker.

Mr. BLATNIK. Mr. Chairman, I yield 6 minutes to the gentleman from New Jersey [Mr. HOWARD].

(Mr. HOWARD asked and was given permission to revise and extend his remarks.)

Mr. HOWARD. Mr. Chairman, I would like to call the attention of the House to one of the most important provisions in the legislation which is now before us for consideration. I am referring to title I, section 101(a) (2) which provides for supplementary grants for public works and development facilities.

Over the years the Congress has enacted into law a great many grant-in-aid programs to assist States, municipalities, and other public bodies in the construction of needed public facilities. The number of such programs is much too large to be listed here in detail. They cover almost every field of public facilities—from hospitals and health centers to community colleges and vocational schools; from airports and waste treatment plants to soil conservation and flood control. The Subcommittee on Intergovernmental Relations of the Senate Committee on Government Operations last year listed over 100 such programs. However, all of them required that the States and municipalities making use of these programs provide varying amounts of the total costs of the projects out of their own funds. In the great majority of these programs, this State and local share amounts to a minimum of 50 percent and, in many instances, the matching requirement is considerably higher.

The basic purpose of the bill before us is to provide extra amounts of Federal assistance to those areas of our country which have suffered for long periods of time from high unemployment and low standards of living. But the great tragedy is that those areas which lag most behind the steady growth of our national economy are also those least able to avail themselves of these Federal grant-in-aid programs. Long stagnation of their economy, out-migration of the best wage earners, shrinking tax revenues, loss or obsolescence of their natural resources, and long neglect have made it all but impossible for many of these communities to come up with the required local matching funds. When the Congress enacted in 1962 the accelerated public works program, it set aside over \$700 million for grants-in-aid to local communities to accelerate the construction of essential public works in the economically depressed areas; it was found that community after community was unable to make use of this program because they were unable to come up with the 25 to 50 percent of the cost of such projects which were required as local matching funds.

Section 101(a) (2) of the Public Works and Economic Development Act of 1965 is intended to remedy this situation.

In order to enable the neediest communities in the neediest areas to take maximum advantage of existing and future Federal grant-in-aid programs for which they are eligible but for which, because of their economic situation, they cannot supply the required matching share, the act provides supplementary

grants which may bring total Federal contributions to any eligible project up to 80 percent of total cost.

Supplementary grants may be provided also where the basic grant of 50 percent is made by the Economic Development Administration.

In determining the amount of the supplementary grant, the Secretary of Commerce, who is responsible for the administration of this act, shall take into consideration the relative needs of the area in which the project is located and the nature of the project.

This provision is similar to one which is contained in the Public Works Acceleration Act which provides for basic grants of 50 percent, but permits grants of up to 75 percent in areas of special need.

In actual practice this will mean that those areas which have the highest unemployment and the lowest family incomes will receive maximum help for those projects which are of the greatest importance for the economic development of the area.

Since some projects, especially water works and sewer projects, generate certain amounts of revenue from charges imposed upon their users, the act provides that supplementary grants may be reduced by that part of the local share that can be supported by revenues in excess of those needed for the operation of the project, including depreciation.

Under the accelerated public works program, unemployment and family income were used as the yardsticks of an area's need for grant rates above 50 percent and the Secretary of Commerce has testified that he would use similar yardsticks to determine the areas which would be entitled to higher grants. In addition, the Secretary would also give consideration to the nature of the project in relation to the overall purpose of economic development to be served by this act.

I believe that this supplementary grant program will be of very great value in our efforts to bring the economically depressed areas up to the standards of the rest of our economy.

Mr. HARSHA. Mr. Chairman, I yield myself 15 minutes.

(Mr. HARSHA asked and was given permission to revise and extend his remarks.)

Mr. HARSHA. Mr. Chairman, I rise to speak in support of S. 1648 because I know the need for it, I have seen the worthwhile effects of previous programs, and I favor the principles on which this legislation is based.

To those members who do not represent areas of economic distress, let me say that the hardest job a legislator has is to face those who are in a hopeless economic situation and to say that he cannot help. And believe my friends—it is even more difficult surrounded by the prosperity other areas are now enjoying. There is no frustration like the frustration of the jobless, no hopelessness like the hopelessness of those who live in distressed areas.

This great Nation of ours can put rockets on the moon, take pictures of Mars, build atomic bombs and financially

support the economies of over 100 nations in the world. Knowing that we can do all this, how can we face the people of our distressed areas and say that there is no way by which we can help them rebuild their economic strength?

There may be some who will say that it has to be this way, that you cannot change the basic underlying economic conditions, but I do not agree. Working together, Federal, State and local programs can change these conditions. The local people have a basic responsibility; the State has an important responsibility; and the Federal Government has a responsibility to help, also.

I know it can be done, because I have seen it. I can go in my district and see people working in ARA-assisted plants, who would be jobless today if it were not for that program. I can talk to community leaders who are hopeful and optimistic about their economic future today, when they were doubtful and pessimistic about it 4 years ago.

I can go through my district, and I can see basic public facilities, hospitals, sewerage facilities, waterplants—all these made possible under the public works acceleration program, and if it were not for this program, those facilities would not exist today.

I am not talking theory now, I am talking facts. I am talking about people working on jobs, earning a living, drawing a paycheck. I am talking about sewerage and water facilities actually constructed, actually serving industry and people and the general welfare of the Nation.

Mr. Chairman, I speak here, frankly, as a convert. As one who opposed the original Accelerated Public Works Act in 1962. At that time I had serious misgivings about the jobs that would be provided, about the inducements to industry to locate in these areas, and above all about the Federal roll in this kind of program and its effect on local initiative and certainly serious questions about the advisability of spending \$900 million for public works projects at a time when we were considering a tax cut. In other words fiscal responsibility.

Now, Mr. Chairman, having seen this program work, knowing of the jobs it has created and the economic improvement generated in various areas by it, having full knowledge of the local initiative this legislation generates and now realizing the long term contributions it makes to the overall fiscal picture of this Nation, I can say to you, Mr. Chairman, with this experience and this knowledge I intend to rectify that previous mistake by supporting this legislation.

The bill we are considering today is based on principles which every Member of this body would support regardless of party.

First of all, this bill is based upon maximum support for the private enterprise way of improving economic conditions. Under this bill, jobs for the jobless are provided not by public employment, but by private employment. The poor are to be helped under this bill, not by a dole, but by making it possible

for them to become economically self-supporting.

This bill is designed to work with businessmen and through businessmen, and that is one reason why every Member of this body ought to support it. Let us make no mistake. There are people in the distressed areas who need higher incomes and more jobs. We are supporting them now, one way or another, either through unemployment compensation, or public assistance or some other form of public aid. What makes more sense? To continue to support them in enforced idleness? To put them on the public payroll? To force them to move? To let them starve? Or does it make more sense to help them become self-supporting through economic development of the area and the free, private enterprise system?

I know of no difference between our two great political parties on this question. We all believe in free enterprise. We all believe in the business system. And we should all support this bill because it supports the American, free enterprise, business system.

A second principle on which this bill is based is local initiative. This is not solely a Federal program. We in Congress do not decide what projects should be approved or not approved. Federal bureaucrats do not make up these projects. It is up to the local community to decide what it wants to do, how it wants to do it, and to propose its projects for Federal assistance.

This bill lays great stress on local initiative. Before an area or a district or a region can receive any financial assistance or public facility grants under this program, there must be a locally prepared and locally approved overall economic development program. This is a common sense requirement. The local people must get together and come to a consensus on what their problem is and what they propose to do about it. They must design their own program for alleviating their economic plight. Only then will the Federal Government agree to help.

Is there a Member of this body, regardless of party affiliation, who would quarrel with this great principle of local initiative? This program will make communities stronger, not weaker. This program will help develop local community leadership, not supplant it. It will bind the people together in a common bond. This program will build greater strength at the grassroots, and this is where the real strength of our Nation lies.

If you want to build democracy at the local level, if you want to strengthen the economic fibers of our country, this bill will help accomplish those goals. Those goals merit your support, regardless of party.

A third great principle on which this program is based is the principle of partnership. No one element in the program goes it alone. It provides for a partnership at many levels. There is the partnership of local, State, and Federal economic development programs, each level of Government contributing what is appropriate. There is the partnership of

Government and private enterprise, working together. Government provides the capital and technical assistance which private enterprise is unable to secure in these areas; and private enterprise provides the jobs which take people off the public relief rolls and make them taxpayers and, more important, restore to them the dignity that goes with being a self-supporting citizen contributing to the overall welfare of this Nation. There is the partnership of voluntary community leadership—labor, business, bankers, farmers, working together on overall economic development committees to rebuild their communities.

Is not a program which fosters greater cooperation among all worthy of the support of every Member of this body, regardless of party? Who among us would not be for greater cooperation between Federal, State, and local governments? Who would not be for greater cooperation between Government and business? Who would not be for greater cooperation within the community on the part of labor, business, bankers, and farmers? Support for programs which are based on principles like these go beyond and above party affiliation.

A fourth principle on which this program is based is the principle of economic value. This is not a something-for-nothing program. This is not a giveaway program. This is a simple investment on the part of the Federal Government which is designed to pay greater dividends to the Federal Treasury and to the Federal taxpayer. It is designed to provide jobs, to remove the unemployed from the welfare rolls to restore that dignity that comes to the individual through being a self-sustaining citizen, and I am convinced that it will.

Our committee heard testimony from a businessman who received a loan from ARA, and the taxes received as a result of that loan, exceeded the value of the loan in 2 years. And the loan is being repaid. And the taxes continue and the jobs continue.

The Area Redevelopment Administration estimates that taking into account all costs and expenses and allowing for losses on bad debts, it costs, on the average about \$800 to create a job under a program like this. This would be repaid in 2 years by the average taxes collected. Some have said that ARA's job figures are exaggerated. Suppose they are? Suppose it cost \$1,600 to create an ARA job and it took 4 years to get that investment back in taxes. Would this still not be a worthwhile investment in the future of America?

As a conservative, as one who is concerned about the Federal Treasury, as one who has labored to reduce the Federal debt and the Federal budget, I support this program because I know that as we build the economic self-sufficiency of our distressed areas they will make a contribution to the Federal Treasury and cease being a drain upon it.

I invite other like-minded, conservative Members of this body to join me in support of this program.

Mr. Chairman, as a Republican—as a member of a party which has always

supported the free enterprise system; which has always worked for greater local strength and power, which has always promoted a spirit of cooperation among all; and which is concerned about fiscal realities—I support S. 1648. I intend to vote for it, and I urge all my fellow-Republicans to join me.

Let me say also, Mr. Chairman, that as an American, as a human being, as one who is shocked when he sees people who ought to be working and can't find jobs, I support this legislation, and I urge all my fellow-Congressman to join me.

Let us all join together in the spirit with which this legislation has been drafted and in the spirit with which it will have to be carried out, and let us pass this bill to provide more jobs and higher incomes in those areas of our Nation where jobs are hard to come by and incomes are too low.

Let us make this investment in the future of this great Nation.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. CRAMER. Mr. Chairman, I yield the gentleman 3 additional minutes. I appreciate the gentleman's position.

Mr. HARSHA. I thank the gentleman.

Mr. CRAMER. I assume the gentleman's conservatism relating to this particular legislation could possibly be influenced by the fact—or could it?—that a goodly number of counties in the gentleman's district are depressed areas. Would that influence the gentleman's determination on this particular matter?

Mr. HARSHA. I will say to the gentleman that I am deeply interested in those depressed areas in my district, and I intend to do all I can to help those and other depressed areas to come out of their economic plight.

Mr. CRAMER. But a good number of counties in the gentleman's district are depressed.

Mr. DON H. CLAUSEN. Mr. Chairman, will the gentleman yield?

Mr. HARSHA. I yield to the gentleman from California.

Mr. DON H. CLAUSEN. I simply want to subscribe to and associate myself with what the gentleman from Ohio has said. Many of us who have these depressed or distressed areas are very much concerned and are looking for programs constantly to assist in the overall economic development.

Quite frankly, we are not confining our search to programs that are recommended by government. I have cooperated with and assisted in the development of a number of "operation bootstrap" programs where communities have taken the initiative. Again speaking candidly, I believe strongly in stimulating interest and motivating people into action in the areas where opportunities exist.

Previously, I have voiced strong opposition to the manner in which the Area Redevelopment Administration has administered the program of coordinating overall economic development activities in some of the communities of my district. So, it can be said that some of my experience with the agency has not

been good. However, giving credit where credit is due, I have observed a mending of their ways and been subjected to a creditable handling of community projects.

Certainly, the objectives of the Public Works and Economic Development bill considered by our committee and now presented to the House for approval, must be categorized as highly desirable.

While we were successful in committee with the adoption of perfecting amendments, I do believe we should further pursue, through the amending process, the corrections recommended by the General Accounting Office.

I also believe additional amendments are necessary to improve the bill and I hope the Committee of the Whole House will support some of the amendments to be offered.

At the proper time, I plan to offer two or three amendments of my own. I will not take the time of the Committee to elaborate in depth at this point. However, they will be designed to retain congressional approval over regional and interstate compacts, insert an anti-piracy provision to protect existing industries and restrict loans to certain agricultural products that are substantially in surplus or experiencing an oversupply of production, thus creating a depressive effect on existing markets.

Finally, the accelerated public works sections of the bill will assist depressed and unincorporated areas of the country in resolving some of their problems associated with much needed community, health and hospital facilities.

As many of the Members recall, my congressional district was, without question, the hardest hit during the floods of this last winter. Two hospitals, that qualify for assistance under the Hill-Burton Act, had planned to raise the required matching funds until disaster struck. Many people in the Eel River Delta near Fortuna, Calif., who had pledged assistance to the one hospital, were besieged with personal disaster and losses associated with the flood, thereby prohibiting their followthrough on their original commitment. Additionally, the accounts receivable of this hospital increased as people affected were unable to pay their bills. In view of this financial crisis, I am told, this particular hospital will qualify for these needed funds should this bill pass.

The second hospital referred to was a hospital district that lost a substantial portion of its tax base when the tidal wave created by the Alaskan earthquake wiped out the community of Crescent City.

As the Members know, I have previously expressed reservations about this program but in view of the aforementioned circumstances and the greatly improved administration in my district, I plan to support this legislation and ask my colleagues to join me. I do believe, however, that we have a continuing responsibility as Members of Congress to carefully and continually review the administration of all programs of this type and make our views known of any problems or abuses to the Appropriation Committee members as they approve the authorized funds each year.

Mr. HARSHA. I thank the gentleman, and I welcome his support of this legislation.

Mr. McEWEN. Mr. Chairman, will the gentleman yield?

Mr. HARSHA. I yield to the gentleman from New York.

Mr. McEWEN. I should like to associate myself with the remarks of my colleague from Ohio. I must add that the 31st Congressional District of the State of New York is an area that has suffered from a prolonged period of high unemployment. I want to say that notwithstanding any criticisms I have made of this bill in committee, or recommendations I may make hereafter, I think it is, as the gentleman from Ohio has said, a sound, constructive step in attacking a very real problem that urgently needs the attention of this country and of this Congress.

For these reasons, and in recognition of what the Area Redevelopment Administration has done in my own area, as well as other areas, and I speak of my own area, Mr. Chairman, because I am familiar with it, I know what the ARA has done overall, and I endorse what they have done. I think it has contributed greatly to the area and I am confident in the future that the matters that they are working on and studying now and the programs to be carried out by this Administration will be of benefit to that area as well as other areas and thereby to the country as a whole.

Mr. HARSHA. I welcome the support of the gentleman from New York. I only wish the poor sheep would come home to the fold.

Mr. BLATNIK. Mr. Chairman, I yield myself 1 minute.

Mr. Chairman, we appreciate the very solid and earnest presentation made by the gentleman from Ohio and his colleagues.

Mr. Chairman, I yield to the gentleman from Indiana [Mr. DENTON].

(Mr. DENTON asked and was given permission to revise and extend his remarks.)

Mr. DENTON. Mr. Chairman, I rise in support of S. 1648, the Public Works and Economic Development Act of 1965. This bill, embodying the finest features of the Area Redevelopment Act, the accelerated Public Works Act, and the Appalachian Regional Development Act, is sorely needed.

From my own experience I know the Area Redevelopment Act and the Accelerated Public Works Act helped economically distressed areas of our country.

Out of the 13 counties in the district which I represent, 8 were declared distressed areas eligible for assistance under the previous acts. Three of these counties have since been taken off this list and are no longer eligible for assistance. All of the counties improved their economic conditions. These counties literally pulled themselves up by their bootstraps.

How did this occur? It did not simply happen.

All of us know how difficult it is to get different segments of a community aroused about a specific problem or a specific project. Well, I have seen how the Area Redevelopment Administration has succeeded in getting the leaders of

the various communities in my district aware of the need to help themselves.

For the first time in their history, businessmen, labor leaders, farmers, educators, and public officials are all working together as a team. They are taking inventory of their assets and their liabilities to determine what needs to be done. The fact that these groups are working together is no accident. The Area Redevelopment Administration planning program brought them together. I have attended some of the meetings held by these groups, and believe me, gentlemen, these people want to help themselves. But they need guidance and assistance.

In order to develop economically, these communities need new industry, new jobs. I believe that the 1,886 new permanent jobs that were developed in my district under the former programs are a start, but that is all it is. We need more.

Looking at it from a very practical standpoint, those 1,886 newly employed people are again paying taxes. They are paying their way instead of getting relief or drawing unemployment benefits.

Small communities need these taxpayers to stay alive. This is one reason I support this proposed legislation. I would much rather see Congress continue to help these people to help themselves now, than be called upon at a later date to consider increases in relief benefits.

I recently attended a meeting in Jasper, Ind., where a survey of the tourism potential of southern Indiana was explained. The survey was conducted by Indiana University under a grant from the Area Redevelopment Administration. There were about 185 people at this meeting, from all walks of life. They came to find out what they could do to help develop this potential in their home areas. And now, thanks to the Area Redevelopment Administration, we have a factual basis for launching a tourist program that will enable us to capture our share of the tourist dollars being spent each year across the country.

This is just one more indication of the kind of work that the old programs did, and which would be carried on under the new legislation. Loans are necessary, and public facilities are needed to help distressed communities to attract new industries and new jobs. But the most important thing we can do for these areas is to give them hope, encouragement, and assistance when they need it.

Let us show them we care by adopting S. 1648 and carrying on the great work started under the Area Redevelopment Act and the Accelerated Public Works Act.

Mr. BLATNIK. Mr. Chairman, I yield such time as he may require to the gentleman from Kentucky [Mr. PERKINS].

Mr. PERKINS. Mr. Chairman, I wish to express my strong support for S. 1648. This bill is the soundest approach to economic development that I have seen during the time I have had the privilege of representing the people of eastern Kentucky in the Congress of the United States. The benefits available under this bill will be of immeasurable value to the hard-pressed counties of my district in attacking and overcoming longstanding problems which have retarded their economic growth.

Many communities in eastern Kentucky obtained their first water and sewage facilities under the existing legislation. Out of the 91 approved APW projects in my district, 56 were for either new or improved water and sewage facilities. Improvement of streets and roads was the next highest category, with 14 approved projects. Eleven public building projects were approved and 10 recreational and miscellaneous projects. The total estimated cost of these projects was \$36,142,000, of which \$27,774,000 was approved for funding.

Impressive as these figures may seem at first glance, they represent only a small increment of the total needs of eastern Kentucky. Although many communities still had applications pending at the time the funds were exhausted, many more communities were unable to develop their planning for needed public works projects in sufficient time to file their applications under this accelerated program.

This new bill holds out great hope for the many small communities of eastern Kentucky which are so sorely in need of base public services and development facilities.

I have long felt that the statutory 10 percent requirement under the predecessor act should be modified and I am happy to see that this bill has more lenient provisions. The areas which were in the greatest need of new job opportunities to strengthen their economy found it difficult if not impossible, within their limited financial resources, to provide their share of the project cost. The standby position of the local funds placed an even greater hardship on the local people since it is usually several years before the impact of a new industry is of sufficient strength for the community to receive any appreciable return on its investment. The reduction in the amount of local participation and the provision for concurrent repayment will in no way lessen the community's support of a job-creating business enterprise but may enable it to participate in additional business expansions.

With the Federal assistance available to them under this new bill, the counties of eastern Kentucky can make great strides forward in furthering their economic development.

Mr. BLATNIK. Mr. Chairman, I yield to the gentleman from Illinois, a very effective member of the committee [Mr. GRAY] 8 minutes.

Mr. GRAY. Mr. Chairman, those of us who serve on the Public Works Committee are proud to bring to you today the bill S. 1648, the Public Works and Economic Development Act of 1965. This is an all-American bill; it is a good bill, designed to raise up the social and economic well-being of the people of America, and particularly those who live in areas of high unemployment. We had long hearings on this legislation. We heard from the opponents and from the proponents. The bill encompasses 123 pages, and we are here today presenting this bill to you and to defend every word of it, because we believe it is a good bill and one that is going to help our country. I am going, in the few moments I

have, to describe the provisions in title 2 of the act, and then I would like to make some general remarks concerning the legislation. Title 2 is the financial assistance section of the bill. It has three sections, sections 201, 202, and section 203.

Section 201 authorizes the Secretary to make loans for the same purposes as those for which he is authorized to make grants under section 101. It explicitly provides that loan assistance may be extended to assist communities with the non-Federal share of grant projects under other programs. Loans would be made only where funds are not otherwise available and where there is reasonable expectation of repayment. Interest rates would vary according to Federal borrowing costs, less one-half of 1 percent. Pending a change in Federal borrowing cost, the actual interest rate charged to borrowers on such projects would be $3\frac{5}{8}$ percent. A 5-year authorization of \$170 million annually is provided for both development facility loans under this section and for business loans and loan guarantees under section 202.

Section 202 authorizes the Secretary, first, to make loans for the purchase or development of land and facilities—including machinery and equipment—for industrial or commercial usage within redevelopment areas and, second, to guarantee loans for working capital made to private borrowers by private lending institutions in connection with direct loan projects. The new section would contain standard loan conditions—including an express prohibition against aiding relocations—and would limit Federal loan assistance to 65 percent of project cost. A subordinated local share of 15 percent of project costs would be required in all cases, of which 5 percent would have to be supplied by the State or a public or quasi-public organization, unless the Secretary waived the latter requirement because the 5-percent funds were otherwise not reasonably available. To be eligible for assistance, projects must be consistent with overall economic development programs, which the Secretary may require to be revised periodically. Interest rates for direct loans would be determined in accordance with a formula based on Federal borrowing costs, which would result in a current rate of $4\frac{1}{2}$ percent.

Section 203 establishes an economic development revolving fund in the Treasury of the United States for funds obtained by the Secretary under section 201, for loan funds under section 403, and for collections and repayments. The fund would be available to the Secretary for the purpose of extending loan assistance under sections 201, 202, and 403. Repayment of obligations outstanding under the Area Redevelopment Act would be credited to the fund, and it would pay interest to the Treasury on the amount of the total loans outstanding under the act, based on the current average market yield on outstanding Treasury obligations of comparable maturities.

I might say, in connection with the lending authority, we have heard a lot of

attack on the minority side of the aisle today about the old Area Redevelopment Administration.

I come from an area in southern Illinois that before World War II, had 30,000 coal miners producing 40 million tons of coal annually. We are still producing 40 million tons of coal annually, but please listen to this, with less than 8,000 miners, compared to 30,000 before World War II.

So we know what it means to be out of work and go hungry. We know what it means to say "goodby" to your relatives who are forced to leave and go to the city to find work.

I should like to point out today irrefutable evidence that the ARA has been a workable program. Yes, it had its problems and we are trying to get rid of some of the redtape and maladjustments in this bill.

With one \$455,000 loan made by ARA to the Technical Tape Corp. in Carbondale, Ill., we have produced the following results. I should like for Members to pay attention, because this shows what we can do with a little assistance from the Federal Government.

One \$455,000 loan is producing in annual payrolls this year \$4,330,000, of which \$226,800 is going back to the Federal Government in income taxes on wages, withheld from employees. There is \$343,000 in unemployment insurance savings. Where people were once getting relief checks, they are now getting paychecks. The welfare savings, on direct relationship, are \$96,000 a year. And the rent to the community is \$30,000 for a building which was, up until this factory moved in, empty. It is now providing payroll checks.

Think of this. Millions of dollars are returned to the community because of \$455,000 in seed money. So I challenge any man or woman in this Chamber to stand up and say that the people of southern Illinois have not been benefited and benefited tremendously. More than 600 are working in 1 plant in southern Illinois because of just 1 loan. I can recite many other cases.

I should like to refer to the statement of my good friend from Florida, who said that the accelerated public works program "was proven to be a failure."

We have a new mine worker's hospital, built with APW funds in my hometown. Patients were lying out in the halls. They did not have decent facilities. Is it a failure to provide decent medical facilities for coal miners who may be injured working in the bowels of the earth?

Is it a failure to build a water system where people knew nothing but to go down in a well with a bucket and bring up contaminated water which could cause typhoid or diphtheria?

Is it a failure to eliminate outhouses by putting in a modern sewage disposal plant?

We have had 60 of these projects in southern Illinois. We are beginning to see the light.

Between 1940 and 1960 we lost 100,000, but we are bringing them back home because of the tools provided under the ARA accelerated public works and other

Federal programs, where we help people to help themselves.

In closing let me appeal to your good judgment. We recently saw the great astronaut of Gemini 4, Astronaut White, move out into space from the space capsule holding him in tow with just a little cord one inch in diameter bringing oxygen and bringing communications. Had that cord failed, he would have fallen into space to his demise.

Many of these communities are hanging by a thread. Without the assistance of the Federal Government and the State governments they will never find the hope or be able to stop regression and march back up the road to progress and prosperity. This is their only chance. This is not a giveaway. Sure you will find some instances where projects under ARA and APW have been funded and maybe they ought not to have been, but let me say that by and large they have been good programs and we will have a better program under the Economic Opportunity Act and Public Works Act of 1965. Let us hook up the economic cord to Appalachia and southern Illinois and other States of this great Nation which need assistance. I am proud as a Member of this Congress to be able to stand here and talk for an all-American bill designed to aid Americans and to aid those people who need help, who need hope and inspiration to enjoy the good life of our free land.

Mr. Chairman, I urge all Members to support the committee bill.

Mr. SLACK. Mr. Chairman, will the gentleman yield?

Mr. GRAY. I yield to the gentleman from West Virginia.

(Mr. SLACK asked and was given permission to revise and extend his remarks.)

Mr. SLACK. Mr. Chairman, the Public Works and Economic Development Act merits passage on the record of its predecessors, and on the promise it offers to those areas which are rebounding economically because of the groundwork laid during the past 4 years.

There are over a hundred Members of the House who were not with us in 1961 when the area redevelopment concept of stimulating economic growth was thoroughly debated and overwhelmingly approved by this body. It was frankly experimental in character—an effort to provide a test phase or demonstration medium in support of a theory.

I would like to recall the plain, unvarnished single fact which could not be altered by debate or discussion, and which convinced a majority of the Congress that an action program was necessary. That fact was just a statistic—between 1955 and 1959 there was each year a steady growth in the number of hard-core long-term unemployed workers who had been unemployed consecutively for more than 36 weeks, had exhausted all unemployment benefits, public and private, and had no reason to believe they would ever again work at their previous occupations.

By 1960 that body of long-term unemployed had for the first time exceeded 1 million men, and the total was still rising. It was this condition which con-

vinced a majority of us that the force and authority of the Federal Government should be placed behind a program aimed at halting this spiral of malignant growth among our working force.

We supported area redevelopment as a concept, knowing it was experimental, because the alternative was much more costly—billions of dollars for supplementary unemployment compensation, direct welfare payments, surplus food programs, aid to dependent children—a continuous outpouring of funds, with the total costs mounting each year and no end in sight.

Worst of all, a continuation of that approach would have been an acknowledgment that millions of Americans had nothing to anticipate but third-class or fourth-class citizenship, no matter how our economy grew, no matter how wealthy we became as a nation.

In 1961 the Congress weighed the same arguments which are heard today by those in opposition, and decided that we could not afford to abdicate from our responsibility to give impetus to ideas and suggestions bearing on a vital national interest.

This country stands today as it has for many years in the van of civilization as the world's No. 1 industrial producer. Our standard of living is the goal toward the achievement of which every other nation aims its domestic programs. We hold this enviable position because our system permits maximum utilization of technological advance, volume production with fewer man-hours of work, bringing high rates of wages and salaries, and an ever growing increase of income per capita population.

We propose to continue on this course and to maintain our world position. But we all know that technological progress, by its very character, creates maladjustments in certain areas as the pendulum of efficient production swings back and forth in response to new inventions, new processes, new markets. Back in 1946 the Congress first recognized that this factor must be dealt with, and passed the Full Employment Act. But that act called only for study of the problem, even though it stated:

It is the continuing policy and responsibility of the Federal Government * * * to promote maximum employment, production, and purchasing power.

By 1961 it was obvious that we must do far more than study and report on the growth of the problem, and the area redevelopment approach was our first effort. For a program which started with not much more than an untried theory as its base, and with nothing but hazards and pitfalls ahead, the area redevelopment activity has acquitted itself very well indeed and recommends itself to us for continuance.

Many critical statements have been made during the past 4 years, and particularly during the past few months, which reveal primarily a determination on the part of the speaker to sabotage the effort. We are told, for instance, that loans and grants under the program are risky, and can lead to loss of the Federal investment. This is not news to anyone who participated in the 1961 de-

bate. It was always acknowledged that this program would finance a very high proportion of high-risk activities. Obviously if regular financial sources would take all risks equally in all areas, then no such Federal program would be required.

The fact is, the private lenders will take only certain risks because they have their stockholders to protect. The higher the indexes of economic depression in an area, the more difficult it is for a new business to obtain private financial support.

We are told that errors of judgment have permitted area redevelopment funds to enter business ventures which have failed. This type of statement sounds a little less imposing when you recall that over 35,000 private businesses also failed last year, of which nearly 14,000 were bankruptcies. As long as our economy continues to grow, and we reach further and further into the new technology to reduce costs, we must expect businesses to fail as a cost of the very effervescence which makes our Nation strong.

We are told that Federal area redevelopment funds provide certain areas with an unfair advantage over others. There is an answer to that statement: It is very noticeable that the areas most needing economic redevelopment are those whose wealth is concentrated most heavily in the hands of absentee ownership. Let those who have amassed the wealth of these areas and invested it elsewhere return only a small proportion to its point of origin, reinvest it in the land and people from which it first came, and there will be no need for Federal redevelopment programs.

We are told some form of special tax incentive would induce the big employers to reenter depressed areas with capital investment. Some of them might, but only on their own terms. And only to produce proven products with a proven market. That is their function.

The area redevelopment function is to plant small acorns in many places where the economic forest has been denuded of future growth potential. Area redevelopment money is seed money, and will never be competitive with massive new corporate investment which can total as high as \$15 billion per year.

The area redevelopment program during 38 months of operations approved loans and grants totaling \$36,834,230 in West Virginia, and it is yet to be determined that any of these funds were poorly applied. All of the criticism by the opposition centers about a manufacturing plant which is now shut down, but is still a plant in being and can yet be reopened, and a grant of funds to create certain tourism facilities, where construction has been delayed to meet exacting design requirements.

Actually, another 5 years will be required to enable us to know just how high the area redevelopment batting average has been. Meanwhile, nothing is said of the 1,000 unemployed men who were retrained in my own district, who became taxpayers and relieved the public of over \$200,000 in annual costs, while earning

over \$2 million in wages with their new skills.

It has never been the intent and purpose of this program to develop elements directly competitive with private capital investment. It has been intended, however, to upgrade the facilities of communities so they will be more attractive to such investment. That was the purpose of the Accelerated Public Works Act of 1962 and that purpose is pursued by this Public Works and Economic Development Act. No community can stand still today. It will progress in relation to its neighbors, or it will fall behind and be overlooked in the pattern of national advancement. If the community posture is damaged by the effects of long-term unemployment, it will fall even further behind and will one day reach complete stagnation.

During the life of the Accelerated Public Works Act, there were \$42,543,000 in Federal funds approved to match local funds for the construction of necessary community facilities. These Federal and local funds combined to generate \$79,674,000 worth of construction, which brought to realization 215 projects. Almost without exception these projects were fundamental improvements of the kind which make a community more competitive economically, more advanced socially, and a better place to live, work, and invest. The program brought about the construction of 50 sewer systems and waste treatment plants, and eight hospitals and nursing homes which were all badly needed, but which would not yet be built had the Congress not authorized that special, accelerated effort.

These are tangible facilities purchased with this money and they will serve these communities for many years to come. Any fair-minded person must agree that these permanent improvements are not less well justified as a basis for Federal expenditures than the Mauler missile program, for example.

Only 2 weeks ago the Defense Department canceled the Mauler program after 5 years of activity and the expenditure of \$200 million. As in similar cases of this kind, we were told that cancellation of the program did not mean the entire expenditure was a net loss, because we had learned certain facts during the progress of the work and the program itself had helped advance the state of the art.

I suggest that the Public Works and Economic Development Act should be considered on the same basis. It will certainly advance the state of the art of dealing with problems arising in areas and communities out of economic dislocations created by the need to keep our production mechanism fully competitive on a worldwide basis.

If we fail to master the state of the art in this particular domestic arena, if we allow a permanent drag on our economy to develop, and fall from our position as No. 1 producer, then it may well develop that we will lose the cold war by other than military means. Our knowledge of the state of the art in defense preparedness will be meaningless, because we will be using weaponry to protect not the living body of democracy

but a hollow shell containing millions of economically disenfranchised citizens.

This proposal is a restatement of the decision made by the Congress in 1961 not to allow that to take place.

Mr. CRAMER. Mr. Chairman, I yield myself 30 seconds.

I would say that I think the gentleman's analogy is the best evidence that this is really a way-out program—outer space, as a matter of fact. I thought that was a very good analogy.

Mr. GRAY. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. Yes. I am glad to yield to the gentleman.

Mr. GRAY. I might point out to the gentleman that all that goes up has got to come down.

Mr. BLATNIK. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. RESNICK].

Mr. RESNICK. Mr. Chairman, the need for economic development does not stop at the city line nor does it limit itself to any one segment of our population. Economic development is just as much needed, if not more so, and as much desired in the smallest of our hamlets and villages as it is in our Nation's biggest cities. Why? Because economic development touches the lives of all people. We are a nation of people, not a nation of towns and cities or of rural areas. We are people. Economic development can provide job opportunities and educational opportunities as well as home improvements and town improvements and just plain living enjoyment for all the people of this country. That is why I as a Congressman with both a rural and urban constituency support the Public Works and Economic Development Act. This program is aimed at helping people and it is the people whom I serve. However, I am a little concerned with how this program will reach a portion of my people, especially those in the rural areas. The urban areas have officials who in one phone call from their mayor can launch a war on poverty or else know how to get action from the Federal Government on any number of projects. Rural people are not generally as well mobilized to receive Federal assistance. In many instances there are no full-time paid civil employees. By their very nature, rural people are spread among many small communities on farms, crossroads, and small hamlets. Until their leadership is alerted and moved into action my rural people will not be able to share in equal measure in the Federal assistance which this new Economic Development Act provides. I was pleased when President Johnson also realizing this inability of the rural people adequately to participate in Federal assistance programs directed Secretary Freeman to create the Rural Community Development Service to see that rural people were at least made aware of all the programs that the Federal Government had which offered some measure of assistance to them. I hope in putting this program into effect the administrators will look to this new service and the Department of Agriculture as a vehicle for moving the program into my rural areas. There are two of my counties,

Greene and Schoharie, which are classified as distressed areas. Because of this lag, neither of these counties was able to get any assistance under the ARA. We have the village of Cossackie in Greene County. They want to be good neighbors and do not want to dump their raw sewage into the Hudson River. They cannot afford to build the necessary sewage plant. Under this act we would get the money.

The ARA was a success in rural areas. The first loans and grants were made in rural areas. It helped to rebuild the rural economy, and we need more of it. This new Rural Community Development Service under the Department of Agriculture will cut the redtape. It will provide one-stop service for the people of rural areas. These are the people that need help desperately.

The fact is that 46 percent of the people with money income of under \$3,000 a year live in rural areas, but they only make up 30 percent of the total population. Rural America has almost three times the number of dilapidated and substandard houses as urban America. The total number of substandard houses is greater in rural areas than in all the cities combined.

The average rural citizen has 1.4 years less of education. Only 30 percent of rural high school seniors go to college, compared to 50 percent of urban seniors.

I should like to say one other thing. I represent 5 counties; the two that I have mentioned are distressed areas. But right across the river is one of the fastest growing, one of the real boom areas of New York State, Dutchess County. So, when the gentleman from New Hampshire said that the ARA benefits the prosperous areas, surely, if you take my constituency as a whole, we are prosperous. But you cannot tell that to the people in Greene County and in Schoharie County.

Mr. BLATNIK. Mr. Chairman, I yield to one of the most effective and respected members of the committee, the gentleman from Georgia [Mr. TUTEN].

(Mr. TUTEN asked and was given permission to revise and extend his remarks.)

Mr. TUTEN. Mr. Chairman, I like to call title II of the bill, S. 1648, the payroll title, because this is the part of S. 1648, which makes it possible for depressed communities to develop new payrolls.

I have many depressed communities in my district, and they need new payrolls.

These communities need new water and sewage systems, new hospitals, and new libraries, which are important to new industry. But most of all, they need new payrolls. If we can help them develop new payrolls with this title, we make a permanent contribution to their economy and welfare.

I wish that every Member of this House had an opportunity, as we did on the Public Works Committee, to hear the testimony of Mr. Donald J. Greve, chairman of the board, Sequoyah Carpet Mills, Anadarko, Okla. I do not believe any fairminded person who heard Mr. Greve could ever be against the payroll title of this bill.

Mr. Chairman, Mr. Greve's testimony was not lengthy. I include it in the RECORD at this point:

STATEMENT OF DONALD J. GREVE, CHAIRMAN OF THE BOARD, SEQUOYAH CARPET MILLS, ANADARKO, OKLA., BEFORE THE COMMITTEE ON PUBLIC WORKS, HOUSE OF REPRESENTATIVES, MAY 12, 1965

Mr. GREVE. Mr. Chairman and members of the committee, we will move as rapidly as possible, but I would like to go into the background of our Sequoyah Carpet Mills for a moment, if I might.

In 1941 to 1943, I lived with my mother in a sheet metal chickenhouse in Oklahoma City. There were no inside walls except for the sheet metal, but it did have a concrete floor and the chicken roosts have been removed. We never did accept any public welfare grants, though there were times when meals were a little scarce and the clothes that I wore to school and the things we were able to do were different than the majority of the children with whom I went to school.

My mother impressed on me that in the United States of America, if any individual, regardless of his wealth or birth, desires to achieve something, they could; and I grew up fully believing—and I still believe—that it would be possible for any individual to become the President of this great country.

We were very fortunate. God blessed us. And by the time we had reached 27 years of age, my wife and I stopped and reflected on the long hours of work we had put in and the five businesses that we owned and operated, and I decided that I would retire from working and spend more time with my family and also participate more in the work of the Methodist Church with which I have been an active supply pastor since I retired.

I started doing this, I made a trip just 60 miles from Oklahoma City with a friend of mine who was working in the Methodist Indian mission field, and I saw in the community of Anadarko, abject poverty. It was perhaps no greater poverty than I had experienced as a youngster myself, but there was one big difference. This big difference was that these people did not have a mother that told their son or their children they could accomplish anything they wanted to.

They were second generation or third generation people that had been helped by handouts, but they had never had an opportunity really to help themselves. This seemed wrong, and I talked with these people, and I went into their homes and my heart bled.

I went back after several such trips, talked with my wife, and came to a conclusion about the Scripture, the passage from Scripture that had been keeping me awake at nights, that we are our brother's keeper. Certainly it was a message not only for me but any individual who might be placed in a position of opportunity to help these people to help themselves.

So we started liquidating a few of our assets and getting in a more liquid position; contacted some friends who had some money; and we asked if they might be interested in joining with us in an industrial venture that we hoped would bring employment to these people and give them an opportunity to work.

We found some friends who had confidence in us and looked at it from a financial standpoint. They thought they might earn some money, and I must admit that they were not at all concerned with the viewpoint of helping human beings who needed help.

We put together \$150,000 in cash and had decided after considerable research that we would go into the carpet manufacturing business, a business that had never been conducted in the State of Oklahoma.

We concluded we would do it in a rural community that did not have the financial

ability to help us with our plant site or building, and Anadarko, which had 6,200 people, the same population that it had in 1940, was the place we chose.

We further declared that we would hire people and give preference in our employment to people who had never had a job before in their lives, of any duration, people who were on public welfare rolls, people who were looking to others now for their living and not really making a contribution to our society as a whole.

Well, this sounded very good from the pulpit and in church, but it did not sound very good to bankers. They smiled, listened politely, and said, "No, we would not be interested," and so we went from place to place trying to find help in financing this.

Finally, someone suggested the Area Redevelopment Agency, and I must admit I said, "No. Too much Government redtape. Too many problems in getting something started. Why? It would be ages before this project would ever get off the ground with their help," and I passed by ARA on three occasions.

Finally, I came to the point where I was absolutely certain there was no other way to establish this manufacturing concern to give these people an opportunity to work, except through ARA.

We went to ARA, and they had a rather large list of requirements to meet to make an application; but I found each and every one of these questions and things that they wanted me to provide was something we had already done in making our survey as to whether this business would be feasible or not. I found all of their requests 100 percent reasonable. And I also found that people we had to deal with were dedicated and sincere. They were concerned about wasting or losing the taxpayers' money. They were concerned about making sure that each dollar that they invested here actually went into the project in such a manner that it would cause people to have jobs, people who otherwise would not have a job. I was very amazed to find how dedicated these ARA people were.

After having been in an ARA project now for a period of a year and a half and having had the opportunity of meeting many people from the Department, whether they be from the top of the Department down to the lowest staff member, I have yet to find someone who was not dedicated, and I am very, very much impressed from this standpoint.

One of the ARA requirements that was a little bit hard to meet at first was that a percentage of the project must be supplied by a broad base of community participation. This has been proven invaluable to us, because we have 122 people in Anadarko who are leaders in the community, who have their money invested and cannot receive repayment on their money until such time as all other borrowed funds are repaid.

But in getting these people to put up their hard-earned money to bring this manufacturing project to their community, I had to make a commitment to them. The commitment was this: They said, "Don, we think that you have a noble idea here, but we don't think it will work because we don't think these people who have not had a job before are employable. We do not think they are the type of people that you can tell to be at work at a certain time and do a certain job and do it well. And we also know from experience with the Indians that come payday, it will be another 3 days before they show up, because they will take their money and get drunk." And I smiled and I said, "I have no facts that I can argue with you on this, except one thing: I will not allow your money or any of the Government's money to be lost if my ideas do not work."

So we hired these people. Of our first 55 employees, 51 of them had never had a job of six months' duration in their life.

At the present time, we have 162 employees. They are being paid at a rate in excess of \$750,000 a year, which is a rather large payroll for this small community.

Our absenteeism is less than one-half of 1 percent. Our turnover has been negligible. And we have a more dedicated work force than I think any manufacturing concern in the whole country, because these people have changed.

When we first hired the 55 employees, the majority of them would not look you square in the eye and talk to you; rather they looked at the floor. They had been down at the public welfare office so many times and the unemployment office so often, they had gone to the commodity center week after week receiving free commodities, that they had lost the self-respect and human dignity that a person must have in order to be a useful citizen.

We started immediately to sell them on being useful citizens. We found that only 5 percent of our employees were registered voters. We found that most of them had never even attended PTA or such civic functions as this.

At the present time 100 percent of our employees are registered voters. We have members on every civic club in the area, and they continually attend PTA and other local functions.

These people look you square in the eye now and they are proud. They are prouder than of any other single fact that they are able to make a living themselves.

A little story that came out on the day we opened our plant—and we had employed the people for approximately 3 months before we started producing while they put the equipment together and learned how it operated—a man who had eight children, who had been on public welfare, who had received free commodities, was doing one of the most menial tasks in the plant. We had 3,000 people going through our plant on opening day and we were trying to operate by roping off the work areas. A little boy, who is the same age as my son, who at the time was 5, darted underneath one of the ropes and there, in front of a U.S. Senator and 3,000 people, pointed at his father and he said, "That's my daddy," as though his daddy was head of the whole plant. He was prouder than my son was, because his father was no longer down in the commodity line. And this youngster had learned the self-respect already, at age 5, that comes from his father making a living himself and contributing rather than receiving. ARA was the only answer.

We had communities contact us that would have been glad to have provided a building for our manufacturing concern. They would have been glad to do it. But they were in the large areas that were close to distribution and they did not have this large hard-core unemployed group of people that we wanted to reach. ARA is the only answer for the smaller communities with hard-core unemployment.

It is a strange thing, we were not interested at all in making money except we realized the primary concern of an industry is to make money and that we must make money in order to provide secure employment for our people.

Our first full year of operation, we are paying in the neighborhood of \$250,000 in Federal income tax. Our direct loan received from ARA was \$390,000, and there was no grant involved; it was strictly a loan that we are to pay back and we have started making payments on this, plus our interest that is paid regularly.

In addition to this, our employees are paying at the present time at an annual rate of approximately \$100,000 in Federal income tax.

Over and above that, estimates have ranged anywhere from \$50,000 annually to \$120,000 annually as far as the amount of

savings to the Federal Government is concerned on public assistance—and maybe I am not using the proper terminology here, but the handouts, or the doles that these people, who did not have a job, received month in and month out with no thought or chance of a change.

In addition to that, for our second full year of operation, and we are on the road to seeing that our goals are successfully met, our earnings will be approximately \$1 million; those are net earnings before Federal income tax. So that our Federal income tax after investment credits will be in the neighborhood of \$400,000.

This is something that will go on year after year. As a taxpayer, as an individual who is very concerned about how the Federal dollar is spent, at the same time being an individual who firmly believes that the Declaration of Independence goes to the heart of the matter, that man has intrinsic values, that he has inalienable rights, and I think both of these things must be considered. I sincerely believe the ARA loan to Sequoyah Mills is an excellent investment.

I think that it is wonderful that the Members of Congress look carefully at the expenditure of every dollar of public funds. At the same time, the value in terms of human life and human personality changed and converted; changed from a dependent citizen, changed from an individual who would be very susceptible to a political philosophy that might offer him a chance or an opportunity. A change from this individual to a voting, self-sustaining citizen is one of the greatest things that I think any of us can have an opportunity of doing.

At the present time, we are expanding our plant, doubling it for the second time since we started.

By the end of this year, we will have over 300 employees and our annual payroll rate will be in excess of \$1.5 million per year.

We thank the ARA for helping us and we urge you gentlemen to continue this program, continue it because there are many areas like Anadarko, poor and forgotten by a lot of our society. But the strength of America still lies with all of its people, and the benefits from programs are not measured in dollars or by statistics. The benefits of programs get down to the human level in human personality, and I urge your favorable consideration of this.

Thank you.

Mr. Chairman, Mr. Greve is a self-made man. He told us how he had been poor in his childhood. He told us how he had grown to become self-supporting, and he related how his work in the Methodist Indian mission field had brought him into contact with abject poverty in the community of Anadarko, Okla., not far from Oklahoma City in miles, but a distance of light years in wealth.

Mr. Greve determined to start a business in Anadarko to employ these Indians. With the help of some friends, he scraped together \$150,000 and decided to go into the carpet manufacturing business.

When they announced that they were going to open in Anadarko, a community of 6,200, and that they would give employment preference to those who were on welfare relief or who had never had jobs before, the bankers refused to co-operate.

When Mr. Greve was advised to go to ARA, he said, "No," at first. Too much Government redtape. Finally, he admitted to himself that there was absolutely no way to finance this plant without ARA help.

I want to emphasize that. There was absolutely no way to finance the new payroll for the poor community of Anadarko without ARA help.

Mr. Greve got an ARA loan of \$390,000. Of his first 55 employees, 51 had never had a job of 6 months duration in their lives. At the time of his testimony he had 162 employees, and his payroll is more than \$750,000 a year.

Let me repeat—a new payroll of \$750,000 a year being provided for a poor community of 6,200.

Let us see what happens to these people when they get on the payroll.

Beforehand, only 5 percent were registered voters. Now, 100 percent are registered voters. They belong to the PTA, and they are active in civic affairs. They are taxpayers.

What did all this cost the Government? Nothing. The Government is making a profit. Not only is the loan being repaid with interest, but the company paid \$250,000 in taxes on its profits the first year. Employees are paying another \$100,000 a year in payroll taxes. At least \$50,000 a year is being saved in welfare payments in the area.

In the second full year of operation, Mr. Greve estimates that the company's earnings will be in excess of \$1 million, and that his Federal income taxes will amount to more than \$400,000.

By the end of this year, Mr. Greve estimates 300 employees and an annual payroll of \$1,500,000. And this plant would not have been in existence without ARA.

Mr. Chairman, this is only one story, but there are many others.

Just the other day, the gentleman from Indiana [Mr. BRADEMANS] told this House the story of two of his constituents, who were helped under the ARA Act to develop a profitable business of their own, after having worked for years as foremen in the Studebaker plant. He called their success story, "The American Dream," but it would have never come true without ARA.

We can make many more dreams come true with title II of S. 1648, the payroll title.

These are just a few examples of typical ARA projects, which follow the same pattern. An opportunity for a new or expanded business. An inability to get private financing. Success in obtaining ARA financing. Success. New jobs. New payrolls. More tax receipts. Lower welfare costs.

There have been disappointments. There have been failures. But for every disappointment, for every failure, for every legitimate example, I can provide a dozen success stories.

You cannot build success stories like Sequoyah Mills by depending on private finance. You cannot make new payrolls in depressed areas by being tightfisted. If a bank could make the loan, this program would not be necessary.

If this program is to succeed, the Secretary has to be prepared to take risks. And when reasonable risks are undertaken, there are bound to be corresponding losses. But the losses will be few, and the success stories will be many. That is why this program should be supported.

Some Members are worried about the payroll title because they have been led to believe that it fosters industrial piracy or relocations. Let me say that there has never been a case of an industrial relocation financed under the ARA Act.

One of the major reasons for this has been the diligence with which the Administrator has implemented the anti-relocation provisions of the law.

Mr. Chairman, at this point I would like to insert in the RECORD a copy of the "Certificate of Non-Relocation," which had to be completed in connection with every project for ARA financial assistance. So that every Member will understand, I want to quote from the certificate which must be signed by a responsible officer of the business being assisted, under penalty of law for misrepresentation:

[Form ARA-26, U.S. Department of Commerce, Area Redevelopment Administration—approval of Budget Bureau not required]

CERTIFICATE OF NONRELOCATION

(Please read ARA relocation policies on reverse before executing this certificate)

Note: The Area Redevelopment Act prohibits the Administrator from making loans or grants which will have the effect of assisting an employer in moving jobs from one area to another. An expansion of an existing business to a new location may be assisted if such an expansion will not cause unemployment in other areas where the business conducts operations. Execution of the following certificate is necessary for the Administration to determine the eligibility of the subject project in this regard.

Instructions: Prepare this certificate in four copies. Copies Nos. 1, 2, and 3 are to be submitted together with form ARA-1 to the ARA Field Coordinator. Copy No. 4 is to be retained by applicant.

I certify that I am _____
(Official title)

of _____
and that the _____
(Project)

at _____
(City) (State)

will not result in a relocation of any present operation of the above-named company or any affiliate, subsidiary or other business entity under direct or indirect common control with said company; that said company, or any affiliate, subsidiary, or other business entity under direct or indirect common control with said company, has not discontinued, or liquidated during the past 24 months any production unit similar to that which will be located at _____;

(City) (State)

that to the extent said project is undertaken to assist in the expansion of the operations of said company through the establishment of a new branch, affiliate, or subsidiary of said company, such expansion will not result in an increase of unemployment in the area of original location or in any area where said company or any affiliate, subsidiary, or other business entity under direct or indirect common control now conducts business operations; and, further, that any such expansion is not being undertaken with the intention of closing down any existing operations of said company or any affiliate, subsidiary, or other business entity under direct or indirect common control with said company.

(Signature)

(NOTE.—Section 18(a) of the Area Redevelopment Act provides that: "Whoever makes any statement knowing it to be false,

or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any financial assistance under sections 6, 7, or 8, or any extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the Secretary, or for the purpose of obtaining money, property, or anything of value, under this act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than 5 years, or both.")

Here is what he must certify:

(The project) will not result in a relocation of any present operation of the above-named company or any affiliate, subsidiary or other business entity under direct or indirect common control with said company; that said company, or any affiliate, subsidiary or other business entity under direct or indirect common control with said company, has not discontinued, or liquidated during the past 24 months any production unit similar to that which will be located at (the location); that to the extent said project is undertaken to assist in the expansion of the operations of said company through the establishment of a new branch, affiliate or subsidiary of said company, such expansion will not result in an increase of unemployment in the area of original location or in any area where said company or any affiliate, subsidiary or other business entity under direct or indirect common control now conducts business operations; and, further, that any such expansion is not being undertaken with the intention of closing down any existing operations of said company or any affiliate, subsidiary or other business entity under direct or indirect common control with said company.

I am advised that in view of the strengthening of the antipiracy language in the new bill, this certificate will be strengthened, and that similar certificates will be required in connection with the other titles of the bill.

Mr. Chairman, we have heard all sorts of horror stories about how ARA assisted businesses in fields where there is excess capacity. These changes will not stand up under examination because ARA has a policy which forbids loans in industries where there is excess capacity, except under very specific conditions. I would like to have inserted in the Record at this point, ARA Policy Guideline No. 26, entitled, "Effect of Area Redevelopment Administration Projects on Existing Business Enterprises." It will be noted that there are only five reasons for exceptions:

[U.S. Department of Commerce, Area Redevelopment Administration, No. 26 (revised) Jan. 29, 1964]

POLICY GUIDELINE

To: ARA staff, field coordinators, delegate agencies, State designated agencies.
From: William L. Batt, Jr., Administrator, Area Redevelopment Administration.
Subject: Effect of Area Redevelopment Administration projects on existing business enterprise.

The Area Redevelopment Administration was established to encourage economic growth in areas of economic distress and to bring these areas into the mainstream of the national economy. Loans are made to new or expanding private business where a demonstration is made that the product has a reasonable chance of success and that it will have a beneficial economic development impact on the area in which it is located.

ARA policy requires careful evaluation of the effect of proposed projects on existing business enterprise in order to prevent undue hardship. ARA will not finance new capacity in industries experiencing a long-run gap between production and capacity except where:

1. The excess capacity is obsolete or outmoded, or
2. The effect of the new capacity will be to provide stronger competition with foreign production, or
3. There is a regional insufficiency or productive capacity, or
4. Such excess capacity is only temporary because there is a strong, growing national demand, as evidenced by profits in the industry and plans for expansion within the industry, or
5. The applicant can demonstrate that his product or service will expand present markets and will therefore not adversely affect the present markets of existing domestic producers.

(This revision supersedes the Aug. 16, 1963, issue of Policy Guideline No. 26.)

These are: first, where the excess capacity is obsolete; second, where the new capacity will primarily compete with foreign production; third, where there is a regional insufficiency of capacity; fourth, where the excess capacity is temporary; fifth, where the new capacity will serve to expand present markets.

We have been advised by the Secretary that he plans to continue this policy in connection with S. 1648, and the reports of the committees of both Houses emphasizes the need for such a policy.

There is, therefore, no reason for any Member to vote against this bill or this title in the belief that it will harm existing producers anywhere.

On the contrary, it will help all producers because it will create new markets for their products in the depressed areas of this country. The new payrolls which will be created under title II will mean new customers for all American industry.

S. 1648 is a good bill. Each title reinforces the other. Title II will be more effective than the ARA Act because we have improved it, and because the other titles will help provide the conditions to make it possible to assist more businesses under title II.

Title II is the payroll title. We need it. I respectfully urge your support.

Mr. BLATNIK. Mr. Chairman, I yield such time as he may require to the gentleman from Ohio [Mr. SWEENEY].

(Mr. SWEENEY asked and was given permission to revise and extend his remarks.)

Mr. SWEENEY. Mr. Chairman, I want to call to the attention of the House a significant feature of S. 1648, the proposed Public Works and Economic Development Act of 1965, which makes it possible to provide quick assistance to areas which have been hard hit by a sudden loss of jobs.

Subsection 401(a)(4) of the bill provides that upon request, the Secretary may designate as eligible for assistance under this act those where he finds that a sudden loss of jobs can reasonably be expected to raise the area's unemployment rate to 50 percent above the national average within 3 years, unless assistance is provided.

This means that where a military in-

stallation is closing down, or where a defense or industrial plant shuts down or leaves town, an immediate study can be made, and if it is evident that the unemployment rate is going to exceed the national average by 50 percent or more unless help is provided, the Secretary would be authorized to provide help immediately.

All the aid available to eligible areas under this bill would be available to areas designated under this provision.

In order to make sure that help can be given promptly to such areas, the Secretary would be authorized to designate them without having to wait for an approved overall economic development program, as is the case with areas designated under other provisions.

This provision of the bill may well be considered as "economic disaster relief." We are a humanitarian nation. When an area is hit by a natural disaster, the first response of the Nation is to provide help.

The President has an emergency fund to provide natural disaster relief.

Why should we not have an emergency fund to provide disaster relief when the disaster is economic rather than the result of flood or hurricane? Where a community has come to rely on the steady payroll of a major employer year after year after year, the news that the plant is going to close comes with all the force of a hurricane and sometimes it brings with it even more distress and heartbreak.

We have had some experience dealing with this problem in the past few years. The President took the lead in this effort when the announcement was made that the Studebaker plant in South Bend, Ind., would close operations. He instructed the Secretary of Commerce to do everything possible to help the community. The services of many Federal agencies were mobilized, particularly the Department of Labor. Technical assistance and leadership were provided by the Area Redevelopment Administration.

This experience lead the President to establish his task force on plant closings, which had notable success helping the community of Lisbon Falls, Maine, recover from the loss of a large industrial firm.

Announcement of the closing of a number of naval shipyards and defense installations has caused consternation among many community leaders. While the praiseworthy personnel policies of the Department of Defense will prevent undue hardship to the individuals employed at these installations, the communities will be hard put in some instances to replace the payrolls.

The provisions of S. 1648 will make it possible to provide considerable assistance where the impact of base closings or plant shutdowns is big enough to threaten an unemployment rate 50 percent above the national average unless help is provided.

This is a good provision. It will offer significant help to communities at a time when they will need help badly. This is one more reason why this bill merits the support of the House.

Mr. BLATNIK. Mr. Chairman, I yield to one of our most distinguished Members, the very able gentleman from Alabama [Mr. JONES] such time as he may require.

(Mr. JONES of Alabama asked and was given permission to revise and extend his remarks.)

Mr. JONES of Alabama. Mr. Chairman, before I discuss the Public Works and Economic Act of 1965, I would like to say a few words about the significant and substantial contributions made to this legislation by my colleague from Minnesota, JOHN A. BLATNIK. Working in committee and on the floor of this House today, Mr. BLATNIK has seen to it that we have before us a bill carefully and skillfully drawn. No one could be more knowledgeable about this vital area of legislation and no one could have dealt with it more zealously or with more understanding and comprehension. Over the years, JOHN BLATNIK has established a singular and enviable record in public works legislation and during our committee discussions of the Public Works and Economic Act of 1965 and on this floor today he has shown us why he has achieved such a singular and enviable record.

Our Republic has been the beneficiary of his outstanding efforts in the legislative field. All of us are deeply indebted to him.

The Appalachian Regional Development Act of 1965 was intended to provide special assistance for the people of this vast region which we neglected for so long a time. The sponsor of the amendment now before us took great delight during the debate on the Appalachian bill by citing the statement of one of the administration's spokesmen for the bill: "The name of the game in Appalachia is preferential treatment." He and his colleagues quoted that remark on countless occasions during the debate and we who were sponsoring the bill agreed, the President agreed, and the entire Congress agreed. Appalachia, because of past neglect, would need special assistance tailored to the specific problems that had been outlined as a result of an 18-month study.

Thus Congress held out what one of the chief spokesmen for this bill described on this floor as a helping hand. The amendment now before us would withdraw that hand because this amendment, in effect, negates a substantial part of the assistance given to the people of Appalachia under the Appalachian program. The drafters of the Appalachian Act and those of us who worked on it in Congress believed it could only be successful if the region continued to receive the same, if not a larger, share of existing and proposed Federal assistance programs.

Let me just review with you, for a moment, the mathematics of this amendment. The act before us today authorizes, for a period of 5 years, an average annual national expenditure for public facilities of \$400 million.

Thus we will spend nationally, if we appropriate the full amount of the authorization, approximately \$2 billion

over the next 5 years. It has been roughly estimated that Appalachia might receive approximately 25 percent of the total dollars spend under this program—because of the high unemployment and low income which characterize the counties of Appalachia. Given that figure, Appalachia could expect to receive approximately \$500 million over the next 5 years.

If we take away that assistance by this amendment, I believe it is mathematically sound to say we would, in the process, negate exactly one-half of the slightly more than \$1 billion effort we hoped to produce in the Appalachian region when we passed the Appalachian Act of 1965. I cannot conceive that it is the intention of this Congress to give the Appalachian region assistance with one hand and then take half of it away with the other.

Furthermore, the drafters of the Appalachian program came to us with a specific strategy in mind which we incorporated into the Appalachian Act. That strategy can be best described as the concentration of funds in those sections of the Appalachian region which seem to have the greatest hope for economic development in the future. The Federal cochairman of the Appalachian Regional Commission has told me that the Commission is moving to implement that strategy. He has furthermore told me that the only way such a strategy can be implemented, without unduly penalizing other sections of the region which do not have as great a growth potential, is to insure that those other areas remain eligible for all Government assistance programs.

I trust that when the annual highway appropriation bill comes before us, we will not strip away Appalachia's normal highway assistance because we have added to their highway capabilities by section 201 of the Appalachian Development Act. I trust that when we consider the appropriations for the Federal Aviation Agency we will not reduce Appalachia's share because we have supplemented it with section 214 of the Appalachian Act. I probably should be delighted that during our recent debate, in which we increased social security benefits and enacted the historical medicare program, we did not withhold these great benefits from the aged citizens of the Appalachian region.

During the course of the House debate on the Appalachian Development Act, one of the charges that was made by the minority, was that we were allowing Appalachian assistance to go to the wealthy communities of the region and would thus reduce assistance to the poor communities. Now that same minority confronts us with an amendment that would strip away assistance aimed only at the poor or distressed communities of the region.

Many of the 237 Appalachian counties eligible under this act will not receive assistance under the Appalachian program for two obvious reasons. First, there is just not enough funds to assist all of them, and second, they will not fall within the Commission's general cri-

teria as to what areas do have a good potential for economic growth.

The amendment now before us would strip them of any hope for the future. I am at a loss to understand how the minority could have been concerned about the people in those less affluent counties, during the Appalachian debate, and is now destroying the chance this bill offers for enjoyment of a better life.

During the discussion of the Appalachian program it was revealed that there were some vital public facility programs missing in the bill. The drafters of the Appalachian program told us they did not think they could ask for such programs until the Congress decided to provide them nationwide.

Let me give you one prime example. There are no grant funds under the Appalachian program for the purification and distribution of water and the collection of sewage. Yet the need for such assistance is as prevalent in Appalachia as it is in the rest of the United States.

To deny Appalachian communities any chance for such assistance would obviously be unfair. The same is true for such other programs as harbor facilities, railroad sidings, water reservoirs, dams, industrial parks, and tourism facilities. All of these are eligible under this title of this bill and they are not included in the Appalachian program.

In closing, I would point out to you that this committee has insured that there will be no duplication of effort in the administration of this program in conjunction with the Appalachian program. No project can receive assistance under both acts—neither act can be used to supplement the other.

The Federal cochairman of the Appalachian Regional Commission has assured me that he and those who have been charged with drafting the bill before us—those who are most likely to participate in its administration—have developed additional safeguards to prevent a community from engaging in a wasteful competition for the benefits of each program.

I urge every Member of this House to vote "no" on this amendment which would severely impair, perhaps destroy, the progress we hope to make in restoring the Appalachian region to a position of economic vitality.

Mr. BLATNIK. Mr. Chairman, I yield to the gentleman from Pennsylvania [Mr. CLARK] such time as he may require.

(Mr. CLARK asked and was given permission to revise and extend his remarks.)

Mr. CLARK. Mr. Chairman, the Public Works and Economic Development Act of 1965 recognizes that certain large geographic areas of the United States require multistate or regional economic planning and development. Many regions of the United States have the economic potentials in human skills, natural resources, consumer strength, and industrial sites, but require a new, coordinated and federally assisted effort to put these potentials to work in a changing economy.

Title V of this bill invites States to join with each other and the Federal Government to develop plans and programs for regional economic development. In his Presidential message on area and regional economic development of March 25, 1965, President Johnson identified the need for developing regional solutions to area economic problems.

In setting forth the purpose of the proposed Public Works and Economic Development Act of 1965, the President said:

Planning and assistance will concentrate on the needs of the area as a whole, as well as on individual counties and towns. Moreover, for planning many programs it makes sense to work in terms of larger regions encompassing in some cases parts of two or more States. This is merely the recognition of a simple fact. Neither distress nor the potential for development respects State, county, or community boundaries. The economies of many areas are an organic whole. Just as many counties have declined together, they must advance together if they are to advance at all.

Existing Federal Government programs such as the area redevelopment program and the accelerated public works program have assisted economically distressed areas to increase industry and obtain additional employment opportunities. As helpful as these programs have been, there nevertheless remains much that can be done only on a regional basis and with the cooperation of local, State, and Federal governments. Many regions of the United States require broad-scale efforts and projects which no local unit or group of units within a State can undertake effectively or without regard to their economic impact upon neighboring States.

Title V, when enacted, will provide Federal assistance to organized regional action planning commissions charged with finding a consensus of direction in solving regional economic problems. The boundaries of designated economic development regions will encompass portions of two or more adjoining States which are related culturally, historically, and economically. The designation of economic development regions will be based on a general and overall examination of the degree to which these regions lag behind the Nation as a whole in terms of economic development. Economic distress will be determined in terms of high unemployment, low family incomes, inadequate housing, health, and educational facilities, and the dominance of regional economies by industries which are in a state of long-term decline. Regions will be designated where growth rates are below the national average and where the outmigration of labor or capital, changing industrial technologies, and changes in national defense facilities or production have affected them more adversely than other sections of the country.

After passage of the act, the Secretary of Commerce will determine if a proposed multi-State region meets the criteria of the act and will designate appropriate sections of the country as economic development regions.

The Governors of States included in the designated regions will be invited to establish Regional Action Planning Commissions. These Commissions will advise and assist the Secretary of Commerce to finalize regional boundaries, and will initiate and coordinate long-range economic development programs. After each Commission is organized and ready for formal recognition, the President will appoint a Federal cochairman. Participating State Governors, or their appointed representatives, will serve as State members of each Commission. Alternates are provided for both Federal and State members. Each Commission is empowered to appoint an executive director and to employ other personnel required to carry out its functions.

After their establishment, the Commissions will submit a request for an initial operating budget to the Secretary of Commerce.

The Commissions will then submit, for the approval of the Secretary of Commerce, a detailed annual budget which will enable it to begin its formal planning and project programming.

Commission projects and programs which require Federal authorization or funding will be submitted to the Secretary of Commerce for his evaluation. The Secretary of Commerce will transmit the request, along with his recommendation, to the President for submission to Congress.

The act authorizes \$15 million annually to fund regional commissions and provide regional technical and planning assistance. During the first 2 years, Commissions will receive Federal reimbursement for the full cost of their allowable administrative expenses, excluding the salaries of State members. After the second year, the Federal payment for administrative expenses will be limited to 50 percent of their total cost.

Title V also authorizes technical assistance to enable regions to evaluate their potential for growth and to discover better ways for more effectively utilizing their human and natural resources. Staff members of the Department of Commerce may be used to carry out these projects. The capabilities of other Federal agencies or departments may be utilized and qualified individuals and firms may be employed under contract to the Government. The act does not provide funds for financing comprehensive projects or programs which may grow out of regional planning activities. Such projects and programs will eventually be submitted—as separate legislative proposals—to the Federal Government in the event that Federal authorization or financing is required. Redevelopment areas in economic development districts—which are included in these multistate economic development regions—are eligible for assistance under other titles of this act on the same basis as other redevelopment areas outside the regions.

Many regional areas of the United States, in addition to Appalachia, are increasingly and significantly lagging behind the Nation's level of growth. Many of these areas were once pros-

perous and productive—with a high level of employment. The passage of this act—and the establishment of regional commissions in these areas—will strengthen the economic development effort of cooperating States by the addition of the Federal Government as a partner in the regional effort to stimulate economic growth and solve problems.

Mr. BLATNIK. Mr. Chairman, I yield to the gentleman from Alaska [Mr. RIVERS] such time as he may require.

(Mr. RIVERS of Alaska asked and was given permission to revise and extend his remarks.)

Mr. RIVERS of Alaska. Mr. Chairman, it is imperative that we continue the program of assistance for economic development which was started with the passage in 1961 of the Area Redevelopment Act. The program has made valuable contributions to Alaska's economy. In Kodiak, for example, it was possible to construct and equip a large cold storage plant which is now a major employer, and an important collecting and processing point for the State's famous Alaska king crab.

The growth of this seafood industry has now reached such proportions that all of the city's port facilities are overburdened with the ever-growing tonnages going to markets throughout the Nation and to markets abroad. To sustain this growth, it is necessary to expand the city's dock facilities. But the cost of this essential work is more than the city could finance with its own resources. The continuation of a program for economic development is crucial.

Another example is provided by the city of Homer, which is on the verge of a potential economic breakthrough of great significance to Homer and the entire Kenai Peninsula. The plans for a sizable plant for the production of wood chips for the Japanese market are well advanced. The operations of this plant will be important to the entire Kenai Peninsula because they will consume substantial quantities of surplus timber stands. A cannery, too, is planned for the Homer spit. But neither of these important developments can take place without an assured delivery of safe water and an expansion of the Homer dock. It is clear to everyone familiar with underdeveloped communities that will require the active financial support of a Federal program such as the one we are talking about now. The Public Works and Economic Development Act—S. 1648—will provide underdeveloped communities with the means of overcoming the handicaps that result from a lack of essential public facilities of all types. We have more than a fair share of these communities in Alaska, but we know that this is not only an Alaskan problem; it exists throughout the Nation. That is why it is essential to continue with a Federal program for the improvement and construction of public facilities.

Mr. BLATNIK. Mr. Chairman, I yield to another distinguished member of the committee, the gentleman from South Carolina [Mr. WILLIAM JENNINGS BRYAN DORN], such time as he may require.

(Mr. DORN asked and was given permission to revise and extend his remarks.)

Mr. DORN. Mr. Chairman, part B of title IV incorporates a new concept into the financial assistance program of the bill before us—that is, the concept of economic assistance to areas of broader geographic significance than under the Area Redevelopment Act. The multi-county areas, to be known as economic development districts, will consist of two or more eligible redevelopment areas and at least one economic development center—which may or may not itself be a redevelopment area—but which is a point of particular suitability and promise for expanded economic growth.

The inclusion of the district concept in this bill was a very meritorious decision, since it enables the areas of greatest distress, either within a very broad economic development region or where a multi-State region has not been formed, to band together into a little subregion of their own.

The need for this multicounty concept in fostering permanent economic development and creating new long-term employment became obvious to many of those who worked closely with the Area Redevelopment Administration in attempting to create new industry in individually depressed areas. A constant problem under that program was that many individual areas had no focal point of industrial or commercial activity, within the area, which made it attractive for new business activity. As we all know, there is a natural tendency for industry to cluster together, in order to take advantage of suitable industrial sites and utilities, as well as the economies of transportation and communication which can be achieved in a more populous area.

Under the new district program, smaller distressed areas with common problems can join together with a city or county of more immediate promise, to plan and carry out projects which will have greater economic significance for all of areas concerned. Assistance will be provided not only to the redevelopment areas themselves—so that they will not lose anything by participating in the district program—but also to the economic development center which is cooperating with its less fortunate neighbors in order to provide new employment opportunities for the district as a whole. Planning funds will be available for the entire district, but loans and grants for district projects will be made only within designated areas and designated development centers.

Where a focal point of growth is contained within a redevelopment area itself, which also has potential for the surrounding counties, assistance may be concentrated within the redevelopment area itself, so as to benefit the entire district. As a further encouragement to redevelopment areas to form such districts, both redevelopment areas which have centers and those which do not, will be entitled to additional grant assistance up to 10 percent of the cost of the project, which they would not receive if they were not taking part in the district program.

The criteria for the designation of these districts have been well thought out. In addition to the requirement that each district must contain at least two redevelopment areas, which will insure that districts are formed only in areas of need, the Secretary is required to insure that the proposed district has an overall economic development program which includes adequate land use and transportation planning, and a specific program for district cooperation, self-help, and public investment. The plan must be approved by the State or States affected before it is submitted to the Secretary. Proposed economic development centers must be clearly identified in the district OEDP. The States will be invited to assist related redevelopment areas to draw up proposed district boundaries and to identify potential development centers, and to encourage participation by local government authorities in proposed development districts.

In approving district projects, the Secretary is required to insure that each project furthers the objectives of the district OEDP, that it will provide benefits commensurate with the amount of Federal assistance requested, and that the amount of assistance approved is reasonably related to the size, population and needs of the district.

Ultimately, when multistate regions have been formed, it is expected that their regional commissions will cooperate very closely with the economic development districts in order to assure realization of the greatest benefits under this act at both levels, as well as consistency of programs.

Mr. Chairman, the incorporation of these districts into the bill before us will not only facilitate the planning of larger and better projects, but will also encourage greater and more effective cooperation among distressed areas in solving their long-term economic problems. The funds provided are a modest \$50 million per year, but they will go a long way toward assisting the many subregions of the country which have common problems which defy solution on an individual area basis. And as a final precaution to insure that adequate planning precedes the demand for projects, the funds authorized for this section will not be available until a year after the bill is enacted.

I strongly urge the retention of this section of this title of the bill in order to give the depressed areas of the country a chance to test the concept of economic development on a broader geographic basis which is so strongly advocated by economists throughout the country today.

Mr. BLATNIK. Mr. Chairman, I yield such time as he may require to the gentleman from California [Mr. DYAL].

(Mr. DYAL asked and was given permission to revise and extend his remarks.)

Mr. DYAL. Mr. Chairman, the underlying and fundamental purpose of this new bill is to create new industrial and commercial employment and title II is designed to do just that. It provides funds for the acquisition of land, machinery, and equipment, and for the construction of buildings in those commu-

nities and redevelopment areas where an enterprising employer and an active community combine their resources to expand an existing business or to locate a new firm in the area.

We have now had several years of experience using the technique of long-term, low-interest loans to help communities get new industries or expand existing industries, and we know that the technique works. The unavailability of venture capital in areas already facing serious economic hardship represents a major deterrent to economic development.

Although thousands of jobs were created under the business loan program of Area Redevelopment Act, when depressed communities for the first time entered the sophisticated and competitive field of economic development, this part of the Area Redevelopment Act program has, nevertheless, always been controversial. It has staunch defenders among those who have seen the program work effectively in their areas, and it has outspoken detractors among those who say that it creates unfair competition, is wasteful, and is not in the spirit of the free enterprise system. None of these are true. However, it is my concern for the unemployed of America that most impells me to speak on this vital provision. My concern is primarily this, that while we may have programs designed to help the poor, to improve the physical layout of our communities, and to correct our social ills, we cannot ignore the need for a program which is designed to work with the profitmaking businessman in order to create jobs. And we can best do this by providing him with development credit not otherwise available. What he needs is working capital. This we did not have under the Area Redevelopment Act. This bill is improved from past experience.

This is the title of the act that culminates the efforts we make under the other titles. This title is what enables private business to fill the pay envelope on Friday, to provide new purchasing power, and to continue improving our standard of living. Producing a payroll in a depressed community will go much further in transforming that community from despair and rejection to hope and well-being, than some of the public relief programs and other temporary measures we have today. Why? Because every man wants to pay his own way. In my area we have been faced with a phase-out due to the elimination of an air materiel area. I am one who complimented Secretary McNamara on his courage in ordering the phaseout because of the improvement in technology. The missile which was phased out has been replaced by more sophisticated instruments which are as far above their predecessor as a musket is over the modern rifle. Still in our area the people keep coming and population grows, but the principal industry and sources of income are not growing in comparison.

Therefore, I am for title I of this bill which helps communities get the necessary development facilities they need in order to attract industry. But I am for it not because it provides another edifice of brick and mortar, but because it leads

to what I am really concerned with: new jobs.

In my home State of California, we need a program for Pacific-Southwest water. We do not believe some of our areas are going to be able to prosper without some type of regional water program. Industry will be affected and further unemployment will result. I am sure there are many such areas throughout the United States, and this is obvious because of the current drought which results from the years of neglect of recognizing the burgeoning population and growth of our Nation.

Despite the weaknesses of the earlier program, there are now many, many communities in our country which equate the initials of Area Redevelopment Act with the magic word "payroll." In Gonvick, Minn., an \$82,000 loan helped construct a sunflower seed processing plant that handles the product of more than 180 farmer-producers and brings an annual income to the community of nearly \$240,000.

In Lisbon, N.H., a \$9,000 loan helped expand architectural Wood Craft Corp. and created eight new jobs in a small but growing business that uses a variety of New England's manufactured products in its operation.

In Tuckerton, N.J., a \$690,000 loan helped start a boat repair shop and marine facility, which employs over 200 workers.

In Aroostook, Maine, over \$11 million has been loaned to establish four potato processing plants, and two wood products plants which have helped that area shift its economic base dependence away from a closing military installation.

It is impossible to measure what the additional payroll meant to these communities, but we in this Chamber know how important a payroll can be. Which of us will say that jobs and income are not the major concern of our constituents? We leave it to the sociologists to go into the details of what the payroll does for a community in terms of its well-being, its stability, and the dignity of its unemployed who have newly become taxpayers instead of taxeaters.

What this business loan program does is to provide needy areas with the means to share in the growth of this country. We do not intend that it be used for the purpose of adding new productive capacity in industries where we already have excess capacity. This would not be sound business or economics. But what we are saying is that depressed areas should be entitled to obtain their fair share of the Nation's constant economic growth. The financial help to redevelopment areas under this bill is just barely sufficient to offset some of the disadvantages these areas have already suffered by reason of their chronic unemployment, a condition usually the result of technological or other changes beyond their control.

Finally, let us understand the magnitude of the Government's financial involvement through this bill. Economists predict that manufacturing and commercial firms will invest more than \$38 billion in new plants and equipment in 1965. Under this new program a total

\$240 million of new investment in redevelopment areas is expected to be generated. Gentlemen, this is less than one-half of 1 percent of the annual total of new U.S. manufacturing and commercial investment. This is what we are really talking about—a very small portion of total U.S. growth. Yet, to depressed areas the payroll that it produces, the new money in the area, is of overwhelming importance. It is this payroll, it is these jobs, it is this new income, that this section of the bill can produce. This is a bill that dramatically looks at the future. It will begin to deal with our sprawling metropolitan areas as they move into the next decade and they will deal specifically with the displacement brought about by automation. We must adopt it if we are genuinely interested in promoting the economic well-being of all Americans.

Mr. BLATNIK. Mr. Chairman, I yield such time as he may require to the gentleman from Maine [Mr. HATHAWAY].

(Mr. HATHAWAY asked and was given permission to revise and extend his remarks.)

Mr. HATHAWAY. Mr. Chairman, I speak in behalf of S. 1648, a bill that I believe to be of vital importance to the prosperity and growth of this Nation.

Just 3 years ago, certain areas of my district were beset with distressing economic problems. Aroostook County in my State is one of the larger counties in New England, but is not heavily populated. This, of course, is due in part to its remoteness. It does, however, have a wealth of natural resources in lumber, potatoes, land and more recently, sugar-beet acreages. Three years ago Area Redevelopment Act went to work in Aroostook County. They made industrial loans which put two lumber mills into operation, expanded two potato processing facilities and three potato packing facilities, and started a beet sugar industry. Aroostook County is on its way to economic health because 1,800 of its citizens are working, who might not be, without an Economic Development Act type program.

There is a small town in Hancock County, known as Stonington. The one industry in the town is a stone quarry. Due to obsolescence, this quarry had come upon hard times which had threatened to close it down after over 100 years of operation and put this entire community out of work. With Federal assistance, the stone quarry was modernized, jobs were saved, and Stonington was able to survive and once again its citizens have some measure of economic security.

Perhaps the most dramatic story of all is the story of Lisbon Falls, Maine. This small town had a workforce of 1,150. During the summer and fall of last year, 900 of these people were thrown out of work when two textile mills closed their doors and went south. In despair, the citizens of this community appealed to their congressional delegation and to the President. As a result, a Federal task force was dispatched to assist Lisbon Falls. The work of this task force effectively brought into play the economic tools of our Government—not just to

give direct relief in the form of unemployment compensation, surplus foods, and mortgage forebearances, et cetera—but in the form of continued opportunity to work in one of the textile mills, now reopened with Area Redevelopment Act assistance, and the opportunity to train for new trades and skills which would give these people further opportunity to earn livelihoods. In this case, an economic disaster was averted and hope was restored to a community. Also, a technical assistance project put professional economists on the job of long-range planning and development for that entire area.

The Area Redevelopment Act program, I feel, has been an invaluable asset to the entire country. If the Economic Development Act can be only half as effective as the Area Redevelopment Act has been, then voting favorably for this bill will be a great service to our country.

Mr. BLATNIK. Mr. Chairman, I yield such time as he may consume to the gentleman from Ohio [Mr. VANIK].

(Mr. VANIK asked and was given permission to revise and extend his remarks.)

Mr. VANIK. Mr. Chairman, I rise in support of this legislation.

The city of Cleveland is currently designated under this depressed area legislation. The training provisions which previously existed under the Area Redevelopment Act of 1961 has been of most benefit of all the provisions of this legislation to our city's unemployed.

Since we were designated an Area Redevelopment Act city in 1963, we have been the beneficiary of 16 training programs for terms up to 16 weeks in many occupational skills—630 unemployed are currently in training under this program in our city. The experience has been that over 80 percent have found employment and the remaining prospects for employment is equally great.

It is my understanding that there is no mention of training or training coordination in the Economic Development Act of 1965, which we consider now. All mention has been devoted to a special section of the manpower development and training amendments which were passed earlier in this session. It is my understanding that it is the intention of the Administrator of this act as well as the Secretary of Commerce to strengthen the coordination and cooperation of the Economic Development Act and the Labor Department in assuring that maximum effort will be made to establish and expedite the proper training programs to complement the development of new businesses and the enlargement of existing industries in designated areas.

The problem which has yet to be resolved is whether the coordination of training currently under the able administration of Miss Ann Gould, will be expanded to meet the increased needs of designated areas and intending solutions provided under this legislation.

When we in Cleveland have had to move fast to establish short-term training programs, such as hospital aids, clerk-typists, orderlies, and many others, Miss Gould has been the only person

available to help coordinate these efforts in our city. We have been promised innumerable times, in connection with the implementation of this law, that more staff people would be made available to coordinate the training efforts. To this date, none have been provided to assist Miss Gould. It is my hope that the assurances I have been given that more staff people will be available will now be implemented as a result of this legislation. This increased effort at coordination and implementation of any job opportunities created by this law or those opportunities for which short-term training is required must be swiftly planned and implemented to assure increased employment.

Our city of Cleveland is a good example in which a very short period of time, many hundreds of people have benefited greatly from the prompt handling of these training programs. We should not lose the benefit of the mobility provided by these short-term training programs.

I am sure there are many areas throughout the country which have profited greatly from the work of the training coordinator of the Area Redevelopment Act.

This act has proved its worth and I am proud to support it. I wish to commend the Administrator, William Batt, Jr., for his unqualified devotion and splendid handling of this vital program up to the present time.

Mr. BLATNIK. Mr. Chairman, I yield 5 minutes to the gentleman from New York, a member of the committee [Mr. McCARTHY].

(Mr. McCARTHY asked and was given permission to revise and extend his remarks.)

Mr. McCARTHY. Mr. Chairman, I have a feeling of schizophrenia on this bill. I have serious reservations about parts of it, but I am very enthusiastic about other parts. Therefore, I rise enthusiastically in support of title III of the bill which would provide \$25 million annually for technical assistance, research, and information.

Mr. Chairman, here is what this title would do: First of all it would authorize the Secretary of the Department of Commerce to provide technical assistance to designated areas, those qualifying under the bill, or others which he deems necessary for this kind of assistance to diagnose the weaknesses and pinpoint the strengths of these depressed areas, either with his or the staffs of other Federal agencies, consulting firms or through 75-percent grants to State or local public or nonprofit agencies.

Mr. Chairman, in effect, these would be fees for economic doctors to ailing areas to diagnose economic ills and prescribe programs of recovery that will restore them to economic health.

Also, Mr. Chairman, I might note that they are to be used in conjunction with other planning studies, urban renewal and highway funds, to coordinate this planning and to provide the infrastructure or the arteries for the economic base of these depressed areas.

Second, it authorizes the Secretary of Commerce to use his own staff or the

staffs of other agencies to study and research to determine on a nationwide basis the causes of unemployment, underemployment and chronic economic depression, and to publish these results to these distressed areas.

Third, and I think this is important, it would require that the names and addresses, the services and products of firms from these depressed areas, be made available to all Federal procurement agencies.

Fourth, it would establish an independent study board to determine the effects of Government procurement and scientific and technical policies on regional development and require that the recommendations for the better coordination of these policies be published within 2 years.

Finally, and to summarize, basically this is the medical part of this program. It provides for fees for "economic doctors" to do an economic diagnosis of an ailing area and prescribe a program of recovery to restore this ailing area, to economic health. Also, I might point out, finally, that it also provides that once a patient is on the road to recovery, the Secretary of Commerce can require that he repay the Federal Government for these "economic doctors" fees.

Mr. CRAMER. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. BALDWIN].

[Mr. BALDWIN addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. BLATNIK. Mr. Chairman, I yield 3 minutes to the gentleman from Georgia [Mr. HAGAN].

Mr. HAGAN of Georgia. Mr. Chairman, since the enactment of the 1961 and 1962 laws authorizing the Federal Government to provide financial assistance to areas having chronic unemployment and underemployment, great progress has been made in the First Congressional District of Georgia. Loans to local development corporations, private individuals, and corporations for the erection of buildings and purchase of equipment and machinery, have provided employment for a large number of otherwise unemployed workers in my district.

Working hand in hand with the industrial loan program was the public facilities program, making more water and sewerage facilities available to towns throughout the First District. In each case where water and sewerage facilities have been built, the community has been given incentive to not only expand local business, but to go out and seek new industries.

Unemployed workers attained new skills and jobs under the training program instituted through the 1961 act. For example, 198 McIntosh County men and women were trained to make shoes. Most of these people had formerly been employed by fishing and shrimping enterprises, and had never been in a shoe plant previously.

In Johnson County an industrial park was developed on the strength of a public facility grant to run a needed waterline to the park. Since that time sewer-

age facilities have been extended to the park through Federal assistance, and thus far six new industries are operating in the park. Two others have been expanded.

The incentive of the Federal Government helping a community like Wrightsville has given new hope to the leaders of the community and we can look forward to greatly expanded industrial development in this area, creating many new jobs.

It is interesting to note that in the First Congressional District, the 1962 act helped finance a regional library costing some \$375,000. This library is furnishing needed books and opportunities for learning to a four county area.

With the expiration of the previous legislation, it is essential that we keep up the progress started by such programs as these under the Public Works and Economic Development Act of 1965, S. 1648.

There is a backlog of projects in the First District that need to be begun. It is essential that funds be provided in order to keep the continuing program in operation in my district and throughout the United States.

I urge your support of S. 1648.

Mr. BLATNIK. Mr. Chairman, I yield 2 minutes to the gentleman from North Dakota [Mr. REDLIN].

Mr. REDLIN. Mr. Chairman, there are about 380,000 Indians in the United States, many of them living in poverty, with inadequate diet and shelter and few job opportunities. They have a work force of 112,000, yet the median annual income of the American Indian family is only \$1,500.

Agencies of the Federal Government have been working for a long time to help solve these problems. The Area Redevelopment Administration joined in this effort to launch a concentrated attack on the special economic problems of the American Indian, to generate new employment opportunities, upgrade skills and provide technical assistance to help break economic bottlenecks that are impeding economic development.

The needs of the Indians in my own State are probably typical of the needs on other reservations.

It will require continued local effort assisted by the Federal programs to provide economic advancement and jobs for 8,000 Indians living on North Dakota reservations.

The Public Works and Economic Development Act (S. 1648) will make it possible to carry on with the kinds of projects which have been started. A study has been made to determine the possibilities for expanding livestock feeding and slaughtering on the reservations and in other parts of the State.

The assistance that would be available under the new act would make it possible for a feeding yard or a slaughtering plant to be established on one of the reservations. The necessary facilities, such as a water system and sewer lines could be provided by grant and loan funds and help in financing the plant could be provided under title 2 of the act.

Without such assistance for industrial growth, and for the public facilities that

make growth possible, most of the reservations are likely to remain pockets of poverty.

Tribal members have been trained for work as stenographers, farm-machine operators, nurses aids, carpenters, cattle ranchers and craft workers.

Jobs have been created for the craft workers on the Fort Berthold Reservation in the new center which was built with tribal funds and an Area Redevelopment Act grant. This center will give full-time employment to 15 and part-time work to an additional 100 people who will manufacture and sell Indian craft items.

In spite of the efforts made by the Indians to better their lot in life, much remains to be done before they can achieve a self-sufficient economy. Continued assistance under the legislation for Public Works and Economic Development (S. 1648) will contribute greatly toward realizing the aims of this great group of proud Americans.

(Mr. REDLIN asked and was given permission to revise and extend his remarks.)

Mr. BLATNIK. Mr. Chairman, I yield such time as he may require to the distinguished and able gentleman from Oklahoma, a member of our committee [Mr. EDMONDSON].

Mr. EDMONDSON. Mr. Chairman, a few minutes ago the very able and distinguished gentleman from California [Mr. BALDWIN] gave as a principal reason for not supporting this bill the fact that this Nation today is at the peak of economic growth and development. Therefore, he stated, we should not invest any more in the effort to make it grow in all parts of the country. I regret very much that while we do have a picture of national growth and development there are areas of the country in which that pattern is not observed today. Sunday, for example, I was in attendance at a meeting in northeastern Oklahoma that was held in connection with the operation of the Neighborhood Youth Corps among the Cherokee Indians. I heard quoted there by an authoritative spokesman for the Department of the Interior the fact that 3 out of every 10 Indian families in northeastern Oklahoma have family incomes of less than \$1,000 a year. Now, that is for the entire family to subsist upon—3 out of 10 families are earning less than \$1,000 a year. This, it seems to me, is an example of what is present in many parts of the country today which makes necessary this additional program to try to extend the opportunity to grow to areas that are not growing today. To me it is almost inconceivable that the gentleman from California could have been present on the day that this committee heard the testimony of Mr. Donald J. Greve, the chairman of the board for Sequoyah Carpet Mills at Anadarko, Okla., where a loan of \$390,000 under the ARA paid off in tremendous benefits not only to the community, not only to unemployed people in this area, but also to Uncle Sam himself. The testimony on this, if you would like to read it, occurs at page 117 in the hearings of the committee. If you will take the trouble to read it, you will discover that the com-

pany which was developed as a result of this loan at Anadarko is paying more money in income taxes this year than was loaned to the company to begin its operations. You will find that 50 to 60 individuals whose families had been welfare cases are no longer on the welfare rolls but, instead, are paying taxes themselves. The total being paid in income taxes by the employees of this plant is in excess of \$100,000 a year. Now, when Uncle Sam can loan \$390,000 and get it paid back with interest, which is what is happening, and get the income taxes paid off of that operation at the rate of more than \$500,000 a year and get a cut in the welfare rolls of more than 50 people, then this seems to be very good business to me for the U.S. Government. This is the type of improvement that I think we can expect under this program and which we can expect in many places across the country. We have seen it operating in many parts of Oklahoma. We think it is good business for the Government to invest in this type of growth and development.

The sections of title IV dealing with the eligibility of areas for assistance under the proposed Public Works and Economic Development Act contain some of the most important improvements over the predecessor Area Redevelopment Administration Act of any sections of the entire bill.

Under Area Redevelopment Administration, as most of us recall, an anomalous situation existed between the so-called urban or 5(a) areas and the so-called rural or 5(b) areas. The 5(a) areas were subject to very specific designation criteria, based upon statistics supplied by the Secretary of Labor each month; but the 5(b) areas were based upon an extremely loose and general description of the types of criteria the Secretary should take into consideration in making his designations. These criteria included such factors as previous participation in other programs which had no relation to economic distress, and the desirability of obtaining experience under the act in as many areas and under as many different circumstances as possible.

The result was that serious inequities existed among areas as to degree of need, and the Secretary was under constant pressure to designate more and more areas on the basis of less and less specific criteria. This whole matter was the subject of serious consideration by the General Accounting Office in a number of its reports, but there was nothing that the Administrator could do about it, since he was only trying to carry out the intent of Congress.

To make matters worse, there were situations which involved severe hardships to the areas affected, which the Administrator could do nothing about, such as military base or defense plant closings or sudden shutdowns of major industries. Such a situation occurred, for example, when the Studebaker plant moved out of South Bend, Ind. just before Christmas of 1963. Since persistency of unemployment was necessary for designation under the Area Redevelop-

ment Act, the Administrator was frequently forced to wait until a serious problem had existed for a number of years before he could do anything about it.

Under this new bill, eligibility requirements have been more clearly and equitably spelled out. Areas which suffer from substantial and persistent unemployment will be retained, under the same criteria as section 5(a) of the Area Redevelopment Act. However, the 5(b) criteria have been refined, and the number of rural areas designated on the basis of actual need has even been increased, so that all areas which have a median family income of 40 percent or less of the national median, as determined by the most recent available statistics, will be included. On the basis of the present national median family income of \$5,660, areas with a median family income of \$2,264 or less will be eligible for assistance. This compares favorably with a cutoff figure of only one-third of the national median under the Area Redevelopment Act, which meant that an area had to have a median family income of \$1,887 or less in order to be assisted under that program.

Title IV has also been improved by making specific provision for needy Indian areas, State as well as Federal, and by the addition of a new provision clearly authorizing the designation of those additional areas in which the Secretary determines that the loss, removal, curtailment, or closing of a major source of employment has caused, or threatens to cause within 3 years, an unusual and abrupt rise in unemployment. Under this provision, the Secretary is not required to wait until the patient has become paralyzed from its illness before he can provide any assistance. Instead, he will be able to go into an area immediately to insure that a serious temporary unemployment problem does not deteriorate into a permanent problem simply because no one is able to do anything about it.

In addition, the bill provides that all areas eligible under the Area Redevelopment Act as of March 1, 1965, will continue to be eligible until a first annual review of eligibility under this program. Thereafter, they must meet one of the first four standards for their eligibility to continue. While a number of people have questioned the wisdom of this type of provision, it is essential for this type of program, which is aimed at long-range economic development rather than merely temporary problems. Otherwise, many of these areas which have a history of severe economic distress would be excluded only because of the Nation's outstanding record of prosperity during the last few months. The symptoms of distress of many of these areas may no longer be present, but we have no way of knowing whether the patient is fully cured. It seemed wise to the President, to the Senate, and to our committee, to continue these areas in the program for a period of approximately 1 year in order to insure that their recovery is solid. If we do not do so, we would not only prevent the accomplishment of many worthwhile projects which have been in prep-

aration during recent months by local organizations, but we would risk endangering the results that these areas have already achieved. Many of us thought that the test for the eligibility of an area ought to be whether or not the area was an Area Redevelopment Act area on January 1, 1965. Others thought that it ought to be set on July 1. The March 1, 1965, figure was a compromise.

The committee has added still another specific basis for eligibility under the new program; namely, those additional areas where the Secretary determines that there has been substantial loss of population due to lack of employment opportunity. The purpose of this amendment is to assist those areas which, despite a long history of economic problems and high unemployment, are not reflected in current statistics because of heavy out-migration. They are the farm counties and communities where the cream of the population has been siphoned off in recent years, with the result that their distress continues to increase while employment statistics tend to remain the same. While we do not expect a large number of areas to qualify under this provision, we feel very strongly that it is a matter which deserves the attention of the Secretary, and that in the most severe cases it should be a basis for designation.

A major improvement in this section of the act is the provision which requires an overall economic development program prior to designation, so that no area will be designated without its consent or without evidence of willingness to work for its own economic improvement. All areas except Indian reservations must have a population of at least 1,500 persons in order to be eligible for designation, and an area must consist of either a labor area—defined by the Secretary of Labor—a county, or a municipality with a population of over 250,000 persons.

The last major improvement in this part of the act is the section on termination of eligibility, which requires the Secretary to conduct an annual review of the eligibility of all areas, and to terminate or modify designations in accordance with standards prescribed by regulation. This section requires periodic revisions of overall economic development programs in order to retain eligibility, and it contains provisions requiring the Secretary to give 30 days' formal notice to any area about to be terminated. Where the improvement in employment in an area is only temporary, the Secretary is authorized to withhold termination until the increased employment is in occupations more likely to be permanent.

In summary, Mr. Chairman, I think the bill before us constitutes a vast improvement over both the Area Redevelopment Act, which was experimental and loosely defined as to eligibility, and the Accelerated Public Works Act, which was directed toward merely temporary conditions of unemployment. Under the criteria of this bill, the Secretary will be able to concentrate his assistance on the areas of greatest need and to continue to assist such areas until he is sure that they are well on their way to full recovery. I strongly urge the Members of this body

to support this title as it is now written, and to give their overwhelming approval to this entire bill.

Mr. BLATNIK. Mr. Chairman, I yield such time as he may consume to the gentleman from California [Mr. JOHNSON].

(Mr. JOHNSON of California asked and was given permission to revise and extend his remarks.)

Mr. JOHNSON of California. Mr. Chairman, as Members of Congress, the most common interests all of us have, is the development of our Nation and alleviating chronic areas of unemployment and underemployment.

The Public Works and Economic Development Act of 1965, S. 1648, is designed for that purpose.

I was a strong supporter of similar previous Federal legislation. My home State of California received great benefit from these Federal programs.

In order to progress and enhance opportunities a community must be prepared in its physical makeup to accommodate new industry and business. Many communities for various reasons are unable to keep pace with growing needs and therefore assistance must be given to halt their deterioration.

The Public Works feature of this bill, if anything, should be enlarged to adequately provide for those communities that have already developed needed projects but were unable to participate due to a lack of funds. Employment is generated all across the Nation through supply of materials for these projects. Every effort should be made to continue the interest that has been aroused within communities by passage of this bill.

Efforts to develop industry under section 202 will be increased by local groups with the realization that they can provide facilities for those prospects they may encounter.

We must continue our efforts to bolster our economy and provide employment. The money we spend will be returned in long-lasting benefits.

I urge favorable support for S. 1648.

Mr. BLATNIK. Mr. Chairman, I yield such time as he may consume to the gentleman from Ohio [Mr. MOELLER].

(Mr. MOELLER asked and was given permission to revise and extend his remarks.)

Mr. MOELLER. Mr. Chairman, I rise in ardent support of S. 1648. I represent an area that is in desperate need of this kind of legislation and I earnestly hope that the Congress will pass it.

Gentlemen, as we debate the pros and cons of the Public Works Economic Development Act, let us all be aware that this is a national bill—not a sectional measure. This piece of legislation is aimed at helping all parts of our Nation which are in need of development—urban and rural.

I am sure the cities already realize the benefits this new program has to offer. And, after it passes Congress, those cities that need it will hurry to take advantage of it. And rightly should they. It is the intention of this Congress that this bill provide needed assistance to those areas which require development.

There is one thing we should all real-

ize. It takes know-how to use Federal programs. The cities have this know-how. They have shown how in our many Government programs.

But there is more to our country than cities. We have the rural areas. They do not generally have this know-how. As a result, some of our rural areas have lagged behind in development.

This legislation recognizes the need for dealing with economic problems in rural areas. It does not spell out in detail just how the rural areas are to be helped by it. It does, though, in the language, which is identical with that contained in the Area Redevelopment Act bill—which it replaces—give an indication of how rural areas will benefit.

Looking at the Area Redevelopment Act program, we see that the Area Redevelopment Act was successful in moving into rural areas because certain delegated responsibilities and administrative funds were given to the Department of Agriculture.

I want to commend the Department of Commerce for utilizing the resources of the Department of Agriculture in getting that program to the rural people.

Gentlemen, this was an excellent example of Federal teamwork at its best.

I would hope that the Department of Commerce will work as close with the Department of Agriculture and other departments in putting this program to work in rural areas, and will give them sufficient funds to do the job.

In my own State of Ohio, representatives of ARA and the Department of Agriculture worked hand-in-hand in getting the program to those most in need.

I am looking forward to seeing more of this teamwork among Government departments. This is the kind of effort that makes sure that these programs help the people they are intended to help.

FACT SHEET

Rural areas, also, need the benefits of the Economic Opportunity Act and the Public Works Economic Development Act.

Why? Because almost half (46 percent) of families with money income under \$3,000 live in rural areas. (Both the poverty bill and the Economic Development Act have useful tools, such as training programs and the creation of job opportunities, by which the rural poor can be aided. And, by helping the rural poor, these programs will be doing much to help all rural areas.)

There are 15,000 small communities with populations between 100 and 2,500 which do not have modern central water supplies. (The Economic Development Act can be utilized by aiding some of these rural communities alleviate this problem and share with other communities the vast benefits of such a simple thing as running water.)

The average scholastic achievement of rural people is 2 years below that of their cousins in the urban areas. Only 30 percent of high school graduates in rural areas go on to college; 50 percent of the urban high school graduates go to college. (The disparity between rural and urban education need not be, since programs such as the Economic Opportunity Act and the Economic Development Act have much to offer to both segments of our population—urban and rural.)

There is a high proportion of dilapidated and substandard housing in rural areas. Of the 14.7 million occupied houses in rural areas, about 3 million are deteriorated to the point where major repairs are needed and over 1 million are dilapidated to the extent

they endanger health and safety of the families. (There are provisions in both acts by which rural America can initiate projects to improve the housing of its citizens.)

There is a need for job opportunities. Farming, historic employment source for rural people, no longer needs as many people as it used to in providing the vast abundance of food crops for all Americans. Farm jobs dropped 2 million between 1950 and 1960. In addition, underemployment in rural areas as measured by comparative incomes, in 1960 was the equivalent of 2.2 million people.

(Programs such as economic development, which help to create jobs and train people, have been of great benefit to rural people in solving the problems of underemployment and unemployment in rural areas. The Area Redevelopment Act program, for example, which the Economic Development Act will continue, was helpful in putting nearly 30,000 rural people to work. In addition, the program created many thousands of indirect jobs.)

Though, both the Economic Opportunity Act and the Public Works and Economic Development Act have much to offer rural areas—rural people, there is a problem—How do rural people participate in these development programs? This difficulty of rural people using these programs of assistance is illustrated by the following facts:

Money granted to rural communities for community action programs by the Office of Economic Opportunity was only 5 percent of the total OEO approvals up to April of this year.

Only 34 percent of vocational training programs, authorized by the manpower development and training program were held in towns of 10,000 population, or less last year.

This points up the need for some sort of outreach by which rural areas are made aware of these programs and by which they can participate in them. Such service was recently created in the Department of Agriculture by President Johnson in his annual message to Congress on agriculture, to insure that rural areas are kept informed of development programs and are aided in making use of them.

The President directed the Secretary of Agriculture to create a Rural Community Development Service, "which will have no operating programs of its own but will devote its energies to assisting other agencies in extending their services."

The Secretary of Agriculture, in creating the Rural Community Development Service, set as its aim: "One-stop service" to rural citizens and community leaders who are seeking help from the Federal Government.

As Secretary Freeman put it, the Department of Agriculture in this way, "will provide for the rural citizen and community leader the kind of professional assistance in coping with Government redtape that urban citizens and urban community leaders usually can obtain through their paid staffs of specialists and experts."

The new Rural Community Development Service offers a logical and practical solution to the problem of how rural people participate in the war on poverty and in utilizing the new public works economic development program. It can provide an "outreach" by which these programs reach rural areas, and in turn, rural areas can use these development programs to help provide economic opportunities for this Nation.

Mr. BLATNIK. Mr. Chairman, I yield such time as he may consume to the gentleman from Pennsylvania [Mr. RHODES].

(Mr. RHODES of Pennsylvania asked and was given permission to revise and extend his remarks.)

Mr. RHODES of Pennsylvania. Mr. Chairman, I should like to add my support of the Public Works and Economic

Development Act of 1965. It will continue the useful programs established under the Area Redevelopment Act and the Accelerated Public Works Act.

These programs were of tremendous benefit to the people of the Sixth Congressional District which I have the honor to represent. Since the inception of the redevelopment program over \$7 million in loans and grants have been approved for our communities.

This comprehensive effort of Federal assistance has provided more jobs and higher incomes in areas where jobs were scarce and income low. Our national economy is currently experiencing its 54th month of economic growth.

The legislation now under consideration will be a great aid in continuing this expansion without recession. Most importantly, it will extend the benefits of this growth and prosperity to those who have not fully shared in them.

A Congress committed to providing for the general welfare by stimulating the expansion of the free enterprise system should overwhelmingly pass the legislation now under consideration.

The district which I represent includes portions of two redevelopment areas, Schuylkill and Northumberland Counties in Pennsylvania. With Federal financial help, several community industrial development organizations have been able to provide local industries with long-term, low-interest financing on new buildings and machinery and equipment so that they could expand their operations and increase employment. The industrial and commercial loan program was also used by one community to create a small but highly successful tourist attraction, in the form of a demonstration coal mine and narrow-gauge scenic railroad. Thousands of visitors have infused their tourist dollars into the local economy.

These loans, which will be repaid in full, have stimulated private investments of \$1,200,000 in fixed assets in my district.

A grant of \$100,000 for public facilities in one community has resulted in two firms investing over \$1 million through private financing. In addition, this grant has created desirable industrial sites from land that was previously inaccessible for industrial development. There now exist potential industrial sites that may stimulate many millions of dollars more of private investment.

Technical assistance has been extended to two communities to investigate the feasibility of creating an underground storage facility for liquid petroleum gas that may interest private investment in developing a chemical complex. The technical assistance program is also providing a master recreational development plan to determine the feasibility of private commercial investment establishing a year-round complex adjacent to a reservoir to be created by a new flood control dam.

Twenty-five needed public works projects were accelerated in my district which stimulated the spending of \$12 million in matching local funds for public works improvement.

In summing up. Mr. Chairman, many communities within my district and immediately adjacent to my district have

found the existing programs to be of significant value. I urge my colleagues to pass the legislation under consideration by this body, so that these programs can be continued, in new and expanded versions, and bring new jobs and new progress.

Mr. BLATNIK. Mr. Chairman, I yield such time as he may consume to the gentleman from Georgia [Mr. HAGAN].

(Mr. HAGAN of Georgia asked and was given permission to revise and extend his remarks.)

[Mr. HAGAN of Georgia addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. CRAMER. Mr. Chairman, I yield such time as he may consume to the gentleman from Minnesota [Mr. LANGEN].

(Mr. LANGEN asked and was given permission to revise and extend his remarks.)

Mr. LANGEN. Mr. Chairman, the bill before us today is a prime example of how discredited and unworkable Federal programs, once begun, manage to go on forever. We reshuffle the language a bit, gloss it all over with a grand-sounding title, and attach a brandnew higher price tag to the whole package.

It is inconceivable, after the conclusive evidence of waste, ineffectiveness, and failure, that we should be called upon to even consider a measure that incorporates such programs as the old Area Redevelopment Act and the Accelerated Public Works Act.

I am certainly in favor of finding programs to effectively combat economic depression wherever it exists in our great and prosperous Nation. But the Public Works and Economic Development Act of 1965 is not the answer. I must agree with the minority conclusion that good intentions are no substitute for good legislation. Ill-conceived and sweeping programs such as this merely manage to complete with each other, overlap in their functions and propose generalities in qualifying criteria that have little to do with the economic needs of the people or areas.

The history of such make-work projects has been interesting. The Area Redevelopment Administration was created to solve the very problems this bill before us is designed to solve. The accelerated public works program poured additional millions of dollars across the Nation in an effort to spur a so-called lagging economy. Supporters of the bill before us claim these programs were most successful, which is a strange claim when you realize that their success was so great that we were called upon to enact an Appalachian program and other poverty programs to assist areas in distress. And now we are apparently admitting the failure of the Appalachian program, too, by calling for an expanded renewal of Area Redevelopment Administration and accelerated public works. This logic is completely mystifying.

We in the Congress are most fortunate to have a group of dedicated people who keep a watchful eye on the affairs of big Government. It is the General Accounting Office, headed by the Comp-

troller General, and I have nothing but praise for their work. They save millions of dollars in taxpayer money each year through their recommendations and probings of departments and agencies. A total of 17 different reports have been issued by the Comptroller General relative to the administration of the area redevelopment program. All of these reports were critical and showed how ARA failed to do its job, even falsifying claims of new jobs. It is time that Members of Congress heed these reports from our own watchdog.

I am sure we all were heartened by the Labor Department report of a decline in unemployment. This was not accomplished by Area Redevelopment Act, accelerated public works, Appalachia, or any other Federal program, which have succeeded only in creating unfair competition with existing enterprises and transferring jobs from one section of the Nation to another. This was accomplished through private enterprise working in a strong and expanding economy.

I have mentioned before the example set by Minnesota in this field, how private enterprise has moved ahead to invest almost a billion dollars in the tacomite process of refining iron ore. Even though this investment is only partially completed, the results have been dramatic in lowering unemployment rates, creating new jobs and improving the economic climate of the entire State.

But what happens when Government moves in to play the role of private enterprise? It takes the money accrued from private enterprise and uses it to set up competition that threatens the existence of business built by private enterprise. As the National Association of Manufacturers noted, subsidies do not create new markets, so it is inevitable that a new subsidized industrial plant will compete for existing markets with industrial plants already established at no cost to the taxpayers. Thus, such projects are at the expense of existing industry and existing jobs.

I have reported examples of such unfair subsidized competition on a number of occasions as they relate to my own congressional district. ARA financed a \$4 million hardboard plant in Superior, Wis., that is now in direct competition with three neighboring plants, one in my district, built by private funds. This new plant was built even though the Department of Commerce itself admitted that existing U.S. facilities were already adequate for hardboard demand and that foreign imports were already hurting this industry.

Then there was the expenditure of public funds by ARA to develop the growing of sugarbeets in unproven areas of the Nation such as Maine and New York in direct competition with proven areas such as our own Red River Valley of Minnesota and North Dakota.

You can find examples of this type all over the country, including the latest disclosure that ARA wants to spend \$2.7 million to establish a vertically integrated poultry raising complex in western Pennsylvania, which is not even

a major poultry producing area. This comes at a time when the poultry business is having problems with surplus production. A Government-financed plant such as this will surely drive the small growers out of business.

Mr. Chairman, I also oppose the statistical methods used to decide on eligibility of these programs. I have noted past history as it relates to our State of Minnesota and have been distressed to see one county declared as depressed while an equally needy county right next to it fails to obtain such a classification. It creates the worst sort of competition and preferential treatment, and should be corrected by amendment.

The purpose of economic aid should be directed toward those that really need it rather than allowing the programs to degenerate into a rooster fight to see how many counties we can declare impoverished. It is highly inconsistent with the assurances we receive daily that the economy of the Nation is healthy and expanding.

It should be pointed out that the history of such programs as Area Redevelopment Act and accelerated public works points to a most doubtful inclusion of small towns and rural areas as recipients of the benefits proposed in today's legislation. We have noted that thousands of applications from these smaller communities have collected dust in bureaucratic desks while the money went to the big cities. The hamlet that cannot afford a full-time chamber of commerce secretary or full-time people to decipher the complexities of Government forms and applications will find itself on that never-ending waiting list and will fail to benefit to the extent it has been led to expect.

The hodge-podge of provisions in this bill are so vague that it is impossible to see exactly what can or cannot be done, but it is obvious that Area Redevelopment Act and accelerated public works would be revived with double their usual costs. It is claimed that this bill sets up an Appalachia-type program for the rest of the Nation. Actually, it gives the Appalachian region a double helping of Federal assistance. The 237 Appalachian counties would be able to receive direct grants under both acts, a privilege that would be denied the rest of the Nation.

Mr. Chairman, we have enacted badly needed tax cuts during this session of Congress. We are financing an expensive war in Vietnam. Our deficits continue to mount. And now we are asked to approve additional billions of dollars for a package of programs that have been discredited. Obviously this package is designed to provide a little something for everybody but nothing much for anybody. Even if the provisions of this bill were worthy, which they are not, the fact would remain that we simply cannot afford it. Such spending will surely undermine the economic strength of our Nation, not bolster it.

Mr. BLATNIK. Mr. Chairman, I yield such time as he may consume to the gentleman from West Virginia [Mr. KEE].

(Mr. KEE asked and was given permission to revise and extend his remarks.)

Mr. KEE. Mr. Chairman, I rise to enthusiastically support S. 1648, the Public Works and Economic Development Act of 1965, which we are now considering.

America is moving forward economically, especially in our prosperous areas, as evidenced by the estimated \$37 billion increase in our gross national products income for 1965. In fact, the total GNP this year is expected to be \$660 billion, based upon the latest estimate, by the Council of Economic Advisers.

This proposed legislation is an essential tool for those areas of persistent and substantial unemployment to help themselves.

In short, the provisions of this bill will simply provide these areas with an opportunity based upon local initiative, to prepare themselves to share in our expanding economy. Those areas with local initiative will move forward.

There is no legislation yet to be considered by the 89th Congress that will be of equal importance to our less fortunate economic areas.

No matter what has been said during this debate, I do know from firsthand actual experience, in working closely with the officials of the Area Redevelopment Administration, that we have learned how to establish an effective program that will permanently benefit all of America. This bill provides the help to establish this vital program.

The major feature of this bill—title I—provides \$400 million for each of 5 years for grants for public works and development facilities. That is, public facilities for our cities, towns, and communities that do not have the financial capability locally for improvements directly related to economic growth.

The \$170 million requested for loans—title II—to assist in financing public works or development facilities, and loans up to 65 percent for the purchase or development of land and facilities for industrial or commercial usage—section 201—and guarantees up to 90 percent of private working capital loans made in connection with direct loan projects—section 202—is equally essential to help these areas establish private employment for their unemployed. These two important features, plus the other provisions, will serve to strengthen our Nation.

Therefore, Mr. Chairman, I respectfully and strongly urge the Members of the House to pass this essential legislation so that all of America will be able to make a stronger contribution to the future of our Nation.

Mr. Chairman, this is our sacred obligation.

Mr. BLATNIK. Mr. Chairman, I yield such time as he may desire to the gentleman from Connecticut [Mr. GRABOWSKI].

Mr. GRABOWSKI. Mr. Chairman, I rise in support of this legislation.

Mr. Chairman, I am delighted to be among those who today support the proposal to create a new economic development agency to replace and carry on the great work of the Area Redevelopment Administration.

I have had occasion to see firsthand the results of the ARA in action. In my own Sixth Congressional District in Connecticut, the investment of some \$1.09 million in Federal funds from the ARA enabled 3 firms to create 995 new jobs that did not exist previously. Although these three firms had more than half a million dollars of their own to invest, private commercial lenders were either unable or unwilling to advance the additional money needed to make the projects move forward. The needed money came from the ARA and as a result almost 1,000 persons now have employment and the prospect is bright for even further expansion.

In addition to this, we received in the Sixth District \$2.15 million in help for much needed projects that were financed partly under the accelerated public works program.

One of these projects which most typifies what can be accomplished with the help of a Federal economic development agency is in my own hometown of Bristol, Conn.

During 1958 and 1959 Bristol was being spoken of as a city about to die. Old industries were threatening to leave and there was an environment which failed to attract new industry to the city.

Late in 1962, Dr. Arthur M. Carson developed a novel optical computer. However, he lacked funds to finance his idea and was unable to obtain the necessary financial support through normal financing channels. So he appealed to the Area Redevelopment Administration. That agency, after much careful study and analysis, agreed, on June 13, 1963 to make a loan in the amount of \$32,500 to Carson Laboratories, Inc. This small loan was supplemented by private loans and investments totaling \$17,500.

As a result, a highly profitable small business now employs 19 persons in the production of useful items that would not be on the market today without Federal assistance. And there is a good prospect that the number of persons employed at Carson Laboratories, Inc. will increase to 44 in the near future.

And, this has cost the Government nothing. The assistance was in the form of a loan to be repaid. And we now have, in this one instance, 19 persons employed, paying Federal income taxes and contributing to the financial health of a city.

I am supporting the bill now pending on the floor of the House as well as the accelerated public works program because as we all can see, this is an investment in the future.

(Mr. GRABOWSKI asked and was given permission to revise and extend his remarks.)

Mr. ST GERMAIN. Mr. Chairman, I rise to join with my colleagues in support of this measure which is based to a certain extent upon three previous acts, the Area Redevelopment Act, the Public Works Acceleration Act, and the Appalachian Regional Development Act.

Throughout the years of our history, Rhode Island—physically the smallest of our 50 States—has been proud of its heritage of rugged individualism and advo-

cacy of the free enterprise system. Keenly aware of the competitive advantages enjoyed by larger, neighboring States who have vast stores of natural resources and wealth, Rhode Island has struggled to achieve a high degree of industrial sophistication.

In pursuing our goal of economic stability and growth, we in Rhode Island have found the programs of the Area Redevelopment Administration a most useful tool. By requesting Federal investment augment our own, we have been able to create new productive capacity, establish new employment opportunities, generate new economic activity, make substantial savings on welfare and unemployment payments, and find new sources of tax income.

Combined Federal, State, local, and private investment in the industrial parks in Woonsocket and Providence; and the expansion of the Roger Williams Grocery Co. have created new plants, jobs, and income. The establishment of the Research and Design Center in Providence will provide a vital service long needed and sought by private industry in our area, and, in turn will serve to stimulate and encourage new economic growth and employment opportunities. Through the 23 Area Redevelopment Act training programs in Rhode Island, 1,458 workers have acquired new skills at an expenditure of only \$1,064,000 on the part of the Federal Government. In addition, through the investment of only \$12,426,000, the Federal Government helped us put together 43 badly needed public facility projects that cost \$38,225,000 and—even more importantly—created 16,520 man-months of work.

We in Rhode Island have been willing partners for progress with ARA. We have seen the good which flows from cooperative efforts between the Federal Government and State and local initiative. The proposal we are now considering, S. 1648, will continue these worthy aims and objectives. I urge prompt passage of this needed legislation.

Mr. KEE. Mr. Chairman, with the passage of the Public Works and Economic Development Act of 1965 the Federal Government's program to assist depressed areas will take a new constructive and responsive direction and assume another dimension of proper responsibility.

Under the Constitution of the United States it is our sacred obligation to promote the general welfare of the people. We have learned that in many cases an area approach to redevelopment based upon traditional county or township boundaries is simply not adequate. Political boundaries do not always coincide with economic boundaries. Areas delineated by political boundaries do not necessarily coincide with the natural and human resources for industrial and commercial development.

This bill provides new recognition to the need for States to marshal their efforts to meet common problems of economic development. In the past most regional efforts have been directed to harnessing natural resources or providing for specific public services. With the introduction of this bill the President has

fulfilled a promise given to Congress prior to the passage of the Appalachian Regional Development Act of 1965.

Many areas of the country, in addition to Appalachia, require a concerted effort to solve their regional economic problems. The people in these regions, too, realize that there are common barriers to economic development activities and that common regional problems often lend themselves to common regional solutions. It is essential that Federal assistance be made available, upon request, to all distressed regions of the country to permit them to find the most effective direction in solving their economic problems.

The Nation as a whole is enjoying unprecedented growth. But statistics of overall economic strength often do not demonstrate evidence of regional economic weakness. Economic regions vary in size and complexity depending sometimes upon transportation—sometimes upon a single natural resource, sometimes upon physical boundaries, and sometimes upon similar economic tendencies.

The great Appalachian region is considered a region because it has a unifying mountain range, a large dependence upon the mining of coal, a difficult road-building problem, and a chronic history of unemployment and low income.

The upper Great Lake region is characterized by a dependence on iron ore mining, depletion of timber reserves, and relative distance from markets.

The Ozark region is characterized by rough terrain and a consistently low level of economic activity with a preponderance of small-scale subsistence farming.

Many parts of New England are characterized by old manufacturing towns. It is also possible to identify an upper northeast region which shares a common problem of sparse population, somewhat difficult transportation, and declining farm employment.

The southeast portion of the United States encompasses many areas which are growing in economic strength, yet many multi-county regions in this part of the country share common problems of declining farm employment and out-migration.

The upper Rocky Mountain or Inland Northwest region, is sparsely populated and overly dependent on mining, agriculture, and lumbering. All of these industries have suffered declines in employment.

All of these regional areas of the United States, and others, suffer in varying degree from related economic difficulties. They are predominantly rural areas, thinly settled and with few rapidly growing urban population centers. Agriculture, logging, and mining are their chief sources of employment, and these are declining or stagnating industries where production efficiency has overtaken and far outrun manpower demands. These regions tend to be isolated, in many instances. They lack internal as well as external ties to the Nation's markets and population centers. Many of these economically disadvantaged areas have uncommon potential for the development of recreation and tourism.

And many of these regional areas of the United States share other common characteristics:

Their average unemployment rates are higher than the natural average.

Those areas of the States which might logically be included as part of the economic development regions have unemployment rates higher than the States as a whole.

They have a higher proportion of low-income families than the Nation as a whole.

Their economic growth lags behind the Nation's growth.

Their population is either declining or is growing at a rate substantially less than that of the entire country.

It is abundantly clear that many regional areas of the United States, in addition to Appalachia, require research, study, and outside help to evaluate area needs and improve the conservation and utilization of human and human and natural resources. Title V of the Public Works and Economic Development Act of 1965 authorizes \$15 million annually to fund regional commissions and provide regional technical and planning assistance. Technical assistance will be required by regional commissions to develop recommendations and programs for regional economic development. In general, technical assistance funds will finance—

Studies of those areas of the regional economy with the greatest promise of future development;

Inventories of forest, power, water, and other regional natural resources and their potential for development;

Human resources inventories in terms of the projected economy's future skill requirements;

Studies which indicate where future population and economic growth will occur and which plans will bring about the most efficient and healthy patterns of regional growth;

Major economic development studies—the potential for the development of specific new industries will receive special attention;

Studies identifying and analyzing those interstate regional investments essential to the achievement of regional growth objectives; and

Inventories of public facility needs in terms of individual communities and the total region.

Established regional action planning commissions might utilize technical assistance to investigate the possibility of accomplishing such specific regional economic development objectives as—

The development of fast transportation networks between regional population centers and markets located outside the region;

Pollution control and water distribution and conversion;

Increasing the supply of cheap and abundant electric power to provide the basis for economic development;

Modernizing fishing fleets and fishing industry marketing methods;

More efficiently utilizing existing manpower;

Conserving land use to better supply local markets and better meet the de-

mands of an increasing tourism industry; and

More efficiently mining abundant iron ore deposits.

Fortunately, the majority of our Nation's citizens live in areas and regions where economic opportunity is plentiful. However, other millions of our citizens live in the economically depressed regions of the United States. It is our responsibility to be concerned about those who live in areas and regions of economic distress—lagging economic regions.

We cannot abandon these depressed regions.

We cannot allow them to further deteriorate.

We cannot stand idly by while our fellow citizens are forced to choose between leaving their homes of resigning themselves to a lifetime of lagging economic opportunities.

We cannot attempt to let valuable natural resources continue to go unused.

We cannot permit valuable human beings to continue to want for work.

Title V of this act will initiate a partnership for growth between the local and State governments of economically disadvantaged regions and the Federal Government. We know that our economically depressed regions can be helped. We must act now to insure that people are not denied the right to work or enjoy full measure of the Nation's prosperity simply because they live in the wrong region and cannot leave.

GAO REPORT OF JUNE 3, 1964

OVERSTATEMENT OF NUMBER OF JOBS CREATED UNDER THE ACCELERATED PUBLIC WORKS PROGRAM

GAO found that the reports pertaining to the accelerated public works program reported to Congress and other interested parties by the Area Redevelopment Administration—ARA—contained significant overstatements as to the number of jobs estimated to be created by the accelerated public works projects approved by the Community Facilities Administration—CFA—and the Housing and Home Finance Agency—HHFA—as delegate agencies. The estimates were overstated by about 128 percent. It is to be noted that GAO checked 190 projects of the 2,842 projects approved by CFA as of November 1, 1963.

GAO also found that the reports contained overstatements with regard to the number of actual man-months of work created by CFA-approved projects already under construction. GAO found that the CFA projects were overstated by about 83 percent. GAO obtained this percentage from a review of data relating to 497 of 1,228 CFA projects under construction as of November 1, 1963.

The overstatements resulted from inaccurate estimates by the applicants for grants and from the CFA use of these inaccurate estimates, rather than contractor payroll information, to calculate the amount of actual on-site employment. It is to be noted that the CFA projects account for almost one-half of all funds appropriated for the accelerated public works program.

Action taken: After being advised of the GAO findings, the ARA revised the

format of its report and also changed the method of determining on-site man-months of employments.

As of February 1964, the ARA directory of approved APW projects no longer includes cumulative data on the number of on-site man-months of work created by APW projects. Instead, it shows only the number of persons employed on-site on the last regular working day of the week ending nearest the 15th day of the month. The participating agencies were instructed to report to ARA on the same basis, in an effort to obtain timely and accurate data on the number of employment opportunities generated.

GAO recommended that in order to improve the reliability of the information reported in the directories of the approved APW projects, the ARA Administrator take steps to periodically verify the information reported by the participating agencies. The Administrator of ARA advised that ARA will give serious consideration to this recommendation.

GAO REPORT OF JUNE 25, 1964

ASSISTANCE UNDER THE PUBLIC WORKS ACCELERATION ACT TO AREAS NO LONGER BURDENED BY SUBSTANTIAL UNEMPLOYMENT

GAO found that grants over \$21 million had been made for 85 projects in areas which were no longer burdened by conditions of substantial unemployment at the time the grants were consummated. It is to be noted that under the policies currently followed by the agencies reviewed by GAO, grants are consummated for areas which are no longer sufficiently burdened by unemployment to qualify for such assistance, provided that the area was qualified at the time administrative approval of its application occurred.

GAO had been informed by officials of the agencies concerned first, that it would be unfair to deny assistance to areas which become ineligible during the period required for agency processing procedures because the areas had an investment of time and money in the project; second, that a firm cutoff date for determination of eligibility was necessary because areas were frequently being designated and redesignated as eligible areas; and third, that they felt their policies were legally sound, and in accord with the reasonable exercise of administrative judgment.

It is GAO's opinion that the policies, practices, and procedures which resulted in grants of about \$21 million to areas after the areas have recovered from their burdens of substantial unemployment were not in furtherance of the purpose and intent of the Public Works Acceleration Act and should be revised. They feel these policies have also resulted in grants to nondepressed areas at a time when there was a large backlog of APW applications from depressed areas which could not be met because of the shortage of APW funds.

Their recommendations were that Commerce adopt a policy and devise procedures to preclude grants to areas which become ineligible during the grant processing procedures and that the participating agencies are to advise applicants that all approval action is taken prior to

the time the formal grant agreement is made would be conditional upon the areas' being eligible for APW program assistance at the time of formal agreement.

Action taken: ARA, by letter of September 21, 1964, replied that it had agreed with delegate agencies to use the date of ARA clearance of a project as the effective date for establishing eligibility for an APW grant. Inasmuch as communities applying for APW grants incurred considerable expense and undertook considerable work to do so, it was "the strong desire of the administering agencies to avoid the denial of a grant merely because of administrative requirements in the final stages of processing."

ARA rejected the GAO findings and recommendations, claiming their actions were the result of administrative determination and proper in terms of purpose of the legislation.

GAO REPORT OF AUGUST 1964

UNAUTHORIZED ASSISTANCE TO SEEMINGLY NON-DEPRESSED AREAS UNDER THE PUBLIC WORKS ACCELERATION ACT AND THE AREA REDEVELOPMENT ACT

GAO found that through January 1, 1964, about \$7.4 million authorized by the Public Works Acceleration Act and the ARA for assistance to depressed areas and projects had been approved in seemingly nondepressed areas on the basis that one area in each State could be designated a redevelopment area. It was GAO's opinion that designation on this basis was not authorized by the Area Redevelopment Act.

ARA officials had stated that their regulations permitting seemingly nondepressed areas to be designated as redevelopment areas were based on the provision of section 5(b) of the act which specifies that in making designations under this section "The Secretary shall endeavor to distribute the projects widely among the several States." ARA officials have stated also that making the 5(b)6 area designation was the only way that real effect could be given to the requirement that the projects be distributed widely among the several States.

It is GAO's view that the regulations which permit ARA to designate relatively nondepressed areas as redevelopment areas are not in accord with the basic intent of the Area Redevelopment Act or the specific provisions of section 5(b) of the act in that the areas so designated are ineligible for assistance under that act.

GAO backed up their argument by citing specific counties in Hawaii, New Hampshire, Vermont, and Delaware.

Action taken: ARA by letter of October 6, 1964, stated that although of belief their action carried out the intent of Congress, agency would not approve additional projects in the areas in dispute.

Belief of the Administrator had been that the act was permissive but not mandatory, and that ARA clearly had authority to provide that at least one area in each State be designated as eligible.

GAO REPORT OF OCTOBER 1964

ACCELERATED PUBLIC WORKS ASSISTANCE APPROVED FOR AREAS UNDER CONSIDERATION FOR TERMINATION OF ELIGIBILITY

The General Accounting Office found that about \$26 million had been spent or committed for accelerated public works projects in areas of the Nation which the Secretary of Labor had found there were no longer burdened by substantial and persistent unemployment according to the criteria of the statutes or regulations. These areas received assistance because the Area Redevelopment Administration's policy permitted the approval of accelerated public works program grants to such areas during the 7 to 13 month period when the ARA was considering whether to terminate the depressed area designations.

The Secretary of Labor is required to obtain the facts concerning unemployment upon which the ARA bases its actions. As the Secretary had already found that the areas were no longer sufficiently depressed by unemployment to qualify for designation and as the purpose of the Public Works Acceleration Act was to provide immediate assistance to areas presently burdened by substantial unemployment, it was alleged that assistance during the delay period could not be considered to be promoting the objectives of the act to the degree that they would be promoted by assistance in areas where the conditions of substantial and persistent unemployment were known to continue to exist.

The regulations for the area redevelopment program provide that a redevelopment area's status, so designated under the standards of unemployment, may not be terminated unless there has been a significant reduction in the rate of unemployment and such reduction has continued for a reasonable period of time. GAO's review showed that the "reasonable period of time" from the date ARA is notified by the Department of Labor that the area no longer meets the criteria for designation, to the date of termination, has ranged from 7 to 13 months and has averaged 10 months through May of 1964.

The Administrator of the ARA advised GAO that it would be harmful to the ARA program to turn eligibility on and off because of a small temporary dip in unemployment rates, and that secession of APW assistance to areas immediately after ARA received the Secretary of Labor's notice would cause difficulties because some areas again become eligible for assistance.

Action taken: By letter of November 16, 1964 the ARA accepted the recommendations contained in the GAO report; that is, that "if the APW program is continued, the Secretary of Commerce adopt policies which will result in deferring approval of APW applications for assistance from all areas which the Secretary of Labor finds no longer meet the criteria for designation as redevelopment areas."

ARA added that it was working with representatives of the Labor Department

to improve termination procedures then in use, for purpose of making revisions in the system to shorten the time needed to terminate an area's eligibility as a redevelopment area.

GAO REPORT OF OCTOBER 1964

EMPLOYMENT OPPORTUNITIES IN FEDERALLY AIDED PROJECTS GENERALLY RESTRICTED TO INDIVIDUALS HAVING FUNDS TO INVEST IN BUSINESS VENTURE

GAO reported that the ARA in fiscal year 1963 approved a \$140,000 industrial loan to Cowlitz Forest Products, Inc., Chehadis, Wash., and the effect of the loan on unemployment problems in Lewis County, Wash., disclosed that the borrower generally required prospective employees, as a condition precedent to employment, to make substantial investments in the business venture without being given an opportunity to participate significantly in the management thereof. This condition resulted in the denial of equal opportunity for employment for unemployed persons within the redevelopment area.

Potential employees, in order to secure a job, were required in substance to make substantial investments; to assume the greatest risk of loss and to have little if any voice in the management of the company. It is to be noted that these potential employees purchased nonvoting preferred stock. Conversely, a select group of individuals invested less than \$6,000 to acquire about 59 percent of the common stock, thereby securing control over the management of the company.

The borrowers' practice of requiring investment as a condition to employment was in effect during the period of time in which the Small Business Administration—SBA—as delegate agency for the performance of certain functions and duties under the Area Redevelopment Act, conducted its evaluation of the borrower's project proposal and loan application. Although information contained in the project document should have been sufficient to raise a question as to the compatibility between the employment practice and the purposes of the program, neither the ARA nor the SBA appears to have been aware of the objectionable practice until after the loan approval period, although prior to actual disbursement of the funds.

Action taken: ARA by letter advised it was issuing a policy statement which would prohibit approval of projects where an investment is required in order to obtain employment also directed ARA and delegate agency staff to be diligent in exposing situations of the type prohibited.

GAO REPORT OF NOVEMBER 1964

IMPRUDENT ACTION TAKEN IN APPROVING LOANS TO ASSIST THE ROUSTABOUT CO., FRACKVILLE, PA.

GAO feels the ARA acted imprudently in approving financial assistance involving loans in the total amount of \$342,000 to the Roustabout Co., Frackville, Pa. The approval of the loans may result in a potential loss to the Government of

about \$230,000. It is to be noted that the Roustabout Co. submitted applications to the ARA requesting that loans be made to assist in financing a plant for the production of a three-wheel light delivery vehicle. The SBA, pursuant to its delegation of authority from the Secretary of Commerce, reviewed the overall feasibility of the project in light of the criteria established for the evaluation of loans to potential borrowers applying for assistance under the ARA program. On the basis of its analyses, the SBA recommended that the ARA decline to make loans to the Roustabout Co. because there was no basis for a determination, as required by the statute that repayment of the loan was reasonably assured.

GAO noted that one of the SBA functions under this program is to make recommendations to the ARA on the basis of its expert knowledge and skills and a detailed review of the economic feasibility of proposed projects, and urged that in the absence of any information clearly negating same, SBA's recommendation should be followed.

On March 28, 1963, the loans were closed and Federal funds totaling about \$500,000 were disbursed. The borrower (Cowlitz) in June 1963 ceased production which had started in January of 1963 and in November 1963, filed a voluntary petition in bankruptcy. The reason for the borrower's failure was its inability to market its product, precisely one of the four factors which SBA, after making its review, had pointed out to ARA as one of the most serious defects of the proposed project. ARA's decision to disregard the data may, on the basis of SBA estimates dated June 25, 1964, result in a loss to the Government of \$230,000.

Action taken: ARA, in reply dated December 21, 1964, takes position that "reasonable assurance" of repayment does not mean "absolute assurance" of repayment, and that the word "reasonable" ought to be measured in terms of the principal program objective as given by the Congress.

The ARA advised GAO that, although the undertaking necessarily possessed speculative qualities, it felt compelled to give strong consideration to the business acumen and the managerial capabilities of the principals and their heavy financial commitments to the success of the project. GAO was advised that ARA decision was based on an administrative judgment which balanced the adverse credit considerations with other considerations.

ARA agrees with the GAO position that "the necessary antecedent to a prudent judgment is a comprehensive and meaningful evaluation of the available facts and information on which such a judgment should be predicated." It is respectfully submitted that this position adequately describes ARA's actions prior to approval of the Roustabout loans.

GAO REPORT OF DECEMBER 18, 1964

INADEQUATE ANALYSIS OF EMPLOYMENT OPPORTUNITIES TO BE PROVIDED BY A FEDERALLY ASSISTED PROJECT

This report has to do with a GAO review of the circumstances under which a \$53,000 industrial loan to Plant Food

Center, Inc., Post Falls, Idaho, was approved by the ARA, and the effect of the federally assisted project on unemployment problems in Kootenai County, Idaho. GAO has shown that the borrowers' estimate of new employment opportunities was grossly overstated. From all appearances this loan will produce at a maximum 6 full-time employment opportunities compared with the 23 jobs shown in the estimate of expected employment submitted by the borrower and accepted by the agency. GAO feels that from all appearances the reviews of the ARA and the delegate agency, Small Business Administration placed almost complete reliance upon the borrowers' representations as to the number of jobs to be created by area redevelopment projects.

ARA's reply stated that it had relied upon the delegate agency SBA's report rather than the borrower's statements, and that the SBA report did not disclose the basis for the employment estimate contained therein.

Action taken: ARA agreed with GAO's conclusion that thorough evaluations of expected employment opportunities should be made, and advised that it would so instruct its employees and request that the SBA Administrator do likewise.

ARA on September 18, 1964, implemented the policy by issuing Administrator's Order No. 14 on procedures for estimating employment expected to result from financial assistance projects. The order provides detailed instructions to ARA personnel on the evaluation, substantiation, periodic review, and adjustment of estimates of employment expected to result from the projects.

GAO conceded that these corrective measures should result in more reliable appraisals of the probable number of employment opportunities to be generated by the projects in the various redevelopment areas.

GAO REPORT OF DECEMBER 30, 1964

INEFFECTIVE ACTION TAKEN IN APPROVING AND ADMINISTERING A LOAN TO VINELAND AND SOUTH JERSEY COOPERATIVE EGG AUCTION AND POULTRY ASSOCIATION, INC.

The Administrator of ARA, under section 6 of the Area Redevelopment Act, makes loans to aid in financing industrial or commercial projects located in designated redevelopment areas which can reasonably be calculated to provide permanent employment. ARA procedures specify that financial assistance will be authorized only after assurances are received regarding the expected increase in permanent new employment. ARA felt that a statement by a potential borrower in writing specifically reporting the anticipated permanent new employment was satisfactory assurance as to the expected employment effect of ARA projects.

GAO advised that their review disclosed that the ARA took certain ineffective action in approving and administering a loan of \$42,250 under section 6 of the Area Redevelopment Act to the Vineland and South Jersey Cooperative Egg Auction & Poultry Association, Inc., in Vineland, N.J. GAO felt that in processing a loan for approval neither the ARA nor the delegate agency, Small

Business Administration adequately examined into the number of employment opportunities which could reasonably be expected to result from the project. The loan was approved in May 1962 on the basis that existing employment would be maintained and 27 new jobs would be created. As of March 1964, there had been, instead, a reduction of 8 jobs since loan approval.

GAO alleged that SBA disbursement of ARA loan funds contrary to the conditions stipulated in the ARA approved loan authorization was improper and resulted in the excessive disbursement of Federal funds totaling about \$18,000 to the above-mentioned organization. GAO's review of the borrower's records show that the conditions of the loan authorization had not been met at the time the full amount was disbursed, project costs having amounted to only \$43,493 rather than \$65,000.

Section 6 of the Area Redevelopment Act authorizes the Secretary of Commerce acting through the ARA Administrator to make commercial or industrial loans to borrowers provided that such assistance shall not exceed 65 percent of the aggregate cost of the project.

GAO found that funds available to the borrower from private sources, which would have permitted the reduction of the amount of Federal financial assistance to the project, were not utilized to the maximum extent possible. Consequently ARA authorized the loan which was \$9,750 in excess of the amount of Federal assistance which would have otherwise have been necessary. It is to be noted that the Area Redevelopment Act provides that financial assistance under the act shall not be extended if assistance is otherwise available from private lenders on reasonable terms.

Action taken: ARA by letter of April 25, 1965, stated that SBA had acknowledged that the funds in question were in fact disbursed contrary to the ARA authorization. However, SBA had reported that inasmuch as the funds were being used for the general purposes intended, the borrower was permitted to retain them.

As recommended by GAO, ARA asked the Small Business Administration to evaluate employment opportunities as part of future investigations, and ARA issued a policy concerning the maximum participation of private lenders in the ARA program.

GAO REPORT OF JANUARY 12, 1965

INADEQUATE EVALUATION OF EMPLOYMENT OPPORTUNITIES TO BE CREATED BY TWO INDUSTRIAL AREA REDEVELOPMENT PROJECTS

GAO found that the Administrator of ARA had approved Federal loans for two industrial projects without having adequately evaluated the permanent new employment opportunities to be created by each project. One of these projects was a plastics manufacturing plant which requested Federal financial assistance in June 1962. The other industrial project was a seafood processing plant where a request was made for Federal financial assistance in August 1961. Both the ARA and the Small Business Administration, which is responsible for carrying out certain functions and duties in the area redevelopment program, had

placed almost complete reliance upon the applicant's representations as to the number of new jobs to be created by the projects. GAO felt proper analysis of the available information regarding the plastics plant would have shown that only 165 new employment opportunities could reasonably have been expected rather than the 450 anticipated by the loan applicant. They also felt that only 126 new employment opportunities could have been expected in the seafood processing plant loan rather than the 350 jobs the applicant had initially estimated.

ARA procedures specify that financial assistance be authorized only after assurances are received that permanent new employment opportunities would be created. With respect to loans for industrial or commercial facilities, ARA considered that statements by the potential borrowers, in writing, specifically reporting the anticipated new permanent employment opportunities were satisfactory assurance as to the expected employment effect of Area Redevelopment projects. ARA required also that applicants for loans furnish projections of annual income and expense for their projects.

Action taken: ARA agreed with GAO's conclusion that ARA's and SBA's reviews of employment potential should not place almost complete reliance upon the applicant's representations as to the number of jobs to be created by the project.

By way of implementation, ARA on September 18, 1964, issued Administrator's Order No. 14 which related to procedures for estimating employment expected to result from ARA financially assisted projects. The order provides detailed instructions to ARA personnel on the evaluation, substantiation, periodic review, and adjustment of estimates of employment.

The Area Redevelopment Administrator also agreed with GAO's further proposal and, on October 26, 1964, requested SBA to make the evaluation of the number of new job opportunities which could reasonably be expected to be generated by proposed projects a formal requirement of all financial investigations undertaken for ARA by the delegate agency. SBA agreed to do so.

GAO REPORT OF JANUARY 25, 1965

DEFICIENT FINANCIAL ANALYSIS WHICH RESULTED IN APPROVAL OF UNNEEDED GRANT

This report deals with a GAO review of circumstances under which the ARA authorized a grant of \$118,000 to the pueblo of Laguna, Laguna, N. Mex., for the purpose of financing the cost of public facilities to serve an industrial plant, despite the availability of financial information which showed that the project could have been undertaken without Federal grant assistance.

In December 1962, the pueblo of Laguna, an Indian tribe, submitted to ARA a proposal requesting financial assistance for the purpose of construction an access road and water, sewer and gas facilities to serve a new industrial plant which the pueblo planned to build for lease to an electronic parts manufacturer, and a public housing project. In the project proposal submitted to ARA

for grant assistance the pueblo stated that it was unable to finance construction of the public facilities themselves. However, it was noted that prior to requesting ARA financial assistance the grantee had obligated a total of \$940,000 of tribal funds pursuant to agreements between itself and the electronic parts manufacturer. It was also noted that a Community Facilities Administration—delegate agency—employee during his attendance at a tribal council meeting learned that the grantee was "one of the wealthiest Indian tribes in the country" due to the income received from the lease of that portion of the reservation upon which uranium had been discovered and was being mined. GAO pointed out that the grantee's cash balance at the end of 1962 was \$1,213,652 and that the market value of the grantee's investment in stocks and bonds at the end of 1962 was \$9,867,685.

In August 1963, CFA recommended to ARA that inasmuch as the above assets had not been reported previously, the grant contract be rescinded and a loan of \$118,000 be offered. ARA declined to accept CFA's recommendation and directed CFA to proceed with the approved project.

Action taken: ARA by letter agreed with the GAO position that financial statements from applicants for grants should be analyzed to determine the amount and sources of income, the purpose of disbursements, and the composition of net worth. Agency added that ARA employees had been informed of the importance of such analysis in considering grant applications.

ARA also asked the Commissioner, Community Facilities Administration, to bring the matter to attention of employees involved in processing ARA applications for financial assistance.

GAO REPORT OF MARCH 9, 1965

NEED FOR BASIC IMPROVEMENT OF (ARA) ACCOUNTING SYSTEM TO ENABLE THE DEVELOPMENT OF ADEQUATE FINANCIAL INFORMATION

GAO report of March 9, 1965, found that basic improvement in the ARA system was needed to enable the agency to provide reliable and meaningful financial information for use by Administration in controlling and appraising ARA program's performance.

In light of Accounting and Auditing Act of 1950, ARA accounting system did not provide for development of costs by activities and functions. Also, delegate agencies were not required to report their administrative expenses to Administration by specific program activities performed on ARA's behalf nor did all these agencies report such expenses on an accrual basis.

The deficiencies discovered by GAO were "of such significance as to preclude approval of the accounting system. Accordingly, we curtailed our review pending thorough review of the system by responsible officials."

Action taken: Administrator advised GAO that ARA would begin immediately to design an accounting system that would have the flexibility to account for program activities and subdivisions thereof, and would thereafter ask dele-

gate agencies to provide program cost data in like manner.

GAO REPORT OF MARCH 31, 1964

UNNECESSARY GRANT APPROVED TO ASSIST IN FINANCING DEVELOPMENT OF THE KEYSTONE INDUSTRIAL PARK OF THE SCRANTON LACKAWANNA INDUSTRIAL BUILDING CO.

The General Accounting Office report alleges that the Area Redevelopment Administration erroneously made a grant of \$322,000 to SLIBCO—Scranton Lackawanna Industrial Building Co.—a private developmental, nonprofit corporation owned entirely by the Scranton, Pa., Chamber of Commerce. Purpose was to aid in construction of an industrial park.

The General Accounting Office found that, in determining whether a loan, rather than a grant should be made, the delegate agency of the Area Redevelopment Administration, Community Facilities Administration, failed to consider certain significant financial resources available to the grantee, which it derived from operations. In contrast, the grantee's total financial resources were given significant weight by the Area Redevelopment Administration and the Small Business Administration in determining the grantee's loan repayment ability in connection with its separate request for a loan, under section 6 of the act, to assist in financing the construction of a plant building.

It was contended by the General Accounting Office that under the Area Redevelopment Administration's own "Financial Assistance Guidelines" of May 1962, the grant part of the above undertaking should have been turned down in view of the act's requirement that in all cases "a loan be made for the maximum amount that can reasonably be repaid in preference to a grant."

Action taken: In reply letter dated April 22, 1965, the Area Redevelopment Administration stated that it will record the Comptroller General's recommendation so that it will be available for consideration later, should an extending program of grant assistance be recommended by Congress on terms comparable to the present law. Meanwhile, no appropriated funds or authorization remained for extending grant assistance under the Area Redevelopment Act.

GAO REPORT DATED APRIL 1965

POSSIBLE NEED FOR CLARIFICATION OF STATUTORY PROVISION LIMITING THE AMOUNT OF FEDERAL FINANCIAL ASSISTANCE TO INDUSTRIAL OR COMMERCIAL PROJECTS

In GAO's review of activity of the ARA under section 6 of the Area Redevelopment Act they found that for projects involving the expansion or improvement of industrial or commercial facilities owned by an applicant, the administration has interpreted the statutory provision which limits Federal financing to 65 percent of aggregate project costs to permit, under certain circumstances, the inclusion in project costs of all or part of the value of the applicant's existing land and facilities. As a result of this interpretation of law, the administration has in a number of cases approved Federal financing of more than 65 percent and in some cases 100 percent of the new capital expenditures required for

industrial or commercial area redevelopment projects.

GAO feels that although the language of the statute and its legislative history are not clear in this respect, they believe that the legislative intent may have been to limit Federal financing to 65 percent of the new capital expenditures required for a project and to require the remaining 35 percent of the funds needed for new capital expenditures be secured from non-Federal sources.

Proposed legislation—H.R. 6991—section 6(b) (9), of the Area Redevelopment Act would provide that loan assistance not exceed 65 percent of the aggregate cost to the applicant of acquiring or developing land and facilities and of constructing, altering, converting, rehabilitating, or enlarging the building or buildings of a particular project.

GAO is recommending that Congress in considering the specific section in question in H.R. 6991 clarify the intended application of the limitation on Federal financial assistance to industrial or commercial projects involving the expansion of existing facilities.

GAO feels that since the objective of the act is to assist in providing new employment opportunities, the Congress may have intended that aggregate project costs include only the cost of those items which reasonably must be acquired, constructed, or developed and the value of that property which reasonably must be newly committed to provide the additional employment opportunities contemplated. If this was the intent, the value of previously acquired assets owned by an applicant, which are not to be dedicated to a new use in connection with the project but rather are to be continued in their previous use, should not be included in an aggregate project cost. The applicant's investment in such existing assets and the contribution of such assets to employment in the area would in all probability remain the same irrespective of whether the project was undertaken.

Action taken: ARA advised GAO that it has no objection to the possible need for such clarification being brought to the attention of Congress.

GAO REPORT DATED APRIL 30, 1965

FEDERAL PARTICIPATION IN UNNECESSARY PROJECT COSTS RESULTING FROM FAILURE TO PROPERLY RECOGNIZE EFFECT OF INTERCORPORATE OWNERSHIP

The ARA approved and disbursed a loan of \$355,000 to Far West Fisheries, Inc., Anacortes, Washington, to assist in financing the purchase and improvement of an existing salmon cannery, although \$500,000 of the \$700,000 total project cost was to be paid by the borrower to its parent corporation for the plant which was owned and being operated by the parent corporation. GAO advised that ARA and the delegate agency, Small Business Administration were aware that an intercorporate relationship might exist which would negate the justification for Federal assistance in financing the total project as proposed. It is also to be noted that neither agency made a sufficient review subsequent to the incorporation of the borrower to disclose the true relationship between the two corporations.

The ARA stated that the contemplated purchase of the plant by the borrower was bona fide at the time the loan was approved and that it was not aware of the control of the borrower by the parent company until after about \$335,000 of the \$355,000 Federal loan had been disbursed.

GAO feels that it is evident that the review efforts by the ARA and the SBA were largely ineffective, especially in view of the ARA's stated concern as to the relationship between the borrower and the parent company and the fact that the borrower was not yet incorporated at the time the loan was authorized.

GAO recommends that whenever a loan is authorized prior to the incorporation of the prospective borrower, the ownership interest and/or corporate composition of the prospective borrower be specifically reviewed at the time of loan closing and a positive finding be made that the relationship of the borrower to any party having an interest in the project is not such as would adversely affect the justification for the requested financial assistance. GAO also recommends a provision making the preceding finding by the SBA a condition precedent to disbursement of loan funds.

Action taken: ARA and the delegate agency, SBA, each agreed with GAO's finding and with GAO's proposal that the case be brought to the attention of individuals responsible for actions taken thereon.

In addition, SBA admonished the staff members responsible for the handling of the case, and has issued remedial instructions intended to prevent any recurrence of such a situation. Loan specialists will be held responsible in future for identifying any intercompany relationship encountered while processing ARA loan applications, and for investigating any indications of change in interests of individuals or of the applicants' corporate structure subsequent to approval of an ARA loan.

GAO REPORT OF MAY 3, 1965

GAO REPORT ENTITLED OVERSTATEMENT OF JOB OPPORTUNITIES ESTIMATED TO BE CREATED IN ECONOMICALLY DEPRESSED AREAS

GAO review of section 6 projects of the ARA was predicated upon information which the ARA presented in hearings before a subcommittee of the Committee on Appropriations, House of Representatives. The ARA reported that as of February 1964, 285 loans had been approved which it was estimated would create 34,168 jobs after 1 year of operation.

GAO's review of 80 projects which had received financial assistance under section 6 of the act and where the facilities provided by such assistance had been in operation for 1 year as of September 1964 disclosed that these projects had actually created 4,912 jobs, whereas the ARA reported that 9,539 jobs would be created within that time. The Agency's estimate of jobs exceeded the actual number by approximately 94 percent. If what GAO found for the 80 projects were true for all of the 285 projects, it would appear that the ARA's estimate of 34,168 jobs to be created was overstated by approximately 16,600 jobs.

GAO attributed part of the overstatements by ARA to the Agency's having merely relied on the statements of estimated employment furnished by the borrowers, while making no use of available financial and other information for the purpose of evaluating the estimated employment effect.

The GAO report made no recommendations, "in view of the procedures initiated by the Area Redevelopment Administration and implementation of these procedures."

Action taken: Subsequent to initiation of GAO's review, ARA on September 18, 1964, issued new procedures for estimating employment expected to result from its financial assistance projects—Administrator's Order No. 14. The order provides detailed instructions to ARA personnel on the evaluation, substantiation, periodic review, and adjustment of estimates of employment expected to result from the projects.

In addition, pursuant to the GAO proposal, ARA requested SBA to make the evaluation of the number of employment opportunities which can be reasonably expected to be generated from proposed projects a formal requirement of all financial investigations undertaken for ARA. SBA advised GAO that it would carry out this responsibility as requested by ARA.

GAO expressed its belief that the revised procedures, if effectively implemented and administered, should result in a more reliable appraisal of the probable effect of proposed projects on job opportunities in redevelopment areas.

GAO REPORT OF MAY 6, 1965

LACK OF COMPLIANCE WITH STATUTORY REQUIREMENT FOR LOCAL FINANCIAL PARTICIPATION IN AREA REDEVELOPMENT PROJECTS

Section 6 of the Area Redevelopment Act requires that federally assisted industrial or commercial projects be partially financed by a State or local government or an area or a community organization. GAO's review disclosed a number of projects for which all or part of the required State or community financing was in fact supplied by the borrower or its principals. It is GAO's opinion that these financing arrangements, although consistent with the administration policy then in effect, were not consistent with the objectives meant to be served by the applicable statutory provision, and their approval by the administration was, therefore, improper.

The legislative history of the Area Redevelopment Act, both prior and subsequent to its enactment, shows that the requirement for State or community financial participation was intended to insure that each project assisted under section 6 of the act had the active support of the community in which it was located, as evidenced by the willingness of the State or local government or an area or a community organization to invest funds in the project in the amount of 10 percent of the aggregate project cost and to assume a risk position subordinate to that of the Federal Government.

In GAO's opinion, the mere channeling of funds of the borrower or of others having an interest in the project sub-

stantially identical to that of the borrower through a local development corporation and back into the borrower's project, without such corporation's undertaking a bona fide financial risk with respect to the project, does not constitute compliance with the terms of section 6 (b) (9) (B) of the act.

GAO feels that as a practical matter, the only effective means of achieving the purpose is to require that the 10-percent funds secured for each future section 6 project constitute a bona fide investment by State or local government or an area or community organization meeting the requirements of the aforementioned section of the act. GAO feels that the only effective means would be to prohibit prospective borrowers or others having a substantial identical interest from supplying funds to a local development corporation to enable it to participate in the borrower's project.

Action taken: By letter of April 20, 1965, ARA advised it had suspended its policy providing that a prospective borrower may contribute to an LDC—local development corporation; that this was an interim policy pending formal revision of its policy—see page 19 of report.

Note that H.R. 6991, section 202 decreases the 10 percent local contribution to 5 percent, and that even the latter may be waived by the Secretary when such funds not available to the project because of economic distress of the area.

GAO REPORT OF MAY 12, 1965

FEDERAL LOAN ASSISTANCE FOR PLANT ACQUISITION AND IMPROVEMENT RESULTED IN NO NEW EMPLOYMENT OPPORTUNITIES WITHIN REDEVELOPMENT AREA IN WHICH THE PLANT WAS LOCATED

ARA in 1962 committed \$494,000 to assist the Josephine Plywood Corp., Portland, Oreg. to acquire and improve an industrial—plywood—facility at Happy Camp, Calif. The loan was approved and funds disbursed despite modification in the original proposal by the borrower which nullified the increase in jobs originally estimated as an incident to the proposal.

As result, Federal loan funds in the amount of \$494,000 were made available to a borrower for the acquisition and improvement of a plant which created no additional employment in the redevelopment area in which the plant was located.

GAO proposed that the Area Redevelopment Administrator institute procedures under which any modification in a proposed project in connection with which Federal loan assistance is granted will be evaluated as to its effect upon increased employment opportunities. GAO proposed further that the Administrator issue a policy directive prohibiting disbursement of any Federal funds for the benefit of a project that entails the acquisition, modification, or construction of facilities or equipment of a nature which could affect the number of employment opportunities to be created, until firm plans and specifications for such facilities or equipment have been reviewed and approved by ARA.

Action taken: ARA agreed with GAO's first proposal—new procedures to safe-

guard against modifications in a proposed project which would limit the proposed increased job opportunities—but did not comment specifically on the second proposal—re policy directive blocking funds from ARA until borrower has submitted firm plans and specifications.

Mr. MINISH. Mr. Chairman, I should like to express my support of the Public Works and Economic Development Act of 1965 and urge its passage.

This act provides needed sources of financial aid for helping certain local areas in their efforts to attract and stimulate private industries.

This legislation will help to achieve the goals set forth in the President's state of the Union message:

Our basic task is threefold: to keep our economy growing; to open for all Americans the opportunity that is now enjoyed by most Americans; and to improve the quality of life for all.

The programs provided by this act represent an investment in a better, stronger America. These are not programs for giveaways—these are programs for hope.

The area redevelopment and accelerated public works programs, the forerunners of this legislation now before us, demonstrated the value of a comprehensive plan to combat the basic causes of economic distress. I know from personal experience how valuable the Area Redevelopment Act program has been to Newark in its determined efforts to rebuild and revitalize the local economy. The substantial progress that has been made, under Newark's able officials, since the city's designation as a redevelopment area in August 1964, confirms the need for this type of aid. It was most unfortunate that Newark and six other major cities with chronically high unemployment were barred for so long from participating in the Area Redevelopment Act program because the larger labor market areas to which they were attached did not overall meet the arbitrary 6-percent unemployment rate. It took many long months to obtain a new measuring stick for unemployment in major cities and thereby entitle Newark and the other cities to these important benefits.

In connection with the question of eligibility, I am pleased that the legislation provides that applications should not be invalidated simply because an area's eligibility has been suddenly terminated. Communities put a great deal of time, effort, and planning into applications for projects and it would be wrong to waste this important work. This factor was stressed by me when the Newark area was originally removed from eligibility under the accelerated public works program in December 1962. At that time, the 19 communities in Essex County, as well as the county itself, had applied for, or were considering projects under the program amounting to \$10 million and the sudden termination of eligibility caused real hardship. It is gratifying that the pending legislation contains safeguards against a recurrence of this regrettable situation.

I am also pleased that the committee has warned against the dangerous prac-

tice growing out of the spreading use of revenues derived from the sale of tax-free State and local bonds to improperly abet private profitmaking purposes. This practice allows a locality to utilize a Federal tax subsidy to build plants which then are generally rented at a cut-rate price under lease-purchase arrangements to business lured from other areas. I introduced legislation in the 88th Congress and again in this Congress to eliminate these abuses in the area of municipal industrial financing and end the pirating of plants from one area to another. It is imperative that action be taken against this practice which is contrary to the public interest.

Mr. Chairman, we have heard the Public Works and Economic Development Act described as a massive spending program. Our critics complain that a "massive" public spending effort is going on for public works—necessary as these are—and other community improvements. I submit, Mr. Chairman, that we are doing far from enough in this area.

Let us look specifically at sewage disposal, an important item in every local budget.

During the period 1960 to 1963 we have managed to raise our spending on sewage facilities—Federal, State, and local—from \$1.1 billion to \$1.4 billion. This increase of some \$300 million is admirable, but it becomes less so when we compare it to increases in other areas.

Actually our gross national product, which is the sum total of all our allocation decisions, increased by over \$80 billion between 1960 and 1963. Personal consumption expenditures on automobiles alone increased by almost \$4 billion during this period.

In this perspective, Mr. Chairman, could anyone say that we are engaged in a massive spending program for sewage facilities in this country?

The accelerated public works program, and the area redevelopment program, were authorized to spend only \$900 million and \$75 million respectively for grants for needed public facilities. In contrast, spending on space exploration in 1963 alone ran to \$2.5 billion.

Can these efforts, as needed and welcome as they are, be considered "massive" spending by any stretch of the imagination? Can we honestly say, with our GNP estimated at \$630 billion, that we are in no position to spend more money on needed public facilities and other improvements in our local communities? This act can be a vital tool to Newark and cities in similar circumstances in providing low-cost land and long-term financing to augment local resources. Newark has a well-established economic base and is located in a very desirable area for expansion of industrial operations.

In Newark, operations of many industries have declined because of technological changes or market declines, while others have moved their operations to surrounding areas leaving behind a core of unemployed persons and low tax-producing properties. The continued high cost of supporting the unemployed and loss of taxable industrial enterprise has made it necessary for the city to increase

taxes on industry, thus forcing more industry to move and compounding the problem.

The solution to this problem will be dependent on Newark's ability to expand private industry. This, in turn, will depend on Newark's ability to make land available at a reasonable cost.

The Newark Industrial Development Corp., formed last year, has obtained the only sizable tract of land that can be developed. A small injection of Federal funds, as provided under the proposed legislation, would make it possible to attract private investments many times larger, and could save many thousands of dollars now being spent over and over for unemployment and welfare payments.

This great Nation of ours is enjoying unprecedented prosperity, and American private enterprise is continuing to increase its annual capital expenditures while the gross national product increases steadily.

Yet, amidst this affluence, certain areas are suffering continued high unemployment.

It is evident that the cycle of depression for these areas is a vicious cycle which feeds upon itself. It is high time to come to their rescue and help them to break the pattern of economic distress.

Mr. Chairman, the bill before us meets pressing problems in an intelligent and purposeful manner. Its passage is in the highest interests of our country's economic growth and social welfare. I again urge approval of this vitally needed domestic economic aid legislation.

Mr. REUSS. Mr. Chairman, as a consistent advocate of area development and a supporter of S. 1648, the Public Works and Economic Development Act of 1965 reported out by the Committee on Public Works, I am gratified that the proposed act rules out Federal aid to localities using tax-exempt industrial financing to pirate plants.

The committee report notes "the dangers growing out of the spreading use of revenues derived from the sale of tax-free State and local bonds to improperly abet private profitmaking purposes." It points out that this practice, now authorized by 38 States, "allows a locality to utilize a Federal tax subsidy—on its own initiative and regardless of whether it is depressed or not—to build plants which then are generally rented at a cutrate price under lease-purchase arrangements to businesses lured from other areas."

While wholeheartedly agreeing with the need for more rapid industrial development of many States and localities, I have long believed that local government do-it-yourself diversion of Federal tax revenues for economic development often results in a gross abuse of tax-exemption privileges. Because few States have acceptable safeguards for the interests of other areas, tax-exempt industrial bonds have frequently been an instrument for plant pirating and the "export" of unemployment from one area of the country to another. For this reason, I introduced legislation in

the last Congress and again in this session of the 89th Congress—H.R. 5586 and H.R. 5587—to curb tax-exempt financing of industrial and commercial facilities. These bills are now before the House Committee on Ways and Means.

The Committee on Public Works states in its report that misuse of the tax-free bond issuance privilege will not be possible under S. 1648, since the act denies any Federal aid for the purpose of plant pirating. The report goes on, however, to note that tax-free industrial financing would not have become a problem had the Senate concurred in House action to change the Internal Revenue Code in 1954. Because, unfortunately, the Senate failed to act in 1954, the committee on Public Works now urges a further consideration of the industrial bond financing practice of the appropriate committees of the Congress.

Mr. BOLAND. Mr. Chairman, I rise in favor of S. 1648, the Public Works and Economic Development Act of 1965. I am one of the sponsors of this legislation in the House, my bill being H.R. 7093. This legislation would establish an agency for public works and economic development, within the Department of Commerce, to provide Federal financial assistance in areas and regions of substantial unemployment and underemployment to enable them to take effective steps in planning and financing economic development.

The general purpose of the bill is to provide a comprehensive program of Federal assistance to help provide more jobs and higher incomes for people who live in areas where jobs are scarce or incomes are low. The bill is based to a certain extent upon three previous acts, the Area Redevelopment Act, the Public Works Acceleration Act, and the Appalachian Regional Development Act.

Mr. Chairman, the committee report points out that the economic development aspect of the public works acceleration program is still sorely needed in order to help the chronically distressed areas acquire the environmental or development facilities needed to support their self-help efforts to develop more jobs. The bill before us retains many features of the Public Works Acceleration Act of 1962, but is more restrictive as to area eligibility than its predecessor, and it requires with respect to most projects a general relationship to overall economic development. I will support the Sisk amendment which eases the eligibility restrictions from areas of "substantial and persistent unemployment" to areas of "substantial unemployment."

Mr. Chairman, the accelerated public works program was of tremendous benefit to communities in my congressional district. I enclose herewith a list of the projects in my area approved under the APW program:

Hampden County: Firehouse, \$18,000; fish facilities, \$15,000; headquarters building, \$20,000; access facilities, \$5,000; Agawam, interceptor sewer, \$151,000; sewer facilities, \$154,000; Chicopee, electric system, \$235,000; street improvements, \$250,000; East Longmeadow, street construction, \$46,000; Long Meadow, water facilities, \$186,000; Palmer, water supply, \$81,000; town hall, \$126,000;

Springfield, street repairs, \$250,000; sidewalk construction, \$211,000; sanitary sewer, \$146,000; street facilities, \$28,000; street improvements, \$765,000; West Springfield, highway garage, \$23,000; water facilities, \$37,000.

Hampshire County: South Hadley, enlarge town offices, \$46,000; municipal building, \$89,000; water system, \$88,000; service building, \$24,000; street improvements, \$47,000; Ware, sewage treatment plant, \$313,000; total estimated man-months of work, 1,063.

Worcester County: Warren, sewage treatment plant, \$241,000; sewer facilities, \$198,000.

Mr. Chairman, this legislation offers a comprehensive program of grants and loans for public works and development facilities, loans and other assistance for commercial and industrial facilities, technical assistance, planning assistance for appropriate economic and geographic areas of all sizes, and encouragement for depressed areas to combine with their more prosperous neighbors for the benefit of all. I think that this is an excellent approach, and I urge my colleagues to support the bill.

Mrs. DWYER. Mr. Chairman, if the House will learn from experience, it will vote against the pending bill.

None of us can quarrel with the objective of the bill—that is, to help areas of high unemployment revivify their economies and find jobs for their people—but we have an obligation to compare the objectives with the actual performance. And on this basis, I do not believe the bill deserves the support of the House.

Many of our colleagues will recall, Mr. Chairman, that the House defeated similar legislation to expand and enlarge the Area Redevelopment Act in 1963. We did so at that time on the strength of conclusive evidence that the act was not accomplishing what Congress had intended. With two additional years of experience under the ARA and its companion program, the Public Works Acceleration Act, I believe we are justified in concluding that we acted wisely in 1963 and should do so again.

The change of name does not change the character of the programs contained in this legislation. Combining two programs in one is no kind of bargain. While it may double the few virtues involved, it also doubles the many more vices. And it does so at a price—\$3.325 billion—which, if we were not becoming so accustomed these days to multi-billion-dollar programs, would lead us to gag at the high cost of failure.

I cannot subscribe to the rationalization, Mr. Chairman, that because the area redevelopment and accelerated public works programs may have done some good, we should close our eyes to the waste, favoritism, and injustice these programs have brought. Because there are better ways of fighting poverty. There are more effective methods of bringing hope and opportunity to those who have been deprived. There are shorter, straighter roads to increased employment and more general prosperity.

I speak as one who is willing to spend the money authorized by this bill, and much more, in pursuit of justice and opportunity for those who have lived in

poverty. But I cannot believe we advance the war against poverty by throwing our money away, by perpetuating the inefficiencies and inequities which have so discouragingly characterized the programs we are asked to expand.

There are many reasons for opposing this bill, and the minority report states them very convincingly. Having followed these programs, especially the area redevelopment program, very closely over the past several years, however, my own opposition is founded on this basic consideration:

That the programs have hurt my State and my congressional district, weakened our economy, and deprived some of our people of their employment by encouraging industry to leave and by providing unfair advantages to other areas and to competing companies.

Under the ARA program, for instance, one of my district's major employers abandoned his plant and his workers, moved to a redevelopment area in another State, and received substantial Federal assistance in the training of new workers.

Again under the ARA program, one of the country's leading shoe manufacturers—noted for its antiunion, anti-Negro, and low-wage employment policies—built a big new plant in a rural midwestern community solely on the strength of the huge Federal subsidy it received, and this at a time of heavy unemployment in the shoe industry, of much unused plant capacity, and of substantial overproduction.

Even today, ARA is still at it. It is actively considering—and has given many opponents the impression it wants to approve—a \$2.6 million loan to one of the largest broiler producers in the poultry industry, despite the fact that the industry is greatly overproducing, that the new facility will add substantially to industry capacity, that the industry in general is strongly opposed, that the Agriculture Department has been trying to restrict broiler production, and, finally, despite the fact that the proposed facility would be located in an area no longer among those which qualify for ARA assistance due to substantial unemployment.

This, Mr. Chairman, is altogether too typical of the kind of operation ARA has engaged in. The record is depressingly long—and documented by Congress' own investigative arm, the General Accounting Office—that ARA has frequently created more unemployment than new employment, that it has grossly inflated its reports of new jobs, that it has violated its own regulations and ignored the standards and qualifications prescribed by Congress, that it has openly and admittedly based its decisions on political considerations, that it has put a major share of resources into areas which are not truly depressed and projects—like motels, hotels, resorts—which have only limited employment potential, that it has provided financing at taxpayers' expense for some of the most affluent private enterprises in America, and that it has subsidized unfair and harmful competition.

I suggest, Mr. Chairman, that this record warrants the ending of the program, rather than its extension.

Mr. BLATNIK. Mr. Chairman, we have no further requests for time.

Mr. CRAMER. Mr. Chairman, we have no further requests for time.

The CHAIRMAN. There being no further requests for time, under the rule the bill and the committee substitute will be read by title instead of by section.

The Clerk will read the committee substitute reported as an original bill for the purpose of amendment.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Public Works and Economic Development Act of 1965".

STATEMENT OF PURPOSE

SEC. 2. The Congress declares that the maintenance of the national economy at a high level is vital to the best interest of the United States, but that some of our regions, counties, and communities are suffering substantial and persistent unemployment and underemployment; that such unemployment and underemployment cause hardship to many individuals and their families, and waste invaluable human resources; that to overcome this problem the Federal Government, in cooperation with the States, should help areas and regions of substantial and persistent unemployment and underemployment to take effective steps in planning and financing their public works and economic development; that Federal financial assistance, including grants for public works and development facilities to communities, industries, enterprises, and individuals in areas needing development should enable such areas to help themselves lasting improvement and enhance the domestic prosperity by the establishment of stable and diversified local economies and improved local conditions, provided that such assistance is preceded by and consistent with sound, long-range economic planning; and that under the provisions of this Act new employment opportunities should be created by developing and expanding new and existing public works and other facilities and resources rather than by merely transferring jobs from one area of the United States to another.

TITLE I—GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES

SEC. 101. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary of Commerce (hereinafter referred to as the Secretary) is authorized—

(1) to make direct grants for the acquisition or development of land and improvements for public works, public service, or development facility usage, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, including related machinery and equipment, within a redevelopment area, if he finds that—

(A) the project for which financial assistance is sought will directly or indirectly (i) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities, (ii) otherwise assist in the creation of additional long-term employment opportunities for such area, or (iii) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964;

(B) the project for which a grant is requested will fulfill a pressing need of the area, or part thereof, in which it is, or will be, located; and

(C) the area for which a project is to be undertaken has an approved overall economic development program as provided in section 202(b)(10) and such project is consistent with such program;

(2) to make supplementary grants in order to enable the States and other entities within redevelopment areas to take maximum advantage of designated Federal grant-in-aid programs (as hereinafter defined), direct grants-in-aid authorized under this section, and Federal grant-in-aid programs authorized by the Watershed Protection and Flood Prevention Act (68 Stat. 666, as amended), and the eleven watersheds authorized by the Flood Control Act of December 22, 1944, as amended and supplemented (58 Stat. 887), for which they are eligible but for which, because of their economic situation, they cannot supply the required matching share.

(b) Subject to subsection (c) hereof, the amount of any direct grant under this section for any project shall not exceed 50 per centum of the cost of such project.

(c) The amount of any supplementary grant under this section for any project shall not exceed the applicable percentage established by regulations promulgated by the Secretary, but in no event shall the non-Federal share of the aggregate cost of any such project (including assumptions of debt) be less than 20 per centum of such cost. Supplementary grants shall be made by the Secretary, in accordance with such regulations as he shall prescribe, by increasing the amounts of direct grants authorized under this section or by the payment of funds appropriated under this Act to the heads of the departments, agencies, and instrumentalities of the Federal Government responsible for the administration of the applicable Federal programs. Notwithstanding any requirement as to the amount or sources of non-Federal funds that may otherwise be applicable to the Federal program involved, funds provided under this subsection shall be used for the sole purpose of increasing the Federal contribution to specific projects in redevelopment areas under such programs above the fixed maximum portion of the cost of such project otherwise authorized by the applicable law. The term "designated Federal grant-in-aid programs," as used in this subsection, means such existing or future Federal grant-in-aid programs assisting in the construction or equipping of facilities as the Secretary may, in furtherance of the purposes of this Act, designate as eligible for allocation of funds under this section. In determining the amount of any supplementary grant available to any project under this section, the Secretary shall take into consideration the relative needs of the area, the nature of the project to be assisted, and the amount of such fair user charges or other revenues as the project may reasonably be expected to generate in excess of those which would amortize the local share of initial costs and provide for its successful operation and maintenance (including depreciation).

(d) The Secretary shall prescribe rules, regulations, and procedures to carry out this section which will assure that adequate consideration is given to the relative needs of eligible areas. In prescribing such rules, regulations, and procedures the Secretary shall consider among other relevant factors (1) the severity of the rates of unemployment in the eligible areas and the duration of such unemployment and (2) the income levels of families and the extent of underemployment in eligible areas.

(e) Except for projects specifically authorized by Congress, no financial assistance shall

be extended under this section with respect to any public service or development facility which would compete with an existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State or Federal regulatory body, unless the State or Federal regulatory body determines that in the area to be served by the facility for which the financial assistance is to be extended there is a need for an increase in such service (taking into consideration reasonably foreseeable future needs) which the existing public utility is not able to meet through its existing facilities or through an expansion which it agrees to undertake.

(f) The Secretary shall prescribe regulations which will assure that appropriate local governmental authorities have been given a reasonable opportunity to review and comment upon proposed projects under this section.

SEC. 102. Not more than 15 per centum of the appropriations made pursuant to this title may be expended in any one State.

SEC. 103. No part of any appropriations made pursuant to this title may be expended for any project in any area which is within the "Appalachian region" (as that term is defined in section 403 of the Appalachian Regional Development Act of 1965) which is approved for assistance under the Appalachian Regional Development Act of 1965.

SEC. 104. There is hereby authorized to be appropriated to carry out this title not to exceed \$400,000,000 for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1970.

Mr. BLATNIK (interrupting reading of the bill). Mr. Chairman, I ask unanimous consent that title I be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

Mr. CRAMER. Mr. Chairman, reserving the right to object, does the gentleman include section 2 as well as title I?

Mr. BLATNIK. Yes, section 2 as well as title I.

Mr. CRAMER. And it will be the gentleman's intention to move that the Committee rise immediately?

Mr. BLATNIK. That is correct.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. BLATNIK. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. LANDRUM, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (S. 1648) to provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions, had come to no resolution thereon.

GENERAL LEAVE TO EXTEND REMARKS

Mr. BLATNIK. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days to extend their remarks in the RECORD on the bill S. 1648.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. CRAMER. Mr. Speaker, I ask unanimous consent to revise and extend my remarks made in debate on the bill S. 1648 and include certain tables and revise and extend my remarks.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

NATIONAL AMERICAN LEGION BASEBALL WEEK

Mr. ROGERS of Colorado. Mr. Speaker, I ask unanimous consent for the immediate consideration of the joint resolution (S.J. Res. 100).

The Clerk read the title of the resolution.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

The Clerk read the joint resolution, as follows:

S.J. Res. 100

Whereas a nationwide organization of American Legion junior baseball was first proposed as a program of service to the youth of America at the annual department convention of the American Legion held in Milbank, South Dakota, in 1925; and

Whereas, since the organization of this program, which has been established throughout the United States, there have been more than fifteen million youths of eighteen years of age and under who have participated in the program; and

Whereas the American Legion junior baseball program performs a vital service to our youth by offering them outstanding opportunities to acquire physical fitness, to develop personal responsibility and good citizenship, to learn the value of teamwork and mutual cooperation, as well as to acquire individual proficiency and an opportunity to advance to a professional career in the sport of baseball; and

Whereas the annual American Legion World Series for 1965 will be held at Aberdeen, South Dakota, during the period from August 31 through September 6: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That, in honor of the fortieth anniversary of the founding of the American Legion baseball program, the President is authorized and requested to issue a proclamation designating the period from August 31 through September 6 in 1965, as "National American Legion Baseball Week", and inviting the Governors of the several States to issue similar proclamations.

The Senate joint resolution was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. REIFEL. Mr. Speaker, I should like to extend my warmest thanks to my good friend the gentleman from Colorado [Mr. ROGERS] chairman of the subcommittee of the Committee on the Judiciary which is concerned with this legislation; the ranking Republican member of the Judiciary Committee [Mr. McCULLOCH] and the leadership on both sides of the aisle for their willing cooperation in expediting consideration of this resolution, Senate Joint Resolution 100.

Purpose of this measure is to authorize and request the President of the United

States to issue a proclamation designating the period from August 31 through September 6, 1965, as "National American Legion Baseball Week."

I am certain the President, as a devotee of our great national pastime, will take prompt action to issue such a proclamation in recognition of one of this country's greatest youth programs—a program born, I am proud to say, at Milbank, S. Dak., in my congressional district on July 17, 1925.

This proclamation will mark the 40th year that American Legion baseball has flourished across America.

It is especially appropriate that the national finals of Legion baseball will take place this year in South Dakota where the program was born. Known as the Little World's Series, this tournament will be played at Aberdeen, S. Dak., on August 31 through September 6, coinciding with the week specified in this resolution.

Sponsor of the event is my hometown American Legion post, the Sidney L. Smith Post No. 24. General chairman of a hard-working committee which has spent months in planning this event is E. W. Ridgway, of Aberdeen.

The distinguished Governor of South Dakota, the Honorable Nils Boe, already has issued a similar proclamation in response to a request from our State legislature.

I should like to complement my distinguished Senate colleague, the Honorable KARL E. MUNDT, for his perseverance in coaching this resolution down the legislative basepaths of the other body—not once but twice. Members will recall that his initial resolution was thrown a curve when it became the vehicle for reapportionment legislation proposed by the distinguished Senate minority leader, the Honorable EVERETT DIRKSEN, of Illinois.

After the reapportionment amendment struck out, Senator MUNDT reintroduced his baseball resolution which was approved by the Senate yesterday and is now before the House. It is similar to my own House Joint Resolution 589.

In closing, Mr. Speaker, I include at the end of my remarks a brief history of the American Legion baseball program:

BRIEF HISTORY OF AMERICAN LEGION BASEBALL

"In this city on July 17, 1925, by action of the South Dakota Department of the American Legion, the nationwide organization of Legion junior baseball was first proposed as a program of service to the youth of America."

Those words are inscribed on a granite monument in the community of Milbank, S. Dak., as a dedication to the initiation of this fine Americanism program. The program's years of existence can be explained best by a portion of that dedication: "A program of service to the youth of America."

American Legion baseball became a national program by convention action in 1925, and the first national tournament was held in 1926. Only 15 States were represented in this first year of national operation. In 1927, national competition was prevented because of insufficient funds due to the national convention being held in Paris; however, State competition was strong. In 1928, Mr. Dan Sowers, the director of the National Americanism Commission, appeared before the executive council of baseball in Chicago, which agreed to underwrite the national program

up to \$50,000. With the exception of 2 years, the major leagues have continually supported American Legion baseball. They presently underwrite the national program up to \$60,000.

During the 1929 season every State placed teams into competition. The National Broadcasting Co. originated their nationwide broadcast of the finals.

Year 1931 marked the first appearance in championship play of a player who was later to become a big-league great. Kirby Higbe, who hurled the complete game for Columbia, S.C., lost the final game in the 14th inning, 1 to 0. Ten years later he was the National League's top pitcher. Higbe was followed by Phil Cavaretta of Chicago, "Crash" Davis and "Buddy" Lewis of Gastonia, Howie Pollet of New Orleans, Jim Hegan of East Lynn, Herman Wehmeier of Cincinnati and J. W. Porter of Oakland. Each of these players was a member of a national championship team with the exception of Pollet.

In 1938, the finals were broadcast over more than 3,000 radio stations, bringing the series to every section of the country. Major league umpires were used for the first time that year.

Years 1940 and 1941 marked the years that American Legion Baseball became an established national institution for American youth. During the war years the program was restricted, but continued its service to our Nation's youngsters. The postwar years saw the continued growth of the program and the Nation's realization of the importance of this type activity to boys of all age groups.

In 1949, the selection of an "American Legion Player of the Year" was originated. This was arranged through the cooperation of Mr. Robert Quinn, director of the National Baseball Hall of Fame and Museum at Cooperstown, N.Y.

Year 1950 marked the first year any player ever won the Hillerich and Bradsby batting championship trophy 2 consecutive years. J. W. Porter, Oakland catcher, accomplished this with a .551 average in 1949, and a .448 average in 1950.

The history of American Legion baseball has proven that American boys receive on the baseball diamond a more thorough understanding of the true value and meaning of 100-percent Americanism.

AMERICAN YOUTH DESERVE THE RIGHT TO VOTE—VOTING AGE SHOULD BE REDUCED TO 18

(Mr. WELTNER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WELTNER. Mr. Speaker, America is young nation. Soon, over one-half our population will be less than 25 years old. Today, 8 million young men and women are between the ages of 18 and 20.

These young Americans represent the United States across the globe as Peace Corps volunteers. They labor in slums, hospitals, and schools in the struggle against poverty. They represent the Nation before the world in Olympic competition and international conferences. They man the lines of defense around the world. And, most important of all, they are fighting—and dying—in southeast Asia.

These young people, ages 18 to 20, have proven themselves worthy of the awesome tasks we place upon them. They are a generation of dedication and liability.

They can do many things, Mr. Speaker, but there is one area where they are excluded. For except in Georgia and three other States, they cannot vote.

They can fight and die—but they cannot vote.

They can represent this great Nation in some remote outpost of civilization—but they cannot vote.

They can sacrifice their time and energy in ministering to others—but they cannot vote.

A Congress so firmly dedicated to the principle of voting rights should move now to extend the franchise to these young Americans.

I have today introduced a resolution to amend the Constitution to this end. It is a plain and simple proposition:

No citizen of the United States who is 18 years of age or older shall be denied the right to vote by reason of age.

We have placed upon these Americans the duties of citizenship. Let us now extend to them the most basic right of citizenship.

PROPOSAL TO AMEND ACREAGE POUNDAGE QUOTAS FOR TOBACCO TO PERMIT FARMERS MORE OPTION ON TOBACCO PLANTINGS

(Mr. MATTHEWS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MATTHEWS. Mr. Speaker, I am introducing today a bill to amend the Agricultural Adjustment Act, providing for acreage-poundage marketing quotas for tobacco, to permit farmers more option in spacing of their tobacco plantings.

Under the Acreage-Poundage Control Act as passed by Congress this year, in addition to acreage allotments, farmers are given poundage allotments. I would like to point out that my bill permitting farmers more spacing, provided they do not exceed their poundage allotments, will make possible the quality improvement of tobacco demanded by the market, and will lead to more efficient production methods.

While visiting all of the Flue-cured tobacco markets in Florida this past week 9 out of 10 producers who talked with me suggested the type of bill which I am introducing.

CHARLESTON (W. VA.) GAZETTE EDITORIAL

(Mr. HECHLER asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. HECHLER. Mr. Speaker, because I believe that my colleagues will be interested in a broadened degree of editorial comment, under unanimous consent I include the following editorial from the Charleston, W. Va., Gazette, dated August 5, 1965:

INCREDIBLE U.S. SUCCESS ONLY MEASURE OF JOHNSON

In any assessment of President Johnson, the historian of the future—if the world survives so that histories may be written—is not apt to spend much time pondering the significance of the Johnson style, the Johnson penchant for profanity in private,

and the peculiar Johnson pronunciation of "American."

Rather will historians dwell upon the Johnson record in national and international affairs. And if the Johnson performance to date has been considerably short of brilliant in the field of foreign policy, the word "brilliant" hardly describes Johnson's incredible performance in the field of internal legislation dealing with what he chooses to call construction of the Great Society.

By the time this Congress will have adjourned, social and economic measures, revolutionary in concept and in impact, will have been enacted. Never before in the Nation's history has so much sweeping legislation become law in so short a span of time. Indeed, President Johnson, during his first elected year in office, has done more than most Presidents accomplish in one or often two terms.

The list is almost unbelievable:

For the first time a meaningful Federal aid to education bill (\$1.3 billion) is on the Nation's statute books.

A \$1.1 billion bill to assist Appalachia, a section of the Nation which has traditionally been depressed, has been adopted.

A long promised but never fulfilled repeal of excise taxes amounting to \$4.7 billion savings for businesses and consumers went gliding through Congress.

A medicare bill providing hospitalization and nursing care under the social security system for 19 million aged American has been assured.

A voting rights bill to wipe out systematic disenfranchisement of the Negro will be in effect.

The new cabinet post and department for housing and urban development will be established and functioning.

Finally, the ancient imbalance in our immigration laws will have been corrected, reaffirming to the world the fact that the United States does want the former's poor and tired and downtrodden.

And the above list is only a partial recitation of Johnson's legislative successes.

It might be worthwhile to mention, as Newsweek did, in a recent cover story on President Johnson, that Johnson is not the first President to have been described as a boor and a ruffian. The Philadelphia Evening Bulletin once wrote: " * * * His coarse language, his illiterate style, and his vulgar and vituperative personalities in debate, contrast very strongly with the eloquent classical oratory of the eminent Senator from New York." The paper was comparing soon to be President Abraham Lincoln with Senator William H. Seward.

Much more important to the United States and to the world in which the United States is one of the dominating powers is Mr. Johnson's official conduct of his office than his personal failings and idiosyncrasies. With most people these deficiencies count for extremely little now. A century hence, they will count for even less.

EIGHTEEN-YEAR-OLD VOTE

(Mr. HECHLER asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include an editorial from the Charleston Gazette.)

Mr. HECHLER. Mr. Speaker, I am very pleased that the gentleman from Georgia [Mr. WELTNER] has brought up the subject of extending the vote to those who are 18 years of age. Since the State of Georgia has had such a provision in its State constitution for some 20 years, our colleague speaks from knowledge gained from practical experience with this policy. From all evidence we can

deduce, the practice of allowing citizens of Georgia and Kentucky to vote at 18 has produced very healthy results.

From my experience with thousands of young people at this age, I can state, Mr. Speaker, that their interest in public affairs and their educational level, as well as their political maturity, justifies extending to them the privilege of the ballot. When the voting age was first set at 21, our school system was spotty and not as well advanced as at present. Modern communications, news, radio, and television coverage of current topics have advanced so rapidly that the average 18-year-old has excellent opportunities to develop early maturity on public issues. There are, of course, many other reasons which can be advanced in support of the 18-year-old vote. I would have hoped that more State legislatures could follow the excellent example set by Georgia and Kentucky. Alaska and Hawaii now allow voting below the age of 21. It seems to me that there should be a uniform age for voting throughout the Nation, and that is why I would support a constitutional amendment along these lines.

Mr. Speaker, on January 4, 1965, I introduced House Joint Resolution 59 proposing an amendment to the Constitution of the United States to grant to citizens of the United States who have attained the age of 18 the right to vote. I hope that this discussion will stimulate additional support for this proposal.

SUMMER EMPLOYMENT IN THE POSTAL SERVICE

(Mr. GROSS asked and was given permission to address the House for 1 minute.)

Mr. GROSS. Mr. Speaker, on May 23 of this year, President Johnson ordered the various departments and agencies of Government to give summer employment to 25,000 needy young people. Some 8,500 of this number were to be given jobs in the postal service at \$2.29 an hour.

There followed an orgy of hiring on the basis of congressional recommendation and without regard to need.

On June 16, Vice President HUMPHREY took note of the situation and stated "We don't want to look at this program as a way to take care of the family." Now it develops that HUMPHREY's own nephew, who can scarcely be said to be poverty-stricken, holds one of these make-work postal jobs.

Immediately the Post Office Department threw a blanket of secrecy over its payrolls and refuses to divulge the names of the youngsters hired, but enough information has leaked to show that jobs have gone not to the needy but to members of the families of Democrat party leaders, and to the son of at least one Member of Congress.

Two things are in order: Vice President HUMPHREY ought to retract his original statement and the Post Office Department ought to be compelled to lift its lid of secrecy so that the taxpayers can at least smell this latest mess of political patronage.

INSPECTION OF THE MANUFACTURING, PROCESSING, AND COMPOUNDING OF CERTAIN LIFE-SAVING PRESCRIPTION DRUGS

(Mr. LATTA asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LATTA. Mr. Speaker, I have introduced legislation to provide for more inspection of the manufacturing, processing, and compounding of certain life-saving prescription drugs and to give authority to the Secretary of Health, Education, and Welfare to establish conditions under which foreign finished prescription drugs subject to inspection in the United States could be imported. In introducing this legislation, I would like to note that every pound of red meat that is shipped from one State to another and every pound of dressed chicken shipped across State lines is subject to continuous inspection by the U.S. Department of Agriculture. Difficult to believe, however, is the fact that the most potent drugs given in life-threatening conditions are being produced under a system of spot-checking or spot-inspection by the Food and Drug Administration whose inspectors now get into the drug factories on an average of only once a year. Such a situation is shocking, to say the least, and cries out for immediate attention. According to testimony presented before our Subcommittee on Intergovernmental Relations of the House Committee on Government Operations, FDA subjects only the antibiotics and insulin to greater control which involves laboratory examination of each batch produced and certification by the Department before they can be shipped in interstate commerce.

One needs only to consider some of the cases which have come to the attention of the Food and Drug Administration during the past 3 years to be convinced that additional inspection is needed. Cases allegedly reported were as follows:

Some tablets used in treating heart patients were substantially low in potency.

Some anti-inflammatory drugs were found to be of low potency.

Certain sex hormones were found to be of low potency and mislabeled as another drug.

Certain thyroid tablets were found to have excess potency, and others were found to be mislabeled.

Some anticoagulants—used to thin the blood in patients who have suffered heart attacks—were found to be too strong and others were found to be too weak.

Some drugs used to lower the blood pressure were found to be too weak and some others were found to be contaminated with foreign alkaloids.

An ergot preparation used to control hemorrhage after childbirth was found to be too weak.

A potent antihistamine used in certain surgical procedures was mislabeled.

A drug prescribed for many heart patients to prevent fibrillation was found to be too weak.

Some drugs used by heart patients to relax the blood vessels and ease the strain on the heart were too strong.

Some central nervous system depressants were found to be low in potency or contaminated with another drug.

Certain potent antibacterial agents were found in fact to be too weak or would not disintegrate in the digestive tract and thus could not effectively combat infection.

Certain injections to be administered hypodermically were found not sterile or contaminated with foreign substances that produce fever.

And many drugs were contaminated with small amounts of penicillin which could produce a penicillin reaction and even death in certain patients.

Since drugs play such an important role in the health of the Nation, I believe there is an urgent need for more effective inspection of the manufacturing, processing, and compounding of the same.

I have taken note of President Johnson's statements of the last few days expressing his concern for the health and well-being of our citizens. In view of this fact, I am calling my bill, H.R. 10353, to the attention of the White House and requesting the administration's support. It seems quite inconsistent for us to spend millions and millions on medical research to extend life and then fail to take the necessary precautions to assure us that the lifesaving drugs we are taking are as safe as they can possibly be.

DISTRICT OF COLUMBIA HOME RULE—DISCHARGE PETITION

(Mr. HORTON asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HORTON. Mr. Speaker, I am joining today with my colleagues, the distinguished gentleman from New York [Mr. MULTER], and the two distinguished gentlemen from Maryland [Mr. MATHIAS and Mr. SICKLES] in laying the bipartisan groundwork for House consideration of legislation to provide home rule for the District of Columbia.

We are supporting the resolution introduced by the gentleman from New York [Mr. MULTER] which provides for discharging the District of Columbia Committee of H.R. 4644, a home rule bill also introduced by the gentleman from New York [Mr. MULTER]. This resolution further provides the rules for discussion and debate of H.R. 4644 at such time as the measure is brought before the House.

Additionally, we are moving to discharge the Rules Committee of any further consideration of this resolution. This discharge petition action will be taken, as provided for in the Rules of the House, 7 days after today's introduction of the resolution.

When this discharge motion is filed, I urge all Members to sign it speedily so it can be placed on the Discharge Calendar and called up for consideration.

It is immediately apparent that time is a crucial consideration in this matter. If we in the House are to answer the opportunity to install local government for the city of Washington and to give

that answer without further delay, our action must be swift.

The other body already has approved an effective measure to provide home rule for the District of Columbia. Through the discharge route the other gentlemen and I are proposing, that bill can be brought before the House for consideration and any amendments this body wishes to attach.

I think individual justice has long since established the rectitude of home rule for the Capital community. Now, it is for us in the House to take the legislative initiative with positive action on a home rule bill.

SURRENDER

(Mr. GROSS asked and was given permission to address the House for 1 minute.)

Mr. GROSS. Mr. Speaker, it must have boosted to a high level the morale of our fighting men in Vietnam and others around the world to read the news dispatches that next week the leaders of this Government will tuck their figurative tails between their legs and capitulate to the Communists in the United Nations.

According to present plans, say the dispatches, Mr. Arthur Goldberg, this country's new factotum at the Tower of Babel, will agree to the shredding of article 19 of the U.N. Charter which provides that the Communists and other leeches be thrown out of the club for nonpayment of dues.

Remember all the brave words and assurances given the House when the \$100 million bond issue was approved? We were told then and since that either the leeches would pay up or be thrown out. Were those statements made only to beguile?

If members of this Organization now deliberately rip up the charter they will brand themselves as moral bankrupts, and those who acquiesce will stand no less indicted.

UNITED NATIONS PROCEDURES

(Mr. SISK asked and was given permission to address the House for 1 minute.)

Mr. SISK. Mr. Speaker, I have asked for this time to ask the gentleman from Iowa where he got his information because I happen to know of my own knowledge, and having heard the statement of our Ambassador to the United Nations that no such agreement has been made at the present time and that a determination has not been made, in spite of the story that appeared in yesterday afternoon's newspaper which happened to be totally and completely erroneous. If the gentleman is basing his statement on that newspaper story, I would be inclined to question it.

Mr. HAYS. Mr. Speaker, will the gentleman yield?

Mr. SISK. I yield.

Mr. HAYS. If I were the gentleman from California, and he is a very close friend of mine and a distinguished Member of this body, I would not to go too far out on the limb betting that that story is wrong.

Mr. SISK. I might say, to my good friend I am not betting on it one way or the other. I am simply saying, based on the information I have, I think the story is not necessarily true because the decision has not been made. It may be that the story in the future may prove to be true but I question its truthfulness as of last night or as of this time.

Mr. HAYS. I do not know how true it was last night and I do not know how true it is this minute, but if I were a betting man, I would be willing to bet a year's salary that the new Ambassador to the United Nations will make that statement next Monday.

Mr. SISK. That remains to be seen.

ARA—UNFAIR COMPETITION: INDUSTRY AND JOB PIRACY

(Mr. CLEVELAND (at the request of Mr. McCLODY) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. CLEVELAND. Mr. Speaker, the Public Works and Economic Development Act of 1965 is now before this House.

S. 1648 is the legislation before the Congress which would supposedly combine the best features of the Public Works Acceleration Act program and the Area Redevelopment Act program. This legislation was brought to the Congress in a different package this time, since legislation to continue the Area Redevelopment Act program was defeated in the 88th Congress.

While the bill does have some good features, I have serious reservations about several sections of the bill. I outlined these objections in my "Supplemental Views" on S. 1648, which views appear in House Report No. 539, 89th Congress, 1st session.

When the legislation was before the House Committee on Public Works, I offered a number of amendments which I believe would have substantially improved the bill. These amendments were based on sound legislative and economic principles.

Mr. Speaker, one of the amendments which I offered in committee was one concerning fair trade and the prevention of unfair competition. The proposed amendment read as follows:

No financial assistance under this act shall be extended to any project when the result would be to increase the production of goods, materials, or commodities, or the availability of services or facilities, when there is not sufficient demand for such goods, materials, commodities, services, or facilities, to employ the efficient capacity of existing commercial or industrial enterprises.

ARA has been severely criticized for the construction of facilities which have contributed to oversupply of products in a number of segments of our consumer economy.

ARA recently constructed a shoe factory in Indiana while at the same time shoe factories throughout New England, especially in New Hampshire and Massachusetts, were being closed because there was an oversupply of shoes on the market. ARA has constructed pulp and paper mills at a time when problems of oversupply were seriously affecting the

industry throughout the Nation, especially in New Hampshire.

Mr. Speaker, the purpose of my fair trade and prevention of unfair competition amendment was to prevent this type of waste of Federal funds and this unfairness to American taxpayers.

Now it has come to my attention that ARA plans to finance a poultry operation in western Pennsylvania, an area which is receiving substantial economic support from the Federal Government under the provisions of the Appalachian Regional Development Act of 1965. That program makes it possible for the Appalachian area to unfairly compete with the rest of the Nation by giving it over \$1 billion of preferential Federal assistance. Now, in addition to the Federal dollars which are being poured into the area under the provisions of the Appalachian Act, ARA may approve a \$2.4 million loan for a poultry operation to process over 3 million broilers annually when the poultry industry is already suffering from oversupply.

Mr. Speaker, under unanimous consent, I include in the RECORD at this point an article from the Poultryman of Friday, July 23, 1965, which explains in detail the proposed Pennsylvania poultry operation:

POLITICAL STORM BUILDING OVER ARA POULTRY LOAN

WASHINGTON.—A political storm is brewing over a proposal to use Government funds to help build a poultry plant to process 3 million broilers annually in an economically depressed area of western Pennsylvania.

Chairman HARLAN HAGEN of the House Dairy and Poultry Subcommittee said the subcommittee would ask Federal officials to discuss the project during a closed hearing.

"Apparently some people in the poultry business in other parts of the country feel this is just adding a surplus to an already over-burdened economy," HAGEN told the Poultryman.

The project is planned by the Greater New Castle Development Corp., of New Castle, Pa. The agency has applied for an approximate \$2.4 million loan from the Area Redevelopment Administration (ARA) to help finance the poultry plant which would be used by Lipman Brothers Inc., of Augusta, Maine.

The ARA supervises the multi-billion dollar Federal program designed to entice job-creating industries into depressed areas.

Representative FRANK M. CLARK, Democrat, of Pennsylvania, said he anticipates ARA approval of the loan application.

The National Broiler Council, in a newsletter to its members, said the council's Washington office "has been deluged with vigorous protests" against the loan.

Apparently, an effort is under way to kill the project before it even gets off the ground. Congressman CLARK and other Pennsylvania political leaders probably will fight to save it.

The dairy and poultry subcommittee meeting was called to question USDA and ARA officials about the New Castle loan application.

The project is expected to cost \$4.8 million and employ 400 to 500 persons when completed sometime this fall.

Mr. Speaker, my amendment deals with the whole problem of industrial and job piracy.

I offered the amendment before the committee, and it was rejected. I intend to offer the amendment when S. 1648 is on the floor for amendment, and I sincerely hope that it will not be rejected.

Industrial and job piracy is a severe economic problem which is disrupting the economic balance of our Nation. Every Member of this body is affected by the situation in one way or another.

COMBAT PAY FOR FOREIGN SERVICE OFFICERS

(Mr. ASHBROOK (at the request of Mr. McCLORY) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. ASHBROOK. Mr. Speaker, it seems that we are in for another wave of violence in our overseas embassies. One cannot help but wonder why we do not give combat pay to the men and women who staff our embassies, libraries, information agencies and other outposts which are the subject of recurring attack. It is no secret that this is a direct action of the Communists in instigating these riots and these attacks on what should be a privileged sanctuary under international law. It is no secret that our softness in the face of these overt acts also helps precipitate more of these regrettable incidents.

The attacks seem to come in waves. Last week, another attack in Indonesia was a repeat of past actions in that unfriendly nation. As we study the past record of the major incidents, I wonder if we are entering again the monsoon season of riots, flag burnings, and violence. I also wonder what our State Department will do about it. Here is a list of some of the recent attacks:

ATTACKS ON AMERICAN GOVERNMENT PROPERTY, 1964-65

October 24: Sudanese students break into embassy in Khartoum, Sudan and ransack USIS library.

October 27: Mob smashes windows at USIS office in Bolivia.

November 4: Bolivian students damage two more USIS offices.

November 10: Mob attacks embassy in Khartoum.

November 25: Demonstrators stone embassy in Bulgaria.

November 26: Embassy in Cairo is attacked and mob burns J. F. Kennedy Memorial Library.

November 26: African students damage embassy in Prague.

November 28: Students shatter 56 windows in Moscow embassy.

December 4: Indonesians burn books at USIS center in Jakarta.

December 7: Indonesians ransack USIS library at Surabaya.

January 9: USIS library in Panama City is totally destroyed.

January 22: Buddhists march on embassy in Saigon, stone library.

January 23: Buddhists ransack consulate in Hue, South Vietnam.

February 9: Mob breaks 200 windows in Moscow embassy.

February 9: Embassy in Uruguay is pelted with stones.

February 13: African and Asian students ransack legation in Budapest.

February 13: Mob smashes windows of USIS building in Malaysia.

February 15: Indonesia seizes USIS library at Jakarta after riot.

February 15: Legation in Sofia, Bulgaria is stoned by Asians and Africans.

February 16: Mob tears down flag at embassy in Uganda.

February 16: Indonesia seizes USIS center in Jakarta after students storm it.

February 16: Venezuelan students stone embassy in Caracas.

February 18: Indonesians storm consulate in Medan, tear down flag.

February 28: Mob invades ambassador's home in Jakarta.

March 4: Students attack embassy in Moscow.

IF THEY PAID THEIR DEBTS

(Mr. ASHBROOK (at the request of Mr. McCLORY) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. ASHBROOK. Mr. Speaker, the question is often asked in letters from constituents or in discussions with them back in the district "If other nations paid the debts they owe the United States would our gold situation, balance-of-payments problem, and our general financial difficulties be eased?" The answer to the question would seem to be that we would at least receive a boost that we don't now see in sight. France's President de Gaulle has attacked the dollar and is endeavoring to build up the franc. He has called on our gold and silver reserves despite the fact that France owes us over \$7 billion and the great bulk of this has been in default for many years now.

These debts are separate from aid programs, lend lease and other programs which poured tens of billions of dollars overseas. These are officially carried on U.S. books as debts.

I personally believe that we should not allow France to draw any of our gold or silver reserves until they pay up. Uncle Sugar has been too good and we are all paying for it now. Here is the table of outstanding debts still owed to the United States:

World War I debt still owed to U.S. Government	
	Billions
Britain.....	\$9.380
France.....	6.510
Italy.....	2.245
Belgium.....	.665
Russia.....	.635
Poland.....	.445
Czechoslovakia.....	.265
Other.....	.355

World War II and postwar debt still owed to U.S. Government

	Billions
Britain.....	\$3.997
India.....	2.290
Brazil.....	.862
Japan.....	.842
Pakistan.....	.729
France.....	.637
Turkey.....	.481
Yugoslavia.....	.475
Chile.....	.443
Spain.....	.392
United Arab Republic.....	.384
Israel.....	.366
Argentina.....	.351
China (Nationalist).....	.303
Iran.....	.249
Colombia.....	.248
Germany.....	.226
Morocco.....	.207
Russia.....	.201

World War II and postwar debt still owed to U.S. Government—Continued

	Billions
Mexico.....	\$0.199
Indonesia.....	.189
Greece.....	.150
Venezuela.....	.138
Peru.....	.126
Other.....	2.111

(Source: U.S. Treasury, U.S. Department of Commerce.)

(Mr. MINSHALL (at the request of Mr. McCLORY) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

[Mr. MINSHALL'S remarks will appear hereafter in the Appendix.]

(Mr. CONTE (at the request of Mr. McCLORY) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

[Mr. CONTE'S remarks will appear hereafter in the Appendix.]

UNITED REPUBLICANS OF AMERICA

The SPEAKER. Under a previous order of the House, the gentleman from Georgia [Mr. WELTNER] is recognized for 30 minutes.

Mr. WELTNER. Mr. Speaker, I yield to the gentleman from Ohio [Mr. MOELLER].

Mr. MOELLER. Mr. Speaker, something that calls itself the United Republicans of America has announced its intention to purge certain Members from Congress in the 1966 general election.

I must confess that I know little of this particular organization—one needs a scorecard these days to keep track of the weird political groups that have been springing up like weeds in the past few years.

But I was able to find out that the advisory board of the self-styled United Republicans of America is composed of ultrasegregationists from Alabama and Mississippi in addition to several other individuals who never have been and never will be in the mainstream of political thinking in this country.

None of its leaders or members, so far as I can determine, live in my 10th Congressional District or anywhere else in the State of Ohio. This is not surprising. The people of Ohio have never lent their support to extremist movements, either on the far left or the far right.

While I personally welcome the opposition of the URA, I do resent a bunch of carpetbaggers from Alabama and Mississippi and other States far removed from Ohio trying to force their strange views on the people whom I am privileged to represent.

However, I am quite sure that the United Republicans of America will find that southeastern Ohioans are intelligent enough and capable enough to make their own political decisions without outside pressure and meddling.

The real tragedy of organizations like the United Republicans of America is that they have lost faith in democracy. They have no sense of loyalty to the es-

established political institutions. They look with disdain and contempt on the American people and are icily indifferent to their hopes and aspirations.

These far-out groups are to be more pitied than censured. For I can think of nothing more pitiful than Americans who have lost confidence in America because of their own frustrations and frailties.

Now, Mr. Speaker, the United Republicans of America says it does not like my voting record. It says that I am a rubberstamp and a robot of the Johnson administration.

I infer, then, that the United Republicans of America disagrees with my strong support of the war against communism, and my votes to strengthen our military forces in Vietnam.

I infer that the United Republicans of America disagrees with my efforts and votes for the war on poverty, under which more than 2,000 children of poverty in my district are now receiving special training, medical services and wholesome meals. Many of them are getting these benefits, which most of us take for granted, for the first time in their young lives.

I infer that the United Republicans of America disagrees with my efforts and votes to provide guaranteed medical-hospital care for the aged, and my successful efforts to help provide cost-of-living increases in social security pensions.

I infer that the United Republicans of America disagrees with my efforts and votes to strengthen and expand our system of public education in Ohio and the Nation. Under the Elementary and Secondary School Act of 1965 alone, my district is receiving more than \$1 million at the outset to build up its schools.

I infer that the United Republicans of America disagrees with my efforts and vote to reduce or eliminate burdensome Federal excise taxes that were taking billions of dollars a year out of the pockets of our people.

I infer that the United Republicans of America disagrees with my efforts and votes for our farmers and their families—for community development—for water and soil conservation—for rural housing—for flood control and watershed projects.

These are the programs that I support enthusiastically and wholeheartedly. If this makes me a "robot" then I say that what this country needs is more robots; if this makes me a captive of the Johnson administration, then I say that I am in good and responsible company.

I am unmoved and unconcerned about the threat of the URA to purge me. An examination of its statement of "principles," to use the word loosely, compels me to suggest that its author "multiplied words without knowledge." In any event, nothing can come of nothing, and that is exactly what the URA represents: nothing. But it will be interesting to see whether the regular Republican organizations in Ohio and the 10th District repudiate the URA and all the nonsense that it stands for.

Mr. SCHMIDHAUSER. Mr. Speaker, will the gentleman yield?

Mr. WELTNER. I yield to the gentleman from Iowa.

Mr. SCHMIDHAUSER. I would just like to compliment my colleague from Ohio. I, too, received one of those letters, and I would like to associate myself with his fine remarks.

Mr. EDWARDS of Alabama. Mr. Speaker, will the gentleman yield?

Mr. WELTNER. I yield to the gentleman from Alabama.

Mr. EDWARDS of Alabama. I thank the gentleman for yielding.

I am not a member of the URA, but I did notice that the gentleman from Ohio referred to one of my colleagues as an arch segregationist who was one of the carpetbaggers in effect coming into Ohio. I wonder if the gentleman from Ohio informed my colleague that he was going to be attacked on the floor today and referred to in such a manner.

Mr. MOELLER. Mr. Speaker, I made no attack. Neither did I inform the gentleman.

Mr. EDWARDS of Alabama. Mr. Speaker, will the gentleman yield for one moment further?

Mr. WELTNER. I yield to the gentleman.

Mr. EDWARDS of Alabama. I always have to smile when someone from Ohio or anywhere else refer to carpetbaggers coming into their States. I think it is well known the situation we have had in the South in the last few months as far as carpetbaggers are concerned. I am sure that the gentleman from Alabama who has been referred to as an arch segregationist will no doubt want to have his comments on the floor concerning these remarks.

MORALITY AND VIETNAM

The SPEAKER. Under previous order of the House, the gentleman from Alabama [Mr. EDWARDS] is recognized for 30 minutes.

Mr. EDWARDS of Alabama. Mr. Speaker, most of us have participated yesterday and today in discussions at the White House regarding the U.S. involvement in Vietnam.

I was especially interested to participate so as to assess statements made in this House last week relating to the morality of our U.S. effort to resist Communist aggression in Asia.

On 2 days last week Members of this body sought to show that our effort in Vietnam is immoral, that we do not belong there, and that we ought to take action amounting to withdrawal under conditions approximately equal to surrender.

Amazingly enough, they seek to show that the famous Dean Acheson speech of January 1950 justifies their current position in Vietnam. In that speech, widely recognized as an invitation to the Communists to attack South Korea, Mr. Acheson announced that the United States would not try to defend South Korea against attack. The attack came 6 months later.

The question of morality in our Vietnam policy is vital, and can easily be misunderstood, and I suspect misunder-

standing on the question extends well beyond the very few Members of this body who spoke about it last week.

Mr. Speaker, over the past several months while our national foreign policies, particularly with regard to southeast Asia, have become increasingly complicated and crucial, there has developed at the same time a chorus of criticism.

The kind of criticism I have in mind is that based on feelings that the United States is basically at fault in the Vietnam problem, that we resist a peaceful settlement of the conflict there, and generally that if we would prove ourselves to be peace-loving then the Communist governments would respond in kind and we would have a world of tranquility.

These themes, and others related to them, are appearing in increasing volume and frequency in the public communications media. The people voicing them consider their position to be one of "moral indignation." Recently a fairly new publication made a big thing of comparing Ho Chi Minh with George Washington. The idea was that Ho Chi Minh is so popular throughout Vietnam that he reminds the editors of a kind of father of a democratic and idealistic government.

The motivations of most of these people are not in question. As a Nation we have always sought righteousness and the ideal, both at home and abroad. The American dream of self-government and individual liberty is based on expecting the best from others.

As Americans we are all appalled at the human tragedy unfolding in Vietnam today, and are disturbed to find ourselves involved. It is a jolt to our feelings of right and wrong, and we strain to find answers.

But, however much our sense of righteousness is touched, it is vital that in our search for answers we do not let wishful thinking be a substitute for a sense of history, logic, and realism. Wishful thinking as a substitute for realism in our approach to the Vietnam situation would not only be unfortunate but would be dangerous. Too much of it in the past is one reason why we have a Vietnam problem today.

Wishful thinking in our Vietnam situation is still widespread. It extends throughout the country. Some members of this House, for example, are evidently beginning now to voice their concern over the stated policy of firm defense against Communist aggression in Vietnam.

On August 3 some Members joined in a discussion on the floor of this House which sought to show how we should be acting differently to solve the Vietnam puzzle. To support their case they used events from the past, but have drawn conclusions which, I believe, show wishful thinking in a dangerous degree.

They appear to be suggesting that the United Nations should call a cease-fire in Vietnam and that the UN should organize elections in South Vietnam. Presumably the end result of this plan would be withdrawal of the United States from

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Big Slough watershed, Fla., and Upper Big Nemaha watershed, Nebr.; to Agriculture Committee. p. 19399

Choccolocco Creek, Ala., Little Clear Creek, Ark., Grove River, Ga., South Fork Broad River, Ga., Busseron watershed (supplemental), Ind., and Suasco watershed (supplemental), Mass.; to Public Works Committee. p. 19400

HOUSE

10. PUBLIC WORKS; ECONOMIC DEVELOPMENT. Passed, 246-138, with amendments S. 1648, the proposed Public Works and Economic Development Act of 1965 (pp. 19487-604, A4508-9). The general purpose of the bill is to provide a comprehensive program of Federal assistance to help provide more jobs and higher incomes for people who live in areas where jobs are scarce or incomes are low. The bill authorizes the Commerce Department to make grants of up to 80% in eligible areas for public works which are necessary for area economic development or for the objectives of the antipoverty program, make supplementary grants for needy communities in certain cases, make loans on favorable terms for public works and development facilities, give communities advice on how to reduce unemployment and attain economic growth, provide for a study of the effects of Government procurement on regional economic development, help States and localities to form multicounty economic development districts, designate economic development regions composed of two or more States, assign administration and coordination of the program to a new Assistant Secretary of Commerce and an Administrator, etc.

Agreed to an amendment by Rep. Sisk to make more areas eligible for grants for public works and development facilities, to increase the authorization from \$400 million to \$500 million, and to reduce the time limit from 5 years to 4 years, by a 196-194 vote (pp. 19487-92, 19601-2). Also agreed to various other amendments.

Rejected various amendments, including: By Mrs. Reid, Ill., to reduce the authorization from \$400 million to \$250 million, by a 66-117 vote (pp. 19489-91). By Rep. Cramer, to prohibit aid through this Act if a project is eligible under the Appalachian Act (pp. 19492-5). By Rep. Baldwin, to eliminate the retroactive provision on eligibility (pp. 19505-6). By Rep. Saylor, to prohibit use of foreign materials under this Act, by a 71-115 vote (pp. 19525-94).

In connection with his amendment, Rep. Saylor inserted parts of a two-volume report by Joseph W. Marlow on domestic preference laws and regulations of the major world trading companies. pp. 19527-94

Rep. Callaway criticized the ARA loan to help finance the Lipman Brothers poultry operation in New Castle, Pa. p. 19597

11. CENSUS. The Post Office and Civil Service Committee reported with amendment H. R. 6183, to provide for a mid-decade census of population, unemployment, and housing in 1966, 1975, and every 10 years thereafter (H. Rept. 780). p. 19635

12. LABOR-HEW APPROPRIATION BILL. Received the conference report on this bill, H. R. 7765 (H. Rept. 791). pp. 19474-6

13. DATA PROCESSING. The Government Operations Committee voted to report (but did not actually report) with amendment H. R. 4845, to provide for the economic and efficient purchase, lease, maintenance, operation, and utilization of automatic data processing equipment by Federal departments and agencies. p. D787

14. WATERSHEDS. Received from the Agriculture Committee a letter of approval for work plans of certain watershed projects. p. 19476 (See Digest 147 for list of projects).
15. FOREIGN TRADE. Reps. Chamberlin and Derwinski inserted newspaper articles critical of the administration's alleged plans for a "new grain deal" with the Communists. p. 19609, 19619
16. FARM PROGRAM. Rep. Dent criticized the farm bill stating that "the arguments against this wheat proposal are sound and endless." pp. 19619-21
17. LEGISLATIVE PROGRAM. Rep. Albert announced that on Mon. the following bills will be taken up under suspension of the rules: H. R. 6438, making accounting adjustments between appropriations; H. R. 4653, authorizing checks to be drawn in favor of banking organizations for the credit of a person's account under certain conditions; and H. R. 9544, authorizing the disposal of rubber from the national stockpile. On Tues. and the balance of the week the farm bill will be the principal business. pp. 19609-10
18. ADJOURNED until Mon., Aug. 16. p. 19635

ITEMS IN APPENDIX

19. GRAIN; CCC. Extension of remarks of Rep. Quie supporting and inserting an article urging an increase in the resale formula on surplus wheat owned by the Commodity Credit Corporation. pp. A4510-1
20. PLANTS; RESEARCH. Extension of remarks of Rep. Kelly favoring legislation to provide for a Federal program to be administered by USDA to expand study and experimentation to eradicate ragweed. p. A4513
21. TOBACCO. Extension of remarks of Rep. Cooley criticizing Australian restrictions on imports of U. S. tobacco. pp. A4513-14
22. FEDERAL AID. Rep. Brock inserted an article discussing issues involved in financing state and local governments and suggesting a program of expanded specific grants in aid and a general assistance program for the states. pp. A4517-8

PRINTED HEARINGS RECEIVED BY THIS OFFICE

23. APPROPRIATIONS. H. R. 7765, Labor--Health, Education, and Welfare appropriations for 1966; Part 2. S. Appropriations Committee.
24. REORGANIZATION. Reorganization Plan No. 5 of 1965 (National Science Foundation). H. Government Operations Committee.
25. POVERTY. S. 1759, to expand the war on poverty. S. Labor and Public Welfare Committee.
26. REPORTS; AUDITING. Comptroller General reports to Congress on audits of defense contracts. H. Government Operations Committee.
27. FREIGHT RATES. Discriminatory ocean freight rates and the balance of payments. Part 2. Jt. Economic Committee.

A motion to reconsider was laid on the table.

NATIONAL LITERACY WEEK

Mr. ROGERS of Colorado. Mr. Speaker, I ask unanimous consent for the immediate consideration of the joint resolution (H.J. Res. 4) designating the 6-day period beginning September 13, 1965, as "National Literacy Week," and for other purposes.

The Clerk read the title of the joint resolution.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

The Clerk read the joint resolution, as follows:

H.J. RES. 4

Whereas the month of September marks the return to school for millions of American children and illustrates our commitment to the goals of an educated and enlightened society; and

Whereas the total eradication of illiteracy is a matter of grave concern since in the United States there are two million adult Americans who cannot read or write; eight million three hundred thousand persons twenty-five years or over who have had less than five years of schooling; and twenty-two million individuals of working age who have had less than eight years of education; and

Whereas these individuals are committed to a future of minimum earnings, recurrent or persistent joblessness, social dependency, and personal deprivation and represent a staggering cost to the United States in public assistance and welfare programs; and

Whereas it is recognized that the learning tools of reading, writing, and arithmetic open the doors of opportunity not only to occupational training and productive work, but also to the larger life of mind and spirit; and

Whereas the illiterate or near illiterate person, while employed, may be shut off from unlimited personal growth opportunities, as well as from occupational advancement opportunities; and

Whereas adult basic education is a fundamental approach to independent learning, to adjustment of manpower to changing occupational requirements, to elimination of poverty, and to the larger satisfaction in personal growth made possible through acquisition of the basic learning tools: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the six-day period beginning September 13, 1965, and ending September 18, 1965, both dates inclusive, is hereby designated as "National Literacy Week" in recognition and appreciation of the private and public organizations which are working to reduce illiteracy in the United States. The President of the United States is authorized and requested to issue a proclamation inviting the people of the United States to join in the observance of such week with appropriate ceremonies and activities.

The joint resolution was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

REPUDIATION DAY

Mr. ROGERS of Colorado. Mr. Speaker, I ask unanimous consent for the immediate consideration of the joint resolution (H.J. Res. 401) requesting the

President to designate November 23, 1965, as Repudiation Day.

The Clerk read the title of the joint resolution.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

The Clerk read the joint resolution, as follows:

H.J. RES. 401

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President is requested to issue a proclamation designating November 23, 1965, as Repudiation Day in recognition of the historic significance of the action of the Frederick County Court on November 23, 1765, in repudiating the Stamp Act, as a preamble to the American Revolution, and to bear witness to the importance that this Nation still places on a judiciary that has the courage to be independent and the wisdom and strength to protect the liberties of the people against every sort of tyranny, and calling upon the people of the United States to observe such day with appropriate ceremonies and activities.

The joint resolution was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

CRUSADE FOR SAFETY DAY

Mr. ROGERS of Colorado. Mr. Speaker, I ask unanimous consent for the immediate consideration of the resolution (H. Con. Res. 448).

The Clerk read the resolution, as follows:

H. CON. RES. 448

Resolved by the House of Representatives (the Senate concurring), That the President is authorized and requested to issue a proclamation designating September 3, 1965, as Crusade for Safety Day and calling upon the people of the United States to observe such day with appropriate ceremonies and activities designed to reduce traffic accidents.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

Mr. FRIEDEL. Mr. Speaker, I want to thank the distinguished member of the Judiciary Committee, the gentleman from Colorado [Mr. ROGERS], for bringing by resolution before the House for action.

This House Concurrent Resolution 448 authorizes and requests the President to issue a proclamation designating September 3, 1965, as "Crusade for Safety Day." The reason we have specified September 3, 1965, is that on that day the Postmaster General will join other Maryland officials in issuing a special traffic safety stamp in Baltimore to call to the attention of the public the need for safe driving to stop the tragic slaughter on our Nation's streets and highways.

Baltimore has been selected as the site for the issuance of this special traffic safety stamp because the members of the Safety First Club of Maryland originally suggested that such a stamp be issued as a means of reminding the driving public that "Safety is everybody's business." For more than 6 years we have been campaigning for this stamp and we are gratified that it has now been approved by

the Postmaster General and will be issued just before the Labor Day weekend.

Mr. Speaker, it is shocking to note that during the year 1964, 48,000 Americans were killed in traffic accidents. Another 3,840,000 Americans were injured and there were 285,000 pedestrian casualties. We must make an all-out effort to stop this slaughter by automobile.

I urge all of my colleagues to support this resolution as one means of calling to the attention of the public the need for safe driving. Should the President comply with our request to issue a proclamation designating September 3 as Crusade for Safety Day I think he will urge drivers and pedestrians to be especially careful during the Labor Day weekend, but to drive carefully at all times to save lives.

I also urge all citizens in every State of the Union to join the Safety First Club of Maryland in the celebration for the special traffic safety stamp and the "crusade of safety" to protect their own lives, the lives of their dear ones, their neighbors, and their fellow Americans.

The President has indicated that he will issue such a proclamation if requested to do so by the Congress. Again I urge my colleagues to support my resolution.

The concurrent resolution was agreed to.

A motion to reconsider was laid on the table.

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

Mr. BLATNIK. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (S. 1648) to provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill S. 1648, with Mr. LANDRUM in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose on yesterday it was agreed that title I of the committee substitute, ending on line 8, page 68, be considered as read and open for amendment at any point.

Are there any amendments to title I?

AMENDMENT OFFERED BY MR. SISK

Mr. SISK. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SISK: On page 67, strike out line 20 and all that follows down through and including line 8 on page 68 and insert in lieu thereof the following:

"SEC. 102. (a) In addition to the assistance otherwise authorized, the Secretary is authorized to make grants in accordance with the provisions of this title to those areas which the Secretary of Labor determines, on the basis of average annual available un-

employment statistics, were areas of substantial unemployment during the preceding calendar year.

"(b) Areas designated under the authority of this section shall be subject to an annual review of eligibility in accordance with section 402, and to all of the rules, regulations, and procedures applicable to redevelopment areas except as the Secretary may otherwise prescribe by regulation.

"SEC. 103. Not more than 15 per centum of the appropriations made pursuant to this title may be expended in any one State.

"SEC. 104. No part of any appropriations made pursuant to this title may be expended for any project in any area which is within the 'Appalachian region' (as that term is defined in section 403 of the Appalachian Regional Development Act of 1965) which is approved for assistance under the Appalachian Regional Development Act of 1965.

"SEC. 105. There is hereby authorized to be appropriated to carry out this title not to exceed \$500,000,000 for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1969."

Mr. SISK. Mr. Chairman, the amendment I have introduced, first, would modify the present title so as to make the so-called labor areas, or areas of substantial unemployment, eligible for grants under the public works title of this bill. Second, it would increase the present authorization of title I from \$400 million to \$500 million annually. Third, it would reduce the duration of the program of title I from 5 years to 4 years, so as not to increase the total amount of funds which would be authorized by this bill. No other change in this title has been made or is intended.

The effect of my amendment would be to restore for the purposes of this title those areas which have severe current unemployment on the basis of Labor Department statistics for the preceding calendar year. This is a slightly more rigid standard than the criteria of the Accelerated Public Works Act, which depended upon monthly statistics, but it is more in conformity with the long-range purposes of the present bill and would include approximately the same number of areas.

The reason for my amendment, in my view, is a matter of simple fairness and justice, since the proposed program we are considering today was presented to us as an extension and continuation of both the Accelerated Public Works Act and Area Redevelopment Act programs, and was intended to combine the best features of both. It is impossible to understand how it can combine the best features of both if it completely disregards the areas which were originally designated under the Public Works Acceleration Act.

In addition, while Members like myself who represent large urban areas, see the need to support, and do support, numerous special programs to help the unemployed in the so-called depressed areas of our country, we fail to understand why metropolitan areas with equally serious problems should be totally excluded—particularly when it was the substantial labor surpluses in our areas which largely gave rise to the accelerated public works program in the first place. We want to help these other

areas, but we do not want to completely exclude our areas in order to do so.

The reason that this amendment takes the form of an amendment to title I, rather than simply a new eligibility provision under title IV, is, first, that we are not asking for anything other than what we already had under accelerated public works. Second, we have agreed with the leadership that if this amendment is to be adopted, additional funds must be provided. And, third, we do not want to increase the cost of the bill. We originally considered increasing the \$400 million annual authorization up to \$600 million, but the \$500 million figure was arrived at as a compromise. Therefore, this substitute title should be considered in toto, rather than as three separate provisions.

I am sure that every Member of this House will agree with the reasonableness and fairness of this amendment, since it will not increase the total cost of the program and since we have all been told that the bill we are considering is intended to replace the Accelerated Public Works Act as well as the Area Redevelopment Act.

Mr. BLATNIK. Mr. Chairman, will the gentleman yield?

Mr. SISK. I would be glad to yield to the gentleman from Minnesota.

Mr. BLATNIK. I do not mean to interrupt the gentleman until he completes his statement, but if I understand the gentleman's amendment it would make eligible for assistance only under title I which deals with grants to public facilities, those areas which have before met and do now yet meet the standards which were set forth in our previous accelerated public works program but which have subsequently been dropped from this new version of the current legislation; is that not correct?

Mr. SISK. That is exactly right and that, of course, was my sole intent, to put back the main criteria that was available under that program.

Mr. BLATNIK. In changing the annual authorization from \$400 million to \$500 million, you are also reducing the 5-year period now provided in the proposed version under consideration to 4 years, so the total sum authorized would still be \$2 billion; is that correct?

Mr. SISK. That is right. We made certain that the total amount would be retained in the bill in the way of an authorization. We realize, of course, we are dependent on the Appropriations Committee and for the Department to justify such amount as may be appropriated.

Mr. BLATNIK. While I cannot speak officially for the committee, and do not speak officially for the committee, but speaking for myself as the manager of the bill, and in view of the unanimous conference on this side, we believe this is a justifiable amendment. It sets no new precedent. These are areas that were included in the public works bill before. They are still eligible under the same criteria now, and they would only be included in title I of this bill. So we would be willing to accept the amendment. We have no objection to it.

Mr. SISK. I want to express my appreciation to the gentleman from Minnesota. We have been conferring with various members of the committee and, as I indicated yesterday, we placed in the RECORD a statement of intent to offer such amendment, and also outlined the areas that would be affected by that amendment.

Mr. Chairman, I wish to insert a copy of a letter from Governor Brown in support of the legislation, and also in support of the amendment which I have offered here.

STATE OF CALIFORNIA,
August 6, 1965.

Hon. B. F. SISK,
Rayburn House Office Building,
Washington, D.C.

DEAR BERNIE: As you know, I supported S. 1648, the proposed Public Works and Economic Development Act of 1965, before both House and Senate Committees as being important to the people and the economy of California and the Nation.

Now that the bill is approaching a House vote I want to reiterate and reinforce this support. I know the record already shows that our California Members worked diligently in efforts to perfect the measure in the House Public Works Committee.

Both the Area Redevelopment Act and the Accelerated Public Works Act—measures this new legislation is designed to supersede—have proven in California that this type of incentive stimulates local endeavor in promoting badly needed development programs in areas that are lagging behind the economy as a whole.

I am told that the measure as reported from committee would make 20 California areas eligible for assistance, to the extent of an estimated \$22.6 million annually over the 5 years of the act, or over \$100 million for our State.

These areas are: Del Norte, El Dorado, Lassen, Madera, Mendocino, Modoc, Nevada, Plumas, San Benito, San Joaquin, Santa Cruz, Sierra, Siskiyou, Stanislaus, Sutter, Trinity, Tuolumne, Yuba, Oakland City, and San Diego City.

The efforts of you and other Members of the Congress to amend the legislation to extend its benefits to additional areas by changing the eligibility requirements to include all areas with a 6-percent unemployment rate are commendable. I offer you my full support.

I am told that 15 additional areas in California would benefit by this amendment, adding as much as \$10 million annually to the State share of the program. All these counties have shown a need and most have evidenced a willingness to participate. They are: Glenn, Yolo, Lake, Humboldt, Sonoma, Mariposa, Shasta, Merced, Fresno, Kern, Santa Clara, San Diego, San Bernardino, Riverside, and Tulare.

In addition to the grant and loan provisions of title I the eligible areas would benefit from the development facilities and business loan provisions of title II, the technical assistance and administrative planning grants-in-aid of title II and the additional training assistance for redevelopment areas provided by the Manpower and Development Training Act.

Under the Area Redevelopment Act, enacted in 1961, California has certified 47 applications representing loans and grants totaling over \$18 million for our State.

The Accelerated Public Works Act, enacted in 1963, has generated 265 projects in California with a total investment of \$59 million and Federal assistance of \$31 million.

In order to qualify, all of these programs have had to be immediately needed in the community and because of the lack of local

financial ability, would not have otherwise been built.

Best wishes,

EDMUND G. BROWN,
Governor.

(Mr. SISK asked and was given permission to revise and extend his remarks.)

Mr. CRAMER. Mr. Chairman, I rise in opposition to the pending amendment. I take this time first to oppose the amendment being proposed, and second to indicate that the distinguished gentlewoman from Illinois [Mrs. REID] is going to offer a substitute which will have the effect of reducing the amount of authorization under title I to \$250 million instead of the \$400 million contained in the bill. Of course, she will discuss the merits of that substitute amendment. I support that substitute. I oppose this amendment now before us.

The reason I do so I think is rather obvious. No. 1, this extra \$100 million—let us not kid ourselves is a sleight-of-hand trick, cutting back 1 year and making it 4 years instead of 5 years, and adding \$100 million for the 4 years in order to come out with the same \$2 billion figure, claiming there is no increased authorization. The authorization is being increased by \$100 million by an amendment offered on the floor of the House, an amendment that was not even considered in committee, an amendment that was not approved by the Johnson administration, in fact, opposed by that administration in that it submitted a bill that left out specifically the same areas this amendment is trying to bring back into the legislation.

Those who want to support the administration will vote against the amendment, and, as a matter of fact, will vote for the substitute offered by the gentlewoman from Illinois [Mrs. REID]. Her amendment calls for money which is in the same amount as the administration asked for, \$250 million, in title I.

Lo and behold, we come up with an extra \$150 million on the floor of the other body without any basis for it in the hearings before the committees of the other body. As a matter of fact, it was testified by the administration that they did not need more than \$250 million because they have only a backlog, they estimate, of \$150 million of projects on the shelf now. How in the world can you justify an increase of \$150 million and now an additional increase of another \$100 million? The \$100 million that the gentleman is proposing has no basis in the hearings and no basis of fact to support it.

We held long hearings on the question. There is no way that anyone can estimate how much additional cost will result by putting in this new \$100 million and putting in these new—as I understand it—96 counties that cannot qualify under the bill otherwise.

This, in effect, is a gift to certain individuals, in my opinion, in the hopes of getting them to support the bill. If that is the way we want to legislate, play Santa Claus for more Members so that they will support the bill, when it is not justified on the merits, is not asked for by the administration, loads the bill down

even more than it presently is, will result in an additional \$100 million a year cost over a 5-year period, get the whole legislation out of kilter—this being a 4-year proposal and everything else being 5 year proposals, as it relates to the authorization, except for the revolving fund that has no limit, and there are reasons why it has no limit, then it is so obvious what is being done here that I am amazed that the leadership approved the amendment which is obviously for the purpose of increasing it by \$100 million and bringing in 96 new areas, all of which was not requested by the administration. Furthermore, this \$250 million more was not in the budget, and it is not in the President's budget. If you want to really free the situation, and if you want to open this thing up almost endlessly, this is the way to start it. I want to caution my colleagues as to what is happening.

Mr. ARENDS. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield.

Mr. ARENDS. If I correctly understand the gentleman, then this is in addition and beyond and above anything that the committee endorsed?

Mr. CRAMER. This is \$100 million more than even the \$150 million extra that the committee put into the \$250 million that the administration requested.

Mr. ARENDS. The committee had already increased it and this is a double increase?

Mr. CRAMER. This makes it twice what the administration asked for in their own request. It is not in the budget, and it is not justified on the merits.

The gentlewoman from Illinois is going to offer an amendment to reinstall the administration figure of \$250 million.

The CHAIRMAN. For what purpose does the gentlewoman from Illinois rise?

AMENDMENT OFFERED BY MRS. REID OF ILLINOIS

Mrs. REID of Illinois. Mr. Chairman, I offer an amendment as a substitute for the pending amendment.

The Clerk read the amendment as follows:

Amendment offered by Mrs. REID of Illinois as a substitute for the amendment offered by Mr. SISK: Page 68, line 6, strike out "\$400,000,000" and insert "\$250,000,000."

Mrs. REID of Illinois. Mr. Chairman, many times since I have been a Member of this great legislative body I have heard fellow Members open their remarks with the phrase, "this is just a simple little substitute amendment." More often than not, however, these so-called simple little amendments turn out to be very complicated and difficult to understand. I assure you that this is not the case with my substitute amendment. The amendment which I urge you to adopt today is certainly uninvolved and easily understood. All that it does is cut out money which was not requested and which is not needed. Can anything be simpler and more sensible than that? To my mind, it is fiscally irresponsible for the Congress to authorize expenditures which have not been requested and which are not needed.

When the President transmitted the proposed Public Works and Economic Development Act to the Congress, he recommended that \$250 million annually be authorized for grants under section 101. Surely we should not press upon the President more money than he and his advisers think is needed to carry out the objectives of the act.

The Senate Committee on Public Works amended the bill to increase the annual grant authorization from the \$250 million recommended by the President to \$400 million. I was amazed to learn that the Senate committee's report on the bill contains absolutely no discussion of the reasons for the amendment, and, in fact, contains no indication that the amendment was ever made. The report of the House committee makes only a passing reference to the annual authorization of \$400 million.

During the debate on the bill by the other body, the increase in authorizations was defended on the grounds that there are presently pending some 2,518 applications for grants under the accelerated public works program, totaling \$467,858,000, and that work on this backlog should be expedited.

I do not believe that this justifies the increase. Surely the President and his advisers must have considered these pending applications in reaching the decision to recommend annual authorizations of \$250 million.

In fact, Secretary of Commerce Connor submitted to the Senate committee an "analysis of the accelerated public works backlog" in which he stated:

These figures have only limited significance as a measure of the potential demand for grants under section 101 of the Public Works and Development Act. Conservatively estimated, no more than one-third of the accelerated public works backlog, or about \$150 million in grant requests, will be eligible under the new act.

The increase of \$150 million annually over the request of the President is not included in the budget, but would be added to the deficit which is now expected to exceed \$4 billion. Also, let us not forget that the President is requesting additional billions to carry on the struggle against Communist aggression in South Vietnam. The problem is pointedly brought out in an editorial entitled "Guns and Butter" which appeared in yesterday's Washington Daily News. This editorial states in part as follows:

Everyone will expect that as Vietnam war costs expand, domestic spending should be held down as much as possible. * * * If the administration can * * * call on tens of thousands of young men to join the military and be prepared to join the war in Vietnam, it should follow a course to assure those young men that the home front joins, at least partially, in their sacrifices.

Frankly, I do not consider that acceptance of the reduction in funds which I propose can even be considered a sacrifice inasmuch as there is no evidence whatsoever that this money is really needed. Under these circumstances, I urge that my substitute be adopted.

Mr. GRAY. Mr. Chairman, I rise in opposition to the substitute amendment.

Mr. Chairman, it is with great reluctance that I rise in opposition to the substitute amendment offered by my very able and charming colleague from the great State of Illinois, but this amendment would cut out the heart of the bill.

All of us recall when the accelerated public works program started. All these small communities went to work. Some of them borrowed money to make studies of what they needed. While they were making those plans for needed improvements in their communities, the cities that had plans ready to go came in and, yes, took all the \$900 million provided under the accelerated public works program. This left the small community which was struggling to do something with their plans but no funds.

The amendment of the gentlewoman from Illinois would cut, over the life of this 5-year program, \$750 million out of the grant program. If we never receive another application there are now in backlog more than \$3 billion in applications, and many of them in the State of the able gentlewoman from Illinois.

In my congressional district, and other divisions in the country, there are scores of applications not yet funded, therefore if the substitute amendment is not defeated we will be unable to take care of this large list of unfunded projects.

A study recently made by the Department of Commerce projecting the needs of communities throughout this Nation between 1962 and 1970 shows that we need at least \$19 billion available for public works throughout the country. If we cut out \$750 million, I can say truthfully that we will spread this program so thin that it will not be effective.

In all due respect, I would call this the "foofoo" amendment.

The word "foofoo" is the name of a bird. This bird flies backwards. It always looks where it has been and does not pay any attention to where it is going. We need to go forward in this program and not backward.

Mr. HARSHA. Mr. Chairman, will the gentleman yield?

Mr. GRAY. I yield to the gentleman from Ohio.

Mr. HARSHA. The gentleman mentioned the backlog which had accumulated for applications for projects of this kind. Is it not a fact, also, many communities have been discouraged from filing any application because the funds have already been used up?

Mr. GRAY. The gentleman makes a very good point. He is exactly correct. But if we consider no additional applications, we have more applications pending now than would be funded under the committee bill. So you can just imagine how we can take care of these communities if we cut out \$750 million from the grant section. I plead with you to reject the substitute amendment.

Mr. CRAMER. Mr. Chairman, I rise in support of the substitute.

If, as the gentleman suggests, something is "foofoo," I would suggest that what is "foofoo" is the administration. This amount of money that the distinguished gentlewoman proposes cutting back this particular authorization to \$250 million from the \$400 million, is

exactly what Mr. Connor, the Secretary of Commerce, Mr. Batt, the Administrator of ARA, and the President of the United States asked for—\$250 million per year. Of course, they wanted the authorization indefinitely. We now have it for 5 years. That is what the administration requested. It is a little ironic that it takes the Republicans, the minority, to try to preserve the administration's position relating to this and in doing so to be called "foofoo." It is a rather interesting situation. What we are trying to do is to fly as far and as fast forward as the administration says can logically be done without throwing money away. That is what we are doing. The Secretary himself said in his testimony that the only projects that will be available for funding in the coming fiscal year are \$150 million worth of projects under title I. That is in the record. There is not any question about it. We placed this fact in the minority views on S. 1648. Here is what the minority views say in this regard:

In fact, Secretary of Commerce Connor submitted to the Senate committee an analysis of the accelerated public works backlog in which he stated, "these figures have only limited significance as a measure of the potential demand for grants under section 101 of the Public Works and Economic Development Act.

This is referring to the \$467 million backlog and not the \$2 billion as the gentleman from Illinois discussed. The Secretary went on to say:

Conservatively estimated, no more than one-third of the accelerated public works backlog or about \$150 million in grant requests will be eligible under the new act.

In the minority report we detailed the fact that the 1966 fiscal year budget does not provide for this \$150 million increase. Under these circumstances, and in the absence of any persuasive evidence that the President underestimated the amount of money needed, the increase should not be made.

If there is going to be any fiscal responsibility at all exercised by this body relating to this legislation, this is the place to do it. Return the figure to the \$250 million that the administration requested, the amount in the budget, and turn down the Sisk amendment which calls for over \$100 million more than the additional \$150 million added heretofore. The administration did not ask for it and does not want it. Vote for the Reid substitute, and we will be exercising responsibility instead of adding another half a billion dollars to this already too big boondoggle bill which we have before us on the floor of the House at the moment.

Mr. GRAY. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from Illinois.

Mr. GRAY. I thank the gentleman from Florida for yielding.

First, let me comment on your second statement about the difference between the \$3 billion in backlog and the figure you quoted. First of all, when the funds were depleted in the 1st year of the accelerated public work program, the Community Facilities Administration at the

regional level quit processing applications and said, "We are out of funds. There is no use for you to come in and make application." It is our best judgment, after talking to these people in the field, there are \$3 billion backlog of applications.

Mr. CRAMER. Did the gentleman have a question that he wished to ask me?

Mr. GRAY. I was commenting on the gentleman's statement.

Mr. CRAMER. I do not think I have time for the gentleman's full comment. If the gentleman has a question I would be glad to answer it. I know the gentleman's position.

Mr. GRAY. I was going to ask the gentleman from Florida if it was not true that we had mayors and people from all over the United States who came to our committee and testified, gave us valuable information that the President or anyone else did not have as to what were the real needs in the various areas of the country? Therefore we exercised our responsibilities and independence judgment in this field.

Mr. CRAMER. Mr. Chairman, I refuse to yield further.

The administration, after considering all of the factors, recommended \$250 million as adequate to do the job. There is no way that this House can justify going beyond that figure. I would like to ask the sponsor of the amendment, the gentleman from California [Mr. Sisk] a question, and then I will be glad to answer his question if he wishes me to do so. The gentleman's amendment relates to these surplus labor areas and the new tests that he is trying to write into the legislation. It says that the unemployment statistics indicate that there was substantial unemployment "during the preceding calendar year." For how long a period—1 day, 2 days, 3 days?

(Mr. CRAMER's time having expired, he was given permission to proceed for 1 additional minute.)

Mr. CRAMER. As I read it, there is no period covering unemployment requirements. It seems 1 day during the year would be enough. The reason I ask the question is that the present law says that this amount of unemployment existed during 9 of the preceding 12 months. Now, what does the gentleman mean?

Mr. SISK. I mean the annual average. This is not unusual at all. This is the procedure which they go through every year in determining the annual average unemployment per year. That is actually what it is based on. It would simply require an appraisal once a year.

Mr. CRAMER. With all due respect, the way the amendment is written, if you had such an average for a period of 1 month during the year you could qualify.

Mr. Chairman, I think that would be bad legislation.

Mr. SISK. Mr. Chairman, I rise in opposition to the substitute amendment.

Mr. Chairman, I simply want to say, and I am sure the gentleman understands, that the average statistics as they are prepared by the Department of Labor are as I have mentioned. This

is not unusual. It is used constantly, and this very information is obtained each year. Mr. Chairman, I would like to make this other comment to my good friend from Florida. He indicated that this was a possible bid for some extra votes.

Mr. Chairman, let me say this—and I would like the attention of my good friend from Florida—that I am going to support this bill whether or not my amendment is adopted. I supported the original Area Redevelopment Act legislation which was brought before this House. I supported the distinguished gentleman from Pennsylvania, Mr. DAN FLOOD, years ago, on this kind of legislation. I am going to support this legislation today, as I say, whether or not my amendment is adopted.

I have simply tried here to keep in the bill for qualification purposes those same areas that would qualify under APW, under which many areas thought they came under the bill. As far as I am concerned I shall support the committee and the bill. But I think my amendment is a good one, and I urge its adoption.

Mr. CRAMER. Mr. Chairman, will the gentleman yield?

Mr. SISK. I yield.

Mr. CRAMER. Mr. Chairman, does not the gentleman realize that the test that he is writing into this bill is not the same as the test that was in the accelerated public works legislation, presently the law?

Mr. SISK. Mr. Chairman, if I may comment on that, basically it is the same test. It actually eases the administrative problem in a determination of unemployment, so that they only have to make this determination annually, whereas under the language of accelerated public works it was 9 out of the past 12 months, which required a monthly analysis. On the basis of an annual average, it still comes out in essence exactly the same determination, with the same qualifications for the annual average.

Mr. CRAMER. Mr. Chairman, is it not true that the present wording of the test under the Accelerated Public Works Act is, "those areas which the Secretary of Labor designates each month as having been areas of substantial unemployment for at least 9 of the preceding 12 months"?

The gentleman's wording is: "On the basis of average annual available unemployment statistics, were areas of substantial unemployment during the preceding calendar year."

That is quite a difference.

Mr. SISK. No; I still maintain that you will come out with the same answer insofar as your average annual unemployment is concerned.

(Mr. SISK asked and was given permission to revise and extend his remarks.)

Mr. JOELSON. Mr. Chairman, I move to strike the requisite number of words.

(Mr. JOELSON asked and was given permission to revise and extend his remarks.)

Mr. JOELSON. Mr. Chairman, as a Representative of a district which has

benefited greatly from the accelerated public works program, I can safely say that of the millions upon millions of dollars allocated to the congressional district which I represent, not a dollar was spent on a useless or unnecessary project.

Two greatly needed hospital buildings are now being constructed in the Eighth Congressional District of New Jersey with the help of money from the program, and several municipalities of Passaic County have benefited with millions of dollars of Federal grants for sewers which were badly needed.

The Passaic Valley Water Commission has benefited from the program. The city of Paterson has obtained a firehouse that is essential to public safety, and many other desirable public facilities have been aided.

The charge that the program would spawn wasteful and superfluous projects is unfounded. I point to the fact that all the agencies helped by it had to advance at least 50 percent of the cost themselves. It is unthinkable that any agency would dissipate vast amounts of their own money in order to obtain a handout from Uncle Sam.

I have been interested in the Republican charge that the public works program is a "boondoggle."

Upon consulting the dictionary I find that the first definition of that word is "a looped cord or lanyard." This prompts me to warn the GOP that by its blind opposition to the construction of necessary projects for the good of the people, it is placing a boondoggle around its own neck.

The Republican Party is now kicking and gasping because it is apparently intent upon strangling itself.

The CHAIRMAN. The question is on the substitute amendment offered by the gentleman from Illinois.

The question was taken and the Chair announced that the noes appeared to have it.

Mr. CRAMER. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mrs. REID of Illinois and Mr. BLATNIK.

The Committee divided, and the tellers reported that there were—ayes 66, noes 117.

So the substitute amendment was rejected.

Mr. CARTER. Mr. Chairman, I rise in opposition to the amendment offered by the gentlemen from Florida, which would bar my people from participating in title I of the Public Works and Economic Development Act.

The Appalachian program has been received with great enthusiasm by the people of eastern Kentucky who very much need its aid and assistance. The Appalachian program is a program of specific designated activities designed to accomplish certain limited purposes. It is our hope that it will provide some of the underpinning for economic development needed in eastern Kentucky. My people have always understood that the Appalachian program was part of the broader efforts of the Federal Government and was designed to meet only certain needs.

My people were never given to believe that the Appalachian program was being given to them, but they were then to be denied future participation in national programs because the Congress had already attempted to do something about their historic distress. If we are going to deprive Appalachian citizens of participation in new programs because they participate in the Appalachian Act, similar reasoning must be applied to other sections of the country.

We should, on this basis, exclude other regions and States from the benefits of title I. Because Florida has received funds from the Corps of Engineers for the construction of the Cross-Florida Canal, because Western States receive funds under the reclamation program, which is limited to those States, because some States participate in the wheat program, then they should not participate in title I. Clearly this reasoning is indefensible, whether it is applied to Appalachia or to Florida.

One of the most telling arguments in support of the Appalachian program was the fact that Appalachia with 8.5 percent of the Nation's population has received 4.9 percent of Federal expenditure. Those figures were cited time and again in the debate in the Appalachian Act. The Appalachian program was designed to bring those figures to a somewhat more proportionate level. We cannot give with one hand and take what we have given with the other because we will have no progress in Appalachia if that is to be the case.

Some \$840 million of the dollars in the Appalachian Act are for the construction of a developmental regional highway system that will provide communication within the region and from the region to the rest of the country. This system will go far to break down the historic isolation of Appalachia which is among the primary causes of the Appalachian distress. That highway program, which covers a 5-year period, contains close to 80 percent of the funds authorized, at present, for the Appalachian program.

The present highway network in Appalachia is inadequate for the region's needs because in much of Appalachia it has cost and will continue to cost a great deal more to build a road than it does in many parts of the country. For instance, in West Virginia it costs about \$795,000 to build a typical mile of two-lane primary rural road. To build that same road in Arkansas it would cost \$206,000; in Michigan \$249,000; in Arizona \$285,000; and in Iowa \$241,000. Under the federally aided primary road system, funds are allocated on the basis of three factors: area, population and the mileage of rural delivery, and star routes as certified by the Postmaster General. No highway money is allocated taking into account the differing cost of construction. This fact alone has for years resulted in Appalachia's being unable to build the highways it needs.

The rough and mountainous terrain, the inadequacy of existing roads, the relatively high cost of construction, and the lack of sufficient traffic upon which

most highway needs are met, have all pointed toward highways as being the key to Appalachia's development. These things add up to the kind of inaccessibility which retards growth and development. But highways alone are not the answer to Appalachia's problems.

The architects of the Appalachian program, in designing that program, realized that the administration and the Congress would press for the continuation of the Area Redevelopment Act. They carefully designed the Appalachian program to minimize duplication with that act or its successor.

The bill under consideration today serves different needs than the Appalachian Act. Title I provides funds for water plants and sewage lines which are desperately needed in Appalachian Kentucky and which cannot be provided through the Appalachian Development Act.

Railroad sidings, water reservoirs, dams and bridges as well as industrial parks and tourism facilities are other examples of projects that can be funded from title I that cannot be supported under the Appalachian Act. The Public Works and Economic Development Act is designed in part as a continuation of the accelerated public works program and the Area Redevelopment Administration's public facilities grant program.

Both of these programs were a tremendous aid to communities in eastern Kentucky. Without the facilities provided under those acts, the economy of eastern Kentucky would be very poor indeed. We need those facilities and others like them just as your communities do. We hope that you will support our right to participate fully in what is truly a national program by voting "no" to this amendment.

The CHAIRMAN. The question now recurs on the amendment offered by the gentleman from California [Mr. SISK].

The question was taken; and on a division (demanded by Mr. CRAMER), there were—ayes 90, noes 56.

So the amendment was agreed to.

AMENDMENT OFFERED BY MR. CRAMER

Mr. CRAMER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CRAMER: Page 67, strike out line 23 and all that follows through line 4 on page 68, and insert the following:

"SEC. 103. No part of any appropriations made pursuant to this title may be expended for any project which is eligible for assistance under sections 201, 202, 211 or 212 of the Appalachian Regional Development Act of 1965 (Public Law 89-4; 79 Stat. 21)."

Mr. CRAMER. Mr. Chairman, this amendment is very simple. It is one about which we debated at length in the committee. I would like to say at the outset, however, that it appears after the vote on the last amendment, which vote was in about as irresponsible a fashion as I could imagine with this House having added \$100 million to be put into a new program in addition to the \$150 million extra above what the administration requested, that it cannot be expected any minority amendment will be given any reasonable consideration. I intend, how-

ever, and so does the minority, to offer them as a matter of record. I think it is essential, for I think we have to carry out our responsibilities. Whether we are outvoted or not, it is our responsibility to try to make this S. 1648 a decent bill in those areas where we think it has shortcomings. Frankly, this bill is a very poorly drafted and vaguely worded piece of legislation, costing more money and giving the Secretary of Commerce more blanket authority, than any bill that I can remember, and that includes the Area Redevelopment Act, the Public Works Act, and the Appalachia Act combined. In effect, this bill broadens the authority of the administration in each of those areas.

To get more specifically to the amendment, the amendment is very simple. The purpose of it is to make certain that Appalachia, for which we have legislated \$1,092 million during this Congress, does not get a second layer of Federal assistance, to the exclusion of the rest of America which is entitled to a fair break under this legislation. If we are going to legislate, let us not discriminate against areas of America, in favor of Appalachia which has already had made available to it \$1,092 million.

Let me make sure my amendment is understood, because I know what is going to be debated on the other side. It will be the same thing as in committee. All this amendment does is to say that in those areas where Appalachia is covered; highways to the tune of \$840 million, and millions for demonstration facilities, vocational educational facilities, sewage treatment works, all of which had specific authorizations in the Appalachia legislation, that in those programs, and only in those programs which had specific authorization in the Appalachia legislation, they should not also get a second layer of Federal assistance for those same programs under the provisions of this bill. That is all the amendment does.

I cannot imagine how anybody would oppose it who wants to be fair to the rest of America, because when they get a second layer of icing on the Federal assistance cake, you do not have two pieces of cake, comparatively speaking, in the rest of the Nation.

So I say this amendment should be adopted. The Appalachian Regional Development Act supposedly was tailor-made to fit the specific problems of the Appalachian region. We passed it earlier this year. Under that act, Federal grants may be made for those programs I have mentioned, in the amounts which the administration said would do the job relating to those programs. Lo and behold, now we find that even before that program gets substantially underway, apparently, if the House legislates in this way without my amendment, it will not do the job.

When were they wrong on the majority side? When the Appalachia bill was here they said, "This is a bill to do the job." Or is it when this bill is here? They cannot be right in both instances. They must be wrong in one. So they must have been wrong, unless my amendment is accepted, when the Appalachia bill was enacted. It was stated all over

the Nation then, "This is going to solve the economic problems of Appalachia. There is \$1.1 billion in a 2-year period, and 5 years for highways. We do not need any more money."

Now we are asked to give an unlimited amount of additional funds for Appalachia, unless my amendment is adopted.

The key word in my amendment is the word "eligible." It is with that word that it differs from the majority approach to the problem.

Yes, it will be claimed that they wrote in an Appalachia exclusion, but what does it say? It says only that they are not going to have double Federal money for any given project that has been approved. Who would ever claim such a silly thing in the first place? Nobody would think of putting \$200 into a \$100 project.

That is all their Appalachia amendment provides. In other words, any project approved for assistance is not to be given double money. That is obvious.

What my amendment would do is to say that they are not going to have double layers of frosting on the same cake for Appalachia.

I trust and sincerely hope that the amendment will be adopted.

Mr. JONES of Alabama. Mr. Chairman, I rise in opposition to the amendment.

(Mr. JONES of Alabama asked and was given permission to revise and extend his remarks.)

Mr. JONES of Alabama. Mr. Chairman and Members of the Committee, I wish to point out that if the amendment were to prevail, it would mean that we would void the action of the Congress earlier this year in passing the Appalachia bill.

We have gone through this question at great length in the committee and before the Rules Committee, and the gentleman from Florida [Mr. CRAMER] has repeated the same statements here today in support of his proposition. Each instant he has been rejected.

The purposes of the Public Works and Economic Development Act are quite distinct from the Appalachian Regional Development Act. The program enacted earlier this year to strengthen the economy of the Appalachian region is aimed at rebuilding, and in many cases building for the first time, various types of public improvements which underlie economic growth. Of the \$1,200 million authorized by that act, \$840 million is earmarked for highways. Other funds are provided for the construction of demonstration health facilities, vocational education schools, sewage treatment works, the restoration of areas damaged by mining operations, and supplements to other Federal grants.

The Appalachian program contains no funds for industrial loans, working capital guarantees, or grants and loans for water systems and many other types of public facilities covered by title I of the economic development bill.

The Secretary of Commerce is authorized to supplement on-going Federal grant-in-aid programs to a maximum Federal share of 80 percent. This provision is somewhat similar to the title I

grant program in the Economic Development Act, however, only those grant-in-aid programs which were in existence when the Appalachian Act was passed can be supplemented and projects for grants may be made under title I will not be eligible for supplementation.

I should also point out that projects eligible for title I grants could not be funded under the Appalachian program since they were not covered by a Federal grant-in-aid program when the Appalachian act was passed. Specifically, water works, water and sewer lines, harbor facilities, rail sidings, industrial parks, city streets—all of which are cited by the House Public Works Committee as worthy projects under Economic Development Act—are not provided for in the Appalachian program. The experience of the Area Redevelopment Act and accelerated public works programs forecasts that water and sewer line projects will absorb a substantial portion of the grant funds for public works authorized by the Public Works and Economic Development Act.

To insure that there will be no duplication in the administration of these two programs, the House Public Works Committee added section 103 which reads as follows:

No part of any appropriations made pursuant to this title may be expended for any project in any area which is within the "Appalachian region" (as that term is defined in section 403 of the Appalachian Regional Development Act of 1965) which is approved for assistance under the Appalachian Regional Development Act of 1965.

The Appalachian program is aimed at encouraging private development in Appalachia by creating a highway network and a public facility base which will support it. The Economic Development Act follows a different route toward the same goal. Aside from title I, which I have already mentioned, the bill provides for loans for public works and development facilities and loans and guarantees for industrial and commercial projects. None of these aids to local communities and industries is available through the Appalachian program.

Title III of the bill authorizes funds for technical assistance, research and information, and for the administrative expenses of local development districts.

This should not preclude a development district subsequently created in Appalachia from benefits under the Economic Development Act. In fact, the existence of this early effort in Appalachia should promote more effective and economical use of local development district funds provided under the Economic Development Act.

The most significant difference between the two programs is that the Appalachian program seeks to produce an overall regional strategy for economic development which may well mean spending a substantial portion of the funds authorized by the act in areas which will not be eligible for assistance under the Economic Development Act.

The criteria which will govern the allocation of funds under the economic development program are substantially

different from those of the Appalachian Act. Eligibility for participation in Economic Development Act is largely determined by unemployment and low income. The Appalachian Regional Commission, on the other hand, is specifically directed to invest in areas which have "a significant potential for growth." Of the 360 counties in the Appalachian Region, only approximately 230 will be eligible under Economic Development Act. Appalachia contains over 30 percent of the population that would qualify under present standards. To exclude Appalachia from participation in the Economic Development Act program would have the same effect as excluding it from the Hill-Burton program because there is a demonstration health program included in the Appalachian program.

In two respects the programs are complementary.

First. The Appalachian program will help to produce a public facility base needed in the region to support private investment. The programs contained in the economic development bill will help build other types of public facilities and actually promote private investment through industrial and commercial loans and working capital guarantees.

Second. The Appalachian Commission, while taking regional approaches to the problems of the area, may well devote a substantial portion of the funds authorized by the act to areas which are not eligible for Economic Development Act assistance. Areas not directly benefiting from the Appalachian program will look to Economic Development Act for help in building their economies.

Mr. EDMONDSON. Mr. Chairman, will the gentleman yield?

Mr. JONES of Alabama. I yield to the gentleman from Oklahoma.

Mr. EDMONDSON. Mr. Chairman, the gentleman from Alabama has just presented, I think, the highlights of the arguments which were carefully reviewed in the Committee on Public Works which led the majority of us in the committee representing districts not in the Appalachia region to conclude that it would be unfair to adopt the Cramer amendment. I think it might also be added and with equal validity that the adoption of the Cramer amendment would probably endanger the passage of this act.

Mr. JONES of Alabama. The gentleman is correct.

Mr. HARSHA. Mr. Chairman, I rise in opposition to the amendment of the gentleman from Florida.

As was pointed out by the distinguished gentleman from Alabama, there is written into the bill a safeguard to prevent any duplication of programs or projects either under this act or the Appalachia Act. As was likewise pointed out by the gentleman from Alabama [Mr. JONES] almost 85 percent of the Appalachia bill is highway funding and highway construction money. Leaving only a small sum for funding other projects. For example, one of the projects which the proponents of this amendment claim would be a duplication is that feature which provides for the construction in

the Appalachia region of sewage treatment plants. As the gentleman and all members of the committee well know, during the water pollution control hearings of the Public Works Committee there was a great volume of evidence as to the tremendous need for sewage treatment plants all over the Nation in addition to the Appalachia area.

There was only \$6 million put in the Appalachia bill for sewage treatment plants. There are over 340 counties involved in the Appalachia bill. Six million dollars will hardly build one adequate sewage treatment plant let alone build the needed facilities in all counties. So that there is an insufficiency in the Appalachia bill to meet the needs of that area in this field. Likewise, in the other programs the gentleman mentioned in his argument there is a great insufficiency of funds. The job to be done cannot be accomplished on the meager funds authorized by the Appalachia bill.

Not too long ago, when we considered the Appalachia bill, we heard a great hue and cry about discrimination, that we were discriminating in this Nation in favor of one region over another. Now it seems rather peculiar to me that those same people who were charging discrimination are now up here pleading with you in effect to discriminate against the Appalachia region because that is exactly what this amendment will do. The amendment says that no part of any appropriation made pursuant to this title may be expended for any project which is eligible for assistance under certain provisions of the Appalachian Regional Development Act.

There will be many projects that would be eligible for assistance under the Appalachia Act, but because of limited funds for those programs under that act they will never be funded. Yet this amendment would discriminate against them because of that eligibility and they would never be able to be funded or constructed as long as they were eligible under the Appalachia bill. We would in effect be defeating the very purposes of both this and the Appalachia Act.

So it seems to me, Mr. Chairman, that it is rather peculiar for those who once cried discrimination in the Appalachia Act now to ask this body to discriminate against that very region. I hope in their good judgment that the House will defeat this amendment.

Mr. KEE. Mr. Chairman, I rise to vigorously oppose the amendment.

Mr. Chairman, I completely associate myself with the very able, competent and accurate remarks of the distinguished Representative from Alabama [Mr. JONES].

At this point, Mr. Chairman, in order to clarify the situation I would like to state that the basic purpose of the Appalachian Regional Development Act is to lay the foundation for the overall economic development of the region.

Over 80 percent of the Appalachian funds are devoted to building a system of regional development highways—which will make it possible to carry on development activities in the Appalachian communities.

The basic purpose of the Economic Development Act—which we are now considering—is to help communities plan and carry out their own economic development. Funds for this type of community economic development are very limited in the Appalachian bill—it would not only be unfair to the Appalachian communities to deny them the opportunity to use these economic development funds—it would also make it impossible for this area to take the fullest advantage of the developmental highway system plan under the Appalachian Act.

In short, the Appalachian Act simply provides the foundation for economic development.

This economic development bill will make it possible to build a strong structure to complete the house.

Mr. KUNKEL. /Mr. Chairman, I move to strike the requisite number of words.

(Mr. KUNKEL asked and was given permission to revise and extend his remarks.)

Mr. KUNKEL. Mr. Chairman, I rise in opposition to this amendment offered by the gentleman from Florida [Mr. CRAMER]. In my opinion if this amendment is adopted, we might just as well not have adopted and passed and put into effect the Appalachian program.

I acknowledge that I am one of the 53 Congressmen whose district and whose people would be gravely harmed by the passage of this amendment.

This is the first time, since I have been in the U.S. Congress, that I have ever seen an amendment such as this one—an amendment which would arbitrarily penalize citizens of one section of the United States by forbidding their participation in a vital public works program. And I find it inconceivable that the people who would be so penalized are among those Americans most in need of every form of Federal assistance that can be made available. The fact that these people are in such desperate straits was clearly demonstrated by this Congress in March, when it passed the Appalachian Regional Development Act of 1965.

We said then what is clearly true—that normal Federal programs were not sufficient to enable this region to raise its economic levels and that special assistance would be necessary.

We said this because in contrast to other sections of the United States—in contrast to national averages—and in contrast to any measurement that we have to gage economic well being—this region of 11 States and more than 16 million people was lagging behind.

We said, in effect, that without a full continuation of existing Federal programs and without special help this region would fall even further behind—to the detriment of the national economy.

Now we have a bill before us which extends the area redevelopment program and which reactivates the accelerated public works effort. But this amendment would deny the benefits of those programs to people who are among those most in need.

It is my personal belief that the Appalachian program was vigorously applauded throughout this country. It was

vigorously applauded in the Congress, where Senators and Congressmen from 48 of the 50 States voted for it. The people of the United States had been made aware, over a period of several decades, of the hardships and deprivation which characterized all too much of these 11 States. Every major national magazine and national television and radio network and local newspapers all over the United States featured, on countless occasions, the hard facts of Appalachian life. Both Presidents Kennedy and Johnson brought these same facts to their own presentation of economic life in the United States. The headlines and in the news stories which marked our action and the editorials which followed, were almost unanimously favorable.

If we pass this amendment, we will do nothing but confuse the people of the United States as much as we will have obviously confused ourselves. I cannot believe we wish to write headlines which will read—and I can predict these headlines virtually word for word—"Appalachia Denied Public Works Assistance."

In Pennsylvania we have many communities which have, for a decade, suffered the effects of changing technology in the steel and coal industries. These communities have made valiant efforts to replace the coal and steel jobs which have disappeared with employment opportunities in other industries. One of these communities, in order to realize the economic future it believes it has, requires water and sewage lines to attract potential employers. There is no present Federal grant program including the Appalachian program, that can assist them to obtain those facilities.

The Public Works and Economic Development Act of 1965 will offer such assistance. But they will be denied that assistance if this amendment carries.

I can cite community after community which has had a similar history of unemployment and which has a similar need for public facilities which can only be provided through this act.

Technically the counties in my district are eligible for highway funds under the Appalachian Act merely because those counties are included in the region. They will not get those funds, however, because of higher highway priorities in the State. Is this a logical reason to deny these counties the benefits of this act? Of course not.

As every Congressman on this floor knows, the overwhelming bulk of Appalachian dollars that we authorized last March are intended for developmental highway construction. These highways can directly serve only about a fourth of the Appalachian counties. I totally agree that the secondary benefits of these highways will be felt throughout the region, but in order that these secondary benefits can be felt throughout the region, the communities not directly involved must be served by other Government funds.

I challenge any Member of this body to cite any precedent for the type of action that this amendment proposes. To my knowledge there has never been a piece of national legislation enacted in

this body in which any region, any State, any county, or any subdivision has been excluded from participation.

Without question this Congress has a right to set standards which, in their application, will make eligible specific geographic entities in this country, but we have never singled out a geographic entity for exclusion and I trust we will not do so in this instance.

For these reasons, I urge every Congressman to vote against this amendment.

Mr. SAYLOR. Mr. Chairman, I move to strike the requisite number of words.

(Mr. SAYLOR asked and was given permission to revise and extend his remarks.)

Mr. SAYLOR. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman and members of the Committee, if there has ever been an amendment which would do a disservice to a vast area of the United States, it is the pending amendment offered by the gentleman from Florida.

Congress in its wisdom several months ago passed legislation known as Appalachia. The reason for its passage was that every Presidential report from 1934 to 1965 has indicated that there was in this country a region, loosely defined as Appalachia, which consists of 355 counties—all of West Virginia and parts of 10 States—Alabama, Georgia, Kentucky, Maryland, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia that must have aid in order to recover from its doldrums.

It was contended that economic activity in the Appalachian region lagged substantially behind that of the rest of the country. So Congress decided to initiate a series of special programs and expansions of existing programs of Federal assistance for this geographical region of the United States to bolster its economy. As the chairman of the subcommittee, the gentleman from Alabama [Mr. JONES] has stated, 85 percent of the money in Appalachia is for one purpose, for the development of roads so that the people in that area had provision of access into, out of, and within the area and so that business and factories would settle there. They needed a place where it was good to live and where the area could keep pace with the rest of the country.

Mr. Chairman, the Appalachian bill provided, in addition, other benefits so that this tremendous backlog referred to might be programed and that officials might make plans for the future as other communities in this country make their plans.

Mr. Chairman, if the amendment as offered by the gentleman from Florida [Mr. CRAMER] is adopted, it will have but one effect and that is to say on the one hand we want this area to come up to the same level of the rest of the United States, and on the other hand, we will not give you any money to accomplish your goals. We are not going to allow you to participate in the tremendous public works bill which is now pending before us.

Mr. Chairman, I urge this amendment be defeated so that those of us who come from Appalachia, who have actually seen

the development that can occur, will be able to have our area participate in the program as the rest of the Nation.

Mr. DENT. Mr. Chairman, will the gentleman yield?

Mr. SAYLOR. I would be glad to yield to the gentleman from Pennsylvania.

Mr. DENT. Mr. Chairman, I join the gentleman from Pennsylvania in his remarks and I want to call to the attention of the sponsor of this particular amendment the fact that what he was complaining about, the fact that the bill now prescribes that there shall be no duplication, is in fact a weakness in the bill in the Appalachian area for the simple reason when you read your report and relate it to the bill, you will find that the committee has added language to this bill to make it clear that a project which has been finally approved for assistance under the Appalachian program for which funds have been set aside, cannot be financed for assistance under this program.

The Appalachian people have taken the same view insofar as programs that were approved prior to running out of money under this program. Therefore, they are refusing to make grants and approve projects under the supplemental grants that have heretofore been approved under this particular program, on the basis of duplication.

Mr. FULTON of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. SAYLOR. I yield to the gentleman from Pennsylvania.

Mr. FULTON of Pennsylvania. Mr. Chairman, I join the gentleman from Pennsylvania [Mr. SAYLOR] in his excellent statement and I oppose the Cramer amendment eliminating the Appalachian States from the bill. I would further add that there is no real duplication with Appalachia programs because the money will not be spent twice on the same project for the same purpose.

Finally, this legislation would represent the first time in history that a region has been specifically excluded from a U.S. public works bill, which is general and should be considered on the merits of the policies and various programs.

Mr. HECHLER. Mr. Chairman, will the gentleman yield?

Mr. SAYLOR. I am glad to yield to the gentleman from West Virginia.

Mr. HECHLER. Mr. Chairman, I believe the arguments presented by the gentleman from Pennsylvania [Mr. SAYLOR] and others against this amendment are very convincing and I hope that the Committee will reject this amendment.

The Cramer amendment would in effect negate the Appalachian Regional Development Act, and the benefits which have accrued and which will be derived from the passage of that legislation. I happen to believe that the advantages of the Appalachian Act have been overstressed, and that it certainly is not the cure-all which some advocates have contended. Since 80 percent of the funds under the Appalachian Act go for highway development, there is comparatively little in other features of the Appalachian Act to cover the development of needed public facilities. To act now to take away these small bene-

fits will set us back seriously in the Appalachian region, and bring in its train additional unemployment, more people on the relief rolls and force the Congress to take additional action to take care of these serious problems.

Mr. Chairman, the Public Works Committee has very adequately taken care of any possible duplication, by writing into the bill that no project can receive double assistance under both this act and the Appalachian Act. It seems to me that if we are going to deprive the people of the Appalachian area of benefits under this act, it would be just as logical to omit from the benefits under the medicare legislation or other legislation all residents of the Appalachian area.

I strongly oppose the pending amendment for this reason.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Florida [Mr. CRAMER].

The amendment was rejected.

AMENDMENTS OFFERED BY MR. CRAMER

Mr. CRAMER. Mr. Chairman, I have two amendments to offer, and I ask unanimous consent that they be considered en bloc.

The CHAIRMAN. Is there objection to the request of the gentleman from Florida?

There was no objection.

The Clerk read as follows:

Amendments offered by Mr. CRAMER: Page 63, following line 8, insert the following new section:

"CRITERIA FOR FINANCIAL ASSISTANCE

"SEC. 3. (a) In order to promote the purposes of this Act, and to assure the proper and effective expenditure of Federal funds, the Secretary shall by regulation provide for the supervision and review of all projects and activities for which financial assistance is extended under this Act so as to insure that Federal funds are not wasted or dissipated.

"(b) No grant, loan, guarantee or other financial assistance shall be approved for any project under section 101, 201, 202 or 403 unless the Secretary—

"(1) makes an independent investigation and finding as to the number of jobs to be created or saved and the savings in public relief and welfare funds to be realized as a result of such project;

"(2) makes an affirmative finding, supported by evidence, that the amount and nature of Federal financial assistance is reasonably related to and justified by the number of jobs to be created or saved and the amount of public relief and welfare funds to be saved;

"(3) makes an affirmative finding, supported by evidence, that the applicant for financial assistance proposes to contribute to the cost of the project in proportion to its ability so to contribute, that the project will fulfill a pressing need of the area, or part thereof, in which it is, or will be, located, and that there is little probability that such project can be undertaken without financial assistance under this Act."

Page 63, strike out line 11 and all that follows through and including line 18 on page 63 and insert in lieu thereof the following:

"SEC. 101 (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area of part thereof, the Secretary of Commerce (hereinafter referred to as the Secretary) is authorized to make direct grants for the acquisition or development

of land and improvements for public works, public service, or development facility usage, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, including related machinery and equipment, within a redevelopment area, if he finds that—

"(1) the project for which financial assistance is sought will directly or indirectly—

"(A) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities,

"(B) otherwise assist in the creation of additional long-term employment opportunities for such area, or

"(C) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964;

"(2) the project for which a grant is requested will fulfill a pressing need of the area, or part thereof, in which it is, or will be, located; and

"(3) the area for which a project is to be undertaken has an approved overall economic development program as provided in section 202(b)(10) and such project is consistent with such program.

"(b) The amount of any direct grant under this section for any project shall not exceed 50 per centum of the cost of such project."

Mr. CRAMER. Mr. Chairman, these amendments are offered en bloc for the obvious reason to try to expedite consideration of the legislation, recognizing the fact that apparently the railroad has a full head of steam. I doubt if there are going to be any amendments that will be given reasonable consideration.

I am offering these amendments which were offered in committee and are minority amendments relating to title I. This will be the last of the amendments relating to title I. We will do our best to expedite further consideration of the remainder of the bill.

The first amendment, No. 1, attempts to set up some sort of criteria under the bill, which is very loosely drawn, on page 63 and tries to write in some meaningful criteria so the legislation will properly carry out its intent and purpose.

Amendment No. 1 would add a new section, section 3, to the bill to impose specific criteria for financial assistance. It is designed to assure that the Federal assistance will be offered only where such assistance is needed and where it will be effective. The criteria established would do exactly that.

The amendment would appear on page 63. The report on the bill states:

The general purpose of S. 1648 is to provide a comprehensive program of Federal assistance to help provide more jobs and higher incomes for people who live in areas where jobs are scarce or incomes are low.

Despite this objective the bill as written provides few, if any, definite criteria on the basis of which financial assistance is to be extended.

In several reports to the Congress, the Comptroller General has pointed out that ARA has grossly overestimated the number of jobs to be created and in some cases has extended financial assistance when no jobs at all were created. Under these circumstances and considering the basic purposes of the legislation, it is the view of the proponents of this

amendment that the bill should contain specific criteria for financial assistance to prevent the same things from happening in the future.

What this proposed new subsection does is to prohibit financial assistance for a project unless the Secretary, first, makes an investigation as to the number of jobs to be created or saved and the savings in public relief or welfare funds to be realized as a result of the project; and second, finds that the amount and nature of Federal financial assistance is reasonably related to and justified by the number of jobs to be created or saved and the amount of public relief and welfare funds to be saved, and third, makes an affirmative finding, supported by evidence, that the applicant for financial assistance proposes to contribute to the cost of the project in proportion to its ability so to contribute, that the project will fulfill a pressing need of the area, or part thereof, in which it is, or will be, located, and that there is little probability that such project can be undertaken without financial assistance under this act.

In other words, if you are going to create new jobs or save existing jobs, it is only reasonable to hope that then they can provide reasonable Federal funds. That is all it does, based upon the General Accounting Office criticism of the present program.

The other amendment has for its purpose striking out the Secretary's authority to make supplementary grants which are grants in order to enable States and other entities within development or redevelopment areas, supposedly, which make up the designated Federal-aid programs.

The term "designated Federal-aid programs" is defined to mean such existing or future Federal grant-in-aid programs as the Secretary may designate.

My second amendment, No. 2, would delete the provision of section 101 which authorizes supplementary grants and would thus limit direct Federal grants to 50 percent of the cost of the projects.

It is believed that statutory limitations on the Federal share payable under the various grants-in-aid programs should be either preserved unchanged or changed by the Congress on an individual program-by-program basis. We do not believe the Secretary of Commerce should be given the authority to change the statutory limitations on a blanket basis, which is what the committee bill does. The material to be inserted by the amendment is simply a restatement of language already contained in the bill which must be deleted and reinstated because of technical problems, and the amendment takes care of that as well.

So these two amendments are an attempt to make a better bill out of the bill that is before us.

Mr. EDMONDSON. Mr. Chairman, I rise in opposition to the amendments.

Mr. Chairman, both of the amendments that have been discussed by the gentleman from Florida are amendments that received consideration in the committee. There is no question about the fact that they have some surface appeal. But I do not think there is any

question about the fact, on the other hand, that they would operate to hamstring the effective operation of this program. The requirement that the Secretary, before making any kind of grant or loan, would have to go out into the local area, where there had been a strong case made for assistance in a local project and there make an independent investigation and finding, not only as to the number of jobs to be created, but also as to the savings in public relief and welfare funds to be realized, would impose an almost impossible burden upon the Secretary of Commerce in connection with these projects.

It would be almost impossible to make that kind of determination in advance of approval of one of these projects. We believe that the criteria which have been established in the form of sound guidelines to direct local planning and initiative are good and solid criteria without the addition of this hamstringing burden upon the Secretary of Commerce. We believe the first amendment should be rejected for that reason.

As to the supplementary grant provision, it would be most undesirable to eliminate this supplementary grant provision if we want to have projects in the most needy areas of the country, because the operation of the accelerated public works program has demonstrated very clearly that some communities have found it absolutely impossible to get the local financing to meet their end of the program unless the local financing requirement is reduced to the lowest possible denominator.

We have a clear precedent for the supplementary grant provision in the area public works program and in the Appalachia program, both of which have been overwhelmingly approved by the Congress. We feel that the supplementary grant provision is an essential part of this program and should be retained.

On these grounds, Mr. Chairman, I submit that both these amendments should be voted down and the program kept intact.

Mr. HOWARD. Mr. Chairman, will the gentleman yield?

Mr. EDMONDSON. I am glad to yield to the gentleman from New Jersey.

Mr. HOWARD. To simply this, as to the supplementary grant provision which would be eliminated, could we merely say that the supplementary grant section gives more help and more aid where the need is greater and the ability of a municipality to pay is less? Where they need more money we give more money, and where they need less money we give less money. That is about as fair as a bill could be.

Mr. EDMONDSON. And we retain the requirement that in no project shall the local contribution be less than 20 percent.

Mr. HOWARD. That is right.

Mr. EDMONDSON. That is the provision of the bill as it is, and we believe the amendments should be defeated.

Mr. FLOOD. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I seldom presume upon the time of the Committee or the House, but for a change this time I know what

I am talking about, which will appeal to you in some way or other.

The original Area Redevelopment Act distressed area bill was introduced in the House by me in 1954.

The reason for that was, I come from the hard coal fields of Pennsylvania. I am a hard coal miner. Do not let this mustache fool you, for I worked around the mines for years going to college.

When I first came to this House 20 years ago, I had 30,000 men working in my mines. Today I have 4,000. Why, is a long story.

Twenty years ago there were 110,000 more people who lived in my district than live there today. That makes me a pretty lousy Congressman, but it was not all my fault that they left town. You know why.

The greatest export from my district has been young men and young women who had to go out to get jobs. We were producing them and exporting them. They all want to come home.

Remember the old picture, "How Green Was My Valley"? Well, my valleys were green at one time.

All of these young men and women, now with families, want to come home to my district. I am not going to paint this bill in broad, sweeping, philosophical strokes today. My distinguished friend from Minnesota [Mr. BLATNIK], and the gentleman from Florida [Mr. CRAMER] can do that far beyond my poor power to add or detract, and you have heard them.

This bill passed the Senate in 1956, the ARA section, and, parenthetically, the chairman of the Subcommittee on Labor in the Senate—and you oldtimers remember this—who was the floor manager for the bill when it passed the Senate in 1956 was a young fellow who was in the House with me from Massachusetts, a Senator named Jack Kennedy. It was too late to bring it over here. We only had 2 days. We did not try. Well, it passed the House in 1958 and it passed the House in 1960, and it passed the Senate and the Congress, and President Eisenhower vetoed it twice. Jack Kennedy came to my home town when he campaigned for President, and it not not hurt me a bit when he stood up in the public square before countless thousands of people and put his hand on my shoulder and said to them, "If I am elected and if Flood is elected, the first major bill that I want to pass the Congress, if I can help it, will be the ARA bill," known as the Flood-Douglas bill then, DOUGLAS being the distinguished Senator from Illinois. He said "It will be the first bill I will sign." Well, with the help of God and you in Congress and the people, it was the first bill that passed that Congress, and President Kennedy signed it. Eight million dollars came to my district, half of it from this fund. Now, let me tell you something, Mr. Chairman. In all these 20 years I never stood on this floor and asked for a handout. I do not want one now. I am the mouthpiece for my people. We are a rugged breed in the coal fields. We do not want you to give us anything—nothing. We will pay back every dime with interest. We have been doing it and we will do it

again and again. But we did ask you, as you did, to put your imprimatur upon some kind of Federal responsibility. If there is a cancer of a nondemocratic nation in the world, it may affect others. So if there is a cancer of poverty in one part of the Nation, it can spread the same thing in other places. I have seen it happen and so have you. You put 1,400 people to work in my district since June 1 of 1961. One thousand and four hundred people. You put \$5 million on our payrolls and spread that tax base.

The CHAIRMAN. The time of the gentleman has expired.

(Mr. FLOOD (at the request of Mr. EDMONDSON) was given permission to proceed for 5 additional minutes.)

Mr. FLOOD. You put \$5 million on that payroll. You made those 1,400 people ultimate taxpayers and not tax eaters. Thank God for that and you, too. Under the public works bill you sent us \$5 million. Do you know how we raised it? By payroll deductions, like a Red Cross drive or a community chest drive. We organized it, factory to factory, shop to shop, office to office—payroll deductions, cash contributions. The man or woman who got a job kicked into the pot to create our revolving fund to pay the percentage that you properly by law put into that bill, so that we would pay our share. We are paying our way, and in cash—as good as yours. Do not forget that. There are no chisellers on this ship, no chisellers on board here.

Five million dollars—and over \$2 million we paid out of our own funds. That gave us the waterworks; that gave us the sewer collection and disposal systems. Do you know about those little brick houses that we used to have in the back of our houses in the coalfields? They are not there any more. You took them away. You made our places look decent. These people had been bankrupt; nobody worked. It became a vicious cycle, nobody working, no taxes, no tax base, no public utilities, no public facilities, nothing coming in, and nobody cared.

Now, that cycle has been destroyed. You smashed it. On June 1, 1961, I had 13½ percent of my people out of work. On June 1, 1965, the figure is 6.4 percent. Now, that "ain't good" as against the national average of 4.5, but we think it is a miracle. And it is a major miracle, not a minor one. Twenty-five thousand four hundred men and women at work who were not working on June 1, 1961—25,000. One thousand and two hundred people off the relief rolls. You boys with the pencils figure that out—1,200 you took off my relief rolls.

Sixty thousand dollars a month this saved the Federal Government; \$750,000 last year you saved the American taxpayer with this kind of thing.

This is socialism? This is communism? My name is DANIEL JOHN FRANCIS ALOYSIUS FLOOD, Fourth Degree Knights of Columbus. I would make a great Communist with a puss like this, would I not? Why, that is unadulterated bilge, and you know it is.

This pleading and this mouthing that this is socialism—what happened to American integrity? Where is the old American workingman? In my district, and don't you forget it—in my district.

I am making this speech today because I am "over the hill." We are out of the woods. We have got it made. In a couple of more years we will be at the 4.5 percent, the national average. We have got it licked. We helped to do it ourselves for 20 years, and you helped us. I speak today for the people in your States, the other 49 great sister States that have not done or did not know how to do what we did.

Well, the 11th District of Pennsylvania, the hard coal fields where coal is no longer king, we are breathing and we are alive, in the very best American tradition. And if that is socialism, make the most of it. But I dare you to come up to one of my coal miners to say that. If you do—duck.

Mr. Chairman, I am convinced that the ARA experience has been of great value and that its value could be increased by enacting the proposed Public Works and Economic Development Act of 1965. A Congress dedicated to strengthening the free enterprise system has no alternative but to pass the legislation now under consideration.

The district which I represent, Luzerne County, Pa. has been designated a redevelopment area because of high unemployment which has persisted for over a quarter-century. This area has found necessary and extremely helpful all of the programs established under the Area Redevelopment Administration.

That financing has helped local industrial development organizations to secure loans to finance four new industrial expansions in the county, provide facilities to serve new sites in an industrial park for future industries, set up a research center to meet industrial expansion needs, and establish a regional economic development coordinating program.

Loans amounting to \$3,100,000, which will accrue interest at 4 percent and be fully repaid to the U.S. Treasury, have stimulated private capital investment totaling \$6,683,000 in Luzerne County.

Public facility loans and grants have been provided to a large industrial park that has made additional land available for industrial use.

This area has an excellent potential

This area has an excellent potential for future growth if industrial sites can be made available at reasonable cost and the outstanding local industrial loan programs can be supplemented by outside financing. Many millions of dollars have been raised in the county which have been used successfully to stimulate local industrial expansion. Despite the tremendous local efforts, so much capital is tied up in existing industrial loans that a supplemental loan program such as S. 1648 is vital.

Public facility grants and loans will be required if land for industry is to be carved from the remaining unoccupied land. Steep hills, extensive strip mining, heavy residential and commercial development have taken most available land. What remains is much too expensive to develop by private funds. It will be far cheaper to stimulate private enterprise by developing this land than to continue to finance unemployment and wel-

fare assistance to the thousands that could be employed in the area.

Additional technical assistance will be needed to provide information about the area for use by its sophisticated industrial development organizations.

In summarizing, Mr. Speaker, the major communities in my district have found the programs of the Area Redevelopment Administration of significant value and are in need of the assistance provided in the proposed legislation, S. 1648.

I pray that this legislation be enacted.

Mr. Chairman, I want to urge this Committee to adopt the proposed new Public Works and Economic Development Act of 1965, S. 1648.

As one of the earliest proponents of this type of legislation and as one of the principal original sponsors of the Area Redevelopment Act, I think that I know something about the need for this legislation and its purpose.

In 1958, and again in 1960, and again in 1961, I advocated the original Area Redevelopment Act. I pleaded. I argued. I begged. I cajoled. I did everything in my power as a legislator to secure the passage of that act.

Later, in 1962, I labored to secure the passage of the Public Works Acceleration Act.

These two acts have worked wonders in my district, and that is why I am convinced that this new bill, which is based upon the ARA and APW experience, ought to be passed.

Under the ARA program, six projects for financial assistance were approved in my district. The total investment in these projects was over \$8 million, the Federal share over \$4 million. Many people are now at work on these projects, earning salaries and paying taxes instead of drawing compensation or receiving public assistance. The employment potential of these projects alone is over 1,400. The projects involve an improved industrial park, a research center, two textile mills, and two plastics plants—all desirable industries for a growing and diversified economy in the area.

Over \$5 million a year in new payrolls is being put into our economy as a result of this one program.

In addition, ARA technical assistance funds are helping to establish an economic center for community development and a new warehousing and distribution center. Moreover, they are supporting a project which will eliminate dangerous culm bank fires and replace them with industrial sites. As a result of one ARA sponsored technical assistance project in my area, I am convinced that we will one day see the pleasant and productive smoke of an industrial smokestack replacing the obnoxious and destructive smoke of a burning culm bank.

Under the public works acceleration program, 40 projects were approved in my district with a total investment of \$4,800,000 and a Federal investment of \$2,373,000. These projects are making it possible for people in the impoverished coal towns to have decent sewer and water service once again, to see roads and streets and public buildings im-

proved, so that industry will be attracted to the area.

The improvement in my area since the area redevelopment program was first passed in 1961 is almost miraculous.

We had 25,400 more people at work in Luzerne County in June of 1965 as opposed to June of 1961.

We had 8,900 fewer people out of work in Luzerne County in June of 1965 as opposed to June of 1961.

Our unemployment rate was 13.2 percent in June of 1961. It was only 6.4 percent in June of 1965.

The average number of cases on our welfare program in the county dropped by 1,160 cases from June of 1961 to June of 1965.

The Federal share alone of these cases is \$60,000 a month less because of the drop in caseload. The Federal Government is saving over \$700,000 a year in this one county on this one program because of the improvement in the economy.

The Federal Government is collecting about \$10 million a year in taxes on the extra employment in my district as a result of all the new jobs which have been created since 1961.

Mr. Chairman, I am not maintaining that all this improvement is due to the ARA and APW program. The national economy has improved all over. But if the economy of Luzerne County had improved in the past 4 years only at the same rate as the national economy, it would only have achieved 70 percent of what was achieved. And this is an area which for the past 35 years has always done worse than the national economy.

What is responsible for this amazing turnaround? Certainly, not the ARA program alone, or even all the Federal programs alone. Local efforts have been largely responsible.

But keep in mind that the people at the local level think this program is just what they need to make their own work successful. A constituent of mine, nationally known for his work on economic development in the city of Hazleton said, "ARA is like a breath of spring."

And the gentleman I have quoted is a member of the national board of directors of the chamber of commerce.

This is not a Federal effort alone. But the job is too big for the local people to do it alone, and when they see that Federal assistance is available, they get new courage, and they do much more than they would otherwise.

We need the new Public Works and Economic Development Act of 1965 to complete the job of restoring and rebuilding our economy. That job was begun many years ago by local efforts alone. Later on the State came in and helped. But we never really began to see real progress until we got Federal help, too.

In those early years, we all thought that we were running as hard as we could just to stay in the same place and keep things from getting worse. But when we got Federal aid, we could see the improvement. And now we know we are going to win this war on poverty in Luzerne County, Pa.

But the job is not yet completed.

We need this new act, S. 1648. We need this public works and economic development bill to keep up the momentum, to get us over the top.

This bill has been wisely put together. It will give us help in constructing public works, but not just any public works. We will have to prove that the projects contribute to economic development.

The new bill will help us with financial assistance for new and expanding businesses in the area, and we desperately need this help. We have gone to the local people for money for this purpose for so many times and they have given so generously that we are running out of money just when we need it the most.

The new bill will help us with technical assistance to solve our problems like the burning culm banks, and to help us plan and carry out sensible programs for community and economic development.

Mr. Chairman, we made no mistake when we first passed the Area Redevelopment Act and the Accelerated Public Works Act. These acts will go down as landmarks in the progress of our economy.

It would be a mistake to label these programs as spending programs. They are investment programs. It costs money to maintain people in idleness. Is it not more sensible to invest money to make it possible for idle people to find jobs? As the President said, this is a program for making taxpayers out of tax consumers. That is why I cannot label this program a spending program.

I repeat. We made no mistake when we first passed ARA and APW. But we will be making a grave mistake if we allow these programs to lapse by failing to pass the proposed new Public Works and Economic Development Act.

We will make a costly mistake for the Federal Treasury.

We will make a tragic mistake from the standpoint of the thousands of hard-working community leaders who have used these programs to lift themselves up by their economic bootstraps and who are looking to this new program to help them even more.

We cannot fail them.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Florida.

The amendment was rejected.

AMENDMENT OFFERED BY MR. DINGELL

Mr. DINGELL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DINGELL: On page 68, after line 8, insert the following:

"FINANCIAL ASSISTANCE FOR SEWER FACILITIES
"SEC. 106. No financial assistance, through grants, loans, guarantees, or otherwise, shall be made under this act to be used directly or indirectly for sewer or other waste disposal facilities unless the Secretary of Health, Education, and Welfare certifies to the Secretary that any waste material carried by such facilities will be adequately treated before it is discharged into any public waterway so as to meet applicable Federal, State, interstate, or local water quality standards."

Mr. DINGELL. Mr. Chairman, the amendment is really self-explanatory. It is very simple. It provides simply that

where sewer facilities or waste disposal facilities are constructed they will meet applicable Federal, State, interstate, or local quality standards as the case may require.

Mr. BLATNIK. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I yield to my good friend, the gentleman from Minnesota [Mr. BLATNIK].

Mr. BLATNIK. Mr. Chairman, not to interrupt the distinguished gentleman from Michigan, but we have discussed this amendment very thoughtfully and it has been discussed not only with me but with other members of the committee.

Is this a similar amendment to the one which the gentleman offered and which was accepted in the housing bill?

Mr. DINGELL. The gentleman is correct, this is as nearly exactly the same amendment as I can possibly draw to that which I offered and which was accepted unanimously by the House to the housing bill.

Mr. BLATNIK. If the gentleman will yield further, this places priority upon the fact that there shall be a treatment facility first so that the waste material may be properly treated, instead of providing for a sewer line which would merely dispose of the waste into some stream?

Mr. DINGELL. The gentleman is correct.

Mr. BLATNIK. It is a very valid amendment and we do accept the amendment and raise no objection to it.

Mr. DINGELL. I thank the gentleman.

(Mr. DINGELL asked and was given permission to revise and extend his remarks.)

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan.

The amendment was agreed to.

AMENDMENT OFFERED BY MR. GIBBONS

Mr. GIBBONS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. GIBBONS: On page 68, strike out lines 7 and 8 and insert in lieu thereof the following: "for each of the fiscal years ending June 30, 1966, and June 30, 1967."

Mr. BLATNIK. Mr. Chairman, I make a point of order against the amendment because that has already been amended and perfected by the Sisk amendment and would not be subject to amendment at this point.

The CHAIRMAN. Does the gentleman from Florida wish to be heard on the point of order?

Mr. GIBBONS. Mr. Chairman, the Sisk amendment went much further than this amendment. This amendment is a very simple amendment. It does not affect the substantive matter of the bill. It merely provides for the Congress to retain control over the program.

Mr. EDMONDSON. Mr. Chairman, will the gentleman yield?

Mr. GIBBONS. I yield to the gentleman from Oklahoma.

Mr. EDMONDSON. The Sisk amendment has already changed that.

The CHAIRMAN (Mr. LANDRUM). The point of order is well taken. It would

be an amendment to an amendment which has been agreed to. The Chair sustains the point of order.

Are there additional amendments to title I?

If there are no further amendments, the Clerk will read.

The Clerk read as follows:

TITLE II—OTHER FINANCIAL ASSISTANCE

Public works and development facility loans

SEC. 201. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary is authorized to purchase evidence of indebtedness and to make loans to assist in financing the purchase or development of land and improvements for public works, public service, or development facility usage, including public works, public service, and development facility usage, to be provided by agencies of the Federal Government pursuant to legislation requiring that non-Federal entities bear some part of the cost thereof, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, including related machinery and equipment, within a redevelopment area, if he finds that—

(1) the project for which financial assistance is sought will directly or indirectly—

(A) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities,

(B) otherwise assist in the creation of additional long-term employment opportunities for such area, or

(C) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964;

(2) the funds requested for such project are not otherwise available from private lenders or from other Federal agencies on terms which in the opinion of the Secretary will permit the accomplishment of the project;

(3) the amount of the loan plus the amount of other available funds for such project are adequate to insure the completion thereof;

(4) there is a reasonable expectation of repayment; and

(5) such area has an approved overall economic development program as provided in section 202(b)(10) and the project for which financial assistance is sought is consistent with such program.

(b) Subject to section 701(5), no loan, including renewals or extensions thereof, shall be made under this section for a period exceeding forty years, and no evidence of indebtedness maturing more than forty years from the date of purchase shall be purchased under this section. Such loans shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed one-half of 1 per centum per annum.

(c) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this section and section 202: *Provided*, That annual appropriations for the purpose of purchasing evidences of indebtedness, making and participating in loans, and guaranteeing loans shall not exceed \$170,000,000, for the fiscal year ending June 30, 1966, and for each fiscal

year thereafter through the fiscal year ending June 30, 1970.

(d) Except for projects specifically authorized by Congress, no financial assistance shall be extended under this section with respect to any public service or development facility which would compete with an existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State or Federal regulatory body, unless the State or Federal regulatory body determines that in the area to be served by the facility for which the financial assistance is to be extended there is a need for an increase in such service (taking into consideration reasonably foreseeable future needs) which the existing public utility is not able to meet through its existing facilities or through an expansion which it agrees to undertake.

(e) The Secretary shall prescribe regulations which will assure that appropriate local governmental authorities have been given a reasonable opportunity to review and comment upon proposed projects under this section.

Loans and guarantees

SEC. 202. (a) The Secretary is authorized (1) to purchase evidences of indebtedness and to make loans (which for purposes of this section shall include participations in loans) to aid in financing any project within a redevelopment area for the purchase or development of land and facilities (including machinery and equipment) for industrial or commercial usage, including the construction of new buildings, the rehabilitation of abandoned or unoccupied buildings, and the alteration, conversion, or enlargement of existing buildings; and (2) to guarantee loans for working capital made to private borrowers by private lending institutions in connection with projects in redevelopment areas assisted under subsection (a)(1) hereof, upon application of such institution and upon such terms and conditions as the Secretary may prescribe: *Provided, however*, That no such guarantee shall at any time exceed 90 per centum of the amount of the outstanding unpaid balance of such loan.

(b) Financial assistance under this section shall be on such terms and conditions as the Secretary determines, subject, however, to the following restrictions and limitations:

(1) Such financial assistance shall not be extended to assist establishments relocating from one area to another or to assist subcontractors whose purpose is to divest, or whose economic success is dependent upon divesting, other contractors or subcontractors of contracts theretofore customarily performed by them: *Provided, however*, That such limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity if the Secretary finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment of the area of original location or in any other area where such entity conducts business operations, unless the Secretary has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

(2) Such assistance shall be extended only to applicants, both private and public (including Indian tribes), which have been approved for such assistance by an agency or instrumentality of the State or political subdivision thereof in which the project to be financed is located, and which agency or instrumentality is directly concerned with problems of economic development in such State or subdivision.

(3) The project for which financial assistance is sought must be reasonably calculated

to provide more than a temporary alleviation of unemployment or underemployment within the redevelopment area wherein it is or will be located.

(4) No loan or guarantee shall be extended hereunder unless the financial assistance applied for is not otherwise available from private lenders or from other Federal agencies on terms which in the opinion of the Secretary will permit the accomplishment of the project.

(5) The Secretary shall not make any loan without a participation unless he determines that the loan cannot be made on a participation basis.

(6) No evidence of indebtedness shall be purchased and no loans shall be made or guaranteed unless it is determined that there is reasonable assurance of repayment.

(7) Subject to section 701(5) of this Act, no loan, including renewals or extension thereof, may be made hereunder for a period exceeding twenty-five years and no evidences of indebtedness maturing more than twenty-five years from date of purchase may be purchased hereunder: *Provided*, That the foregoing restrictions on maturities shall not apply to securities or obligations received by the Secretary as a claimant in bankruptcy or equitable reorganization or as a creditor in other proceedings attendant upon insolvency of the obligor.

(8) Loans made and evidences of indebtedness purchased under this section shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, plus such additional charge, if any, toward covering other costs of the program as the Secretary may determine to be consistent with its purpose.

(9) Loan assistance shall not exceed 65 per centum of the aggregate cost to the applicant (excluding all other Federal aid in connection with the undertaking) of acquiring or developing land and facilities (including machinery and equipment), and of constructing, altering, converting, rehabilitating, or enlarging the building or buildings of the particular project, and shall, among others, be on the condition that—

(A) other funds are available in an amount which, together with the assistance provided hereunder, shall be sufficient to pay such aggregate cost;

(B) not less than 15 per centum of such aggregate cost be supplied as equity capital or as a loan repayable in no shorter period of time and at no faster an amortization rate than the Federal financial assistance extended under this section is being repaid, and if such a loan is secured, its security shall be subordinate and inferior to the lien or liens securing such Federal financial assistance: *Provided, however*, That, except in projects involving financial participation by Indian tribes, not less than 5 per centum of such aggregate cost shall be supplied by the State or any agency, instrumentality, or political subdivision thereof, or by a community or area organization which is nongovernmental in character, unless the Secretary shall determine in accordance with objective standards promulgated by regulation that all or part of such funds are not reasonably available to the project because of the economic distress of the area or for other good cause, in which case he may waive the requirement of this provision to the extent of such unavailability, and allow the funds required by this subsection to be supplied by the applicant or by such other non-Federal source as may reasonably be available to the project;

(C) to the extent the Secretary finds such action necessary to encourage financial participation in a particular project by other

lenders and investors, and except as otherwise provided in subparagraph (B), any Federal financial assistance extended under this section may be repayable only after other loans made in connection with such project have been repaid in full, and the security, if any, for such Federal financial assistance may be subordinate and inferior to the lien or liens securing other loans made in connection with the same project.

(10) No such assistance shall be extended unless there shall be submitted to and approved by the Secretary an overall program for the economic development of the area and a finding by the State, or any agency, instrumentality, or local political subdivision thereof, that the project for which financial assistance is sought is consistent with such program: *Provided*, That nothing in this Act shall authorize financial assistance for any project prohibited by laws of the State or local political subdivision in which the project would be located, nor prevent the Secretary from requiring such periodic revisions of previously approved overall economic development programs as he may deem appropriate.

Economic development revolving fund

SEC. 203. Funds obtained by the Secretary under section 201, loan funds obtained under section 403, and collections and repayments received under this Act, shall be deposited in an economic development revolving fund hereinafter referred to as the "fund"), which is hereby established in the Treasury of the United States, and which shall be available to the Secretary for the purpose of extending financial assistance under sections 201, 202, and 403, and for the payment of all obligations and expenditures arising in connection therewith. There shall also be credited to the funds such funds as have been paid into the area redevelopment fund or may be received from obligations outstanding under the Area Redevelopment Act. The funds shall pay into miscellaneous receipts of the Treasury, following the close of each fiscal year, interest on the amount of loans outstanding under this Act computed in such manner and at such rate as may be determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, during the month of June preceding the fiscal year in which the loans were made.

AMENDMENT OFFERED BY MR. CLEVELAND

Mr. CLEVELAND. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CLEVELAND: Page 71, strike out line 16, and all that follows through and including line 10 on page 77, and insert in lieu thereof the following:

"PROGRAMS FOR ECONOMIC DEVELOPMENT

"Sec. 202. No financial assistance shall be extended under section 101, 201 or 403 for any project in or for the benefit of a redevelopment area unless there has been submitted to and approved by the Secretary an overall program for the economic development of the area and a finding by the State, or any agency, instrumentality, or local political subdivision thereof responsible for the economic development of such area, that the project for which financial assistance is sought is consistent with such programs: *Provided*, That nothing in this Act shall authorize financial assistance for any project prohibited by laws of the State or local political subdivision in which the project would be located, nor prevent the Secretary from requiring such periodic revisions

of previously approved overall economic development programs as he may deem appropriate."

Page 70, strike out lines 16 through 23, inclusive, and insert in lieu thereof the following:

"(c) There is hereby authorized to be appropriated to carry out this section not to exceed \$85,000,000 for the fiscal year ending June 30, 1966, and a like amount for each fiscal year thereafter through the fiscal year ending June 30, 1970."

Page 69, line 24, strike out "(b)."

Page 70, line 1, strike out "(10)".

Page 77, line 19, strike out ", 202."

Mr. CLEVELAND. Mr. Chairman, the amendment I have offered is described in detail on page 58 of the committee report in my supplemental views. The amendment strikes out the loan and guarantee of loans to private business sections of this legislation.

I have two reasons for proposing this amendment. First, it seems to me a great deal of the criticism and the trouble with the ARA has been it has been lending taxpayers' money to sponsor competition with other taxpayers of the country. Recently it has been reported the ARA contribution to improving the economic situation in at least one Pennsylvania town was to build a large broiler plant which would do nothing more than supply further broilers in an already glutted broiler market. I commented on this in the RECORD yesterday, August 11, 1965, page 19242.

Mr. CLARK. Mr. Chairman, will the gentleman yield?

Mr. CLEVELAND. I yield to the gentleman from Pennsylvania.

Mr. CLARK. I am wondering if the gentleman has information I do not have at the present time on what you are saying is really true and correct.

Mr. CLEVELAND. If the gentleman will read the RECORD for yesterday at page 19242 he will see my remarks, which also referred to the gentleman, and I hope he enjoys them.

Mr. Chairman, the second reason for introducing the amendment is also described in my supplemental views on page 58. It is simply this: The Small Business Administration is already in the field as a Federal agency to lend money to businesses that need money and cannot obtain loans from a bank, or from other sources. The Small Business Administration has done a good job. If loans of the ARA type are needed, then the authority of the Small Business Administration could be changed accordingly.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Hampshire.

The amendment was rejected.

AMENDMENT OFFERED BY MR. KUNKEL

Mr. KUNKEL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. KUNKEL: Page 69, line 17, after "Secretary" insert a comma and the following: "giving consideration to the financial ability of the applicant." Page 73, line 22, after "Secretary" insert a comma and the following: "giving consideration to the financial ability of the applicant and the revenues which may reasonably be expected to be generated by the project,".

Mr. KUNKEL. Mr. Chairman, section 201 of the bill, as reported, provides for loans to assist in financing public works or development facilities, and section 202 of the bill, as reported, provides for industrial and commercial loans to purchase and develop land and facilities, purchase machinery and equipment, and construct and rehabilitate buildings. Section 202 further provides for Federal Government guarantee of working capital loans made in connection with loan projects.

The language of these two sections, with regard to the criteria to be used by the Secretary of Commerce in determining the need and extent of financial assistance, is vague and ambiguous.

Mr. Chairman, the amendment which I have just offered would amend sections 201 and 202 of the bill, as reported, to require that the Secretary of Commerce take into consideration the financial ability of an applicant, as to public works and development facilities loans, and the financial ability of the applicant and the revenues reasonably expected to be generated by the project, as to business loans, in determining if funds are available from private lenders or other Federal agencies on terms which will permit accomplishment of the project.

This amendment was recommended to the committee by representatives of the General Accounting Office. There were lengthy discussions on this provision in public hearings before the committee. The amendment was offered in committee by the distinguished gentleman from Florida [Mr. CRAMER] but was not adopted by the committee. It is a meritorious amendment. It would tighten the provisions of this bill, and I hope that the Committee of the Whole House sees fit to adopt the amendment today.

What this amendment would do is to write into the legislation reasonable standards which would overcome one objection of the General Accounting Office with regard to this legislation. This is an effort to tighten up the provisions of the legislation. Certainly in giving consideration to the financial ability of an applicant, no aid should go to an applicant who does not have financial need. If grants are made to those who do not need it, obviously those who do need it will not get as much.

The language in the bill, as reported, merely stipulates that no loan or guarantee shall be extended unless the financial assistance applied for is not otherwise available from private lenders or from other Federal agencies on terms "which in the opinion of the Secretary" will permit the accomplishment of the project. Since many provisions of this bill are more attractive than agreements which might be worked out by companies with private lenders, one wonders about the meaning of the words "opinion of the Secretary."

The language of this provision not only gives the Secretary unnecessary discretionary power, but also creates ambiguity.

The General Accounting Office has been highly critical of ARA's administration of the Area Redevelopment Act. It has submitted numerous reports to the

Congress on the administration of that act, and two reports, in particular, have relationship to the problem which this amendment would help to resolve.

In January 1965 a report of the Comptroller General, concerning deficient analysis by the ARA which resulted in approval of unneeded grants, reported that in December 1962 the Pueblo of Laguna, an Indian tribe, applied for an ARA grant in connection with the construction of a new industrial plant which the pueblo planned to build for lease. In the project proposal submitted to ARA for grant assistance, the grantee stated that it was unable to finance the facility.

Although the project proposal form submitted to the ARA called for a current statement of financial condition, none was submitted, but in the application the Pueblo did submit a summary of cash receipts and disbursements covering the preceding three fiscal years. Apparently on the basis of this material, a grant was approved in the amount of \$118,000. It was later learned that the Pueblo was "one of the wealthiest Indian tribes in the country due to the income received from lease of that portion of the reservation upon which uranium had been discovered and was being mined."

Twelve days after the grant was approved, the Bureau of Indian Affairs of the Department of the Interior, was asked for certain financial information concerning the Pueblo. The Bureau advised that for calendar years 1960, 1961, and 1962, the Pueblo's income was \$1.6 million, \$1.7 million, and \$1.5 million—a total of some \$4.8 million in 3 years. The Pueblo's cash balance at the end of 1962 was \$1.2 million, and that the market value of the Pueblo's investments in stocks and bonds at the end of 1962 was \$9.9 million.

Mr. Chairman, while this particularly applied to a grant, not a loan, it is highly indicative of the poor administration of the Area Redevelopment Act by those who must determine financial abilities. This is a clear example of what might occur under loan provisions of the bill before us today, unless this amendment is adopted.

Another GAO report dated April 1965, concerning Federal participation in unnecessary project costs resulting from failure to properly recognize the effect of intercorporate ownership further substantiates the need for such an amendment.

There is no need to permit the Secretary of Commerce to have unnecessarily broad discretionary authority in this area, the result of which will most probably cause even more inconsistencies in the program, when the adoption of this amendment will require the Secretary to take into consideration the financial ability of the applicant in determining if funds are available from private lenders or other Federal agencies on terms which will permit the accomplishment of the project.

I strongly urge the adoption of this amendment by my colleagues.

Mr. BLATNIK. Mr. Chairman, I rise in opposition to the amendment.

I do this with a completely favorable response—and I mean this sincerely—to the intent of the gentleman. The gentleman is trying to get a rather firm assurance as to the financial ability of the applicant to make repayment. The only problem is that we are dealing with depressed areas, where the need is great and credit risks are great.

We have written into the bill that the applicant must try other available sources of borrowing capital, both private and public, and only when this fails is there a slightly more liberal scale under which this program will assist the borrowers.

We ought to have a little more leeway. There is a little more risk involved. We should not subject an applicant to a rigid means test. If the applicant could proceed in advance to guarantee that he could pay the money without question, the local banker would make the loan. We are considering loans to men the local bankers will not consider. Over and over again they have become successful.

In most cases the local organizational development group is involved, and it conforms with the overall economic pattern for the local area.

This would be too restrictive and would greatly curtail the program. One of the big criticisms about the way the ARA operated concerned the redtape an applicant had to go through when he ran the long gantlet of meeting the eligibility requirements of ARA, then going to the SBA, then back to the ARA. He was bounced back and forth like a volleyball. We are cutting out some redtape and getting a more reasonable assurance that deserving projects can obtain financing.

Mr. KUNKEL. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I am pleased to yield to my good friend.

Mr. KUNKEL. One of the great objections which I have to the gentleman's argument is that I do not believe these requirements are rigid. I believe they are just good commonsense requirements that will protect but not injure.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. KUNKEL].

The amendment was rejected.

Mr. BARRETT. Mr. Chairman, I move to strike the requisite number of words.

(Mr. BARRETT asked and was given permission to revise and extend his remarks.)

Mr. BARRETT. Mr. Chairman, I rise in support of S. 1648, the public works and economic development bill. This bill embodies the legislation requested by President Johnson to continue the important work being done by the Area Redevelopment Administration. Since 1961, many communities with basic economic problems have been helped by the Area Redevelopment Act, one of the first pieces of major legislation to be signed by President Kennedy. Hundreds of depressed areas throughout the country, including many in my own State of Pennsylvania, have received the loan and grant assistance which that act author-

ized. The bill now before us has the benefit of the experience under that act and I believe it is a sound bill deserving the support of all Members of the House.

The experience under the Area Redevelopment Act, and particularly under the highly successful accelerated public works program, is reflected in the bill before us today. This bill places great emphasis on Federal grant assistance to local public works in recognition that a community can prosper only if it is able to provide the many forms of public investment, such as streets, water and sewer facilities, public buildings, and the like.

Mr. Chairman, it is most important that we approve this bill today to continue the important work of helping areas with special economic problems. The fact that the country as a whole is enjoying unprecedented prosperity should not mislead us into forgetting that many communities and many groups of our population do not share in that prosperity.

Equally important, we should not let the rise of the economy in recent years lull us into a false feeling of security or make us think that this bill is not needed. All of us who have experienced the ups and downs of the economy and who know the deep-rooted nature of unemployment problems in particular areas, realize that basic economic growth and improvement is a long-range undertaking. We should not abruptly end the kind of assistance provided by this act. We should allow those efforts to continue until the recovery demonstrates that it is based on solid ground. Moreover, in the early stages of recovery there are always subareas which do not share the prosperity of the overall city or labor market.

Mr. Chairman, legislation to help depressed areas has come before the Committee on Banking and Currency, of which I am a member, many times in the past. The drive to establish this long-range program began a full decade ago and I am pleased to say that every time it was acted upon by our committee it had strong bipartisan support. This is because poverty and unemployment do not respect party lines, and responsible Members on both sides of the aisle have recognized the need for aid and the Federal responsibility to extend it. I am sure that when the final vote is taken today, those of us who believe that prosperity and the dignity and security of the American workingman are worth fighting for will be in the majority by a substantial margin.

AMENDMENT OFFERED BY MR. CRAMER

Mr. CRAMER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CRAMER: Page 71, line 16, strike out "AND GUARANTEES".

Page 71, line 17, strike out "(1)".

Page 72, line 2, strike out the semicolon and all that follows through and including line 9, and insert in lieu thereof a period.

Page 73, line 19, strike out "or guarantee".

Page 74, line 5, strike out "or guaranteed".

Mr. CRAMER. Mr. Chairman, very briefly, what this amendment does is to

try to make this commercial loan section somewhat consistent with the GAO reports and recommendations or the existing law relating to area redevelopment. What it does is to strike out the guarantee of loans for working capital purposes. Working capital loans cannot be guaranteed under present law. What this does is it reverts the law to what it presently is relating to area redevelopment so that working capital loans cannot be made or guaranteed.

Section 202 of S. 1648 authorizes the Federal guarantee of loans for working capital made to private people by private lending institutions in connection with projects in redevelopment areas.

Now, what is the reason for striking this out? The Area Redevelopment Act specifically prohibits Federal financial assistance for working capital purposes. The bill contains no limitations for putting working capital guarantee loans in. It does so in such a fashion that it will contain no limitation or no guidelines concerning these loans. There is no limitation on the size of the loans to be guaranteed. They can be \$1 million or \$10 million of working capital. There is not any limitation whatsoever. There is no limitation on the period or the rate of interest or the terms of the loans. There is no limitation as to the amount of the guarantees to be outstanding at any one time. The only limitation—and it is not a real one—is found in section 201 which limits annual appropriations to \$170 million annually. If we are going to act responsibly, what we should do is strike out these working capital loans. Otherwise a very substantial portion of this \$170 million could go into working capital loans. If an outfit does not have enough working capital, the Government guaranteeing its plants, its sites, and the access to it and the public facilities to serve it and providing grants for the latter and loans for the former is not a very good type of business to try to encourage. It should be discouraged. So working capital loans, it has been the earlier decision of this Congress, should not be made. The issue is clearly before us. I do not think they should be made in the future particularly on such a broad and unlimited basis as is provided in this legislation, and this amendment will strike it out.

[Mr. JONES of Alabama addressed the Committee. His remarks will appear hereafter in the Appendix.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Florida.

The amendment was rejected.

AMENDMENT OFFERED BY MR. CLEVELAND

Mr. CLEVELAND. Mr. Chairman, I offer two amendments and ask unanimous consent that they be considered en bloc.

The Clerk read as follows:

Amendment offered by Mr. CLEVELAND: Page 71, following line 15, insert the following:

"(f) No financial assistance shall be extended under this section for the new construction of hotels, motels, or other housing for transients' use unless the community in which the project is located, under regulations prescribed by the Secretary, has

caused to be made a competent, independent analysis of the local supply of transient housing and as a result thereof has determined that there exists in the area a need for additional units of such housing."

Page 77, following line 10, insert the following:

"(11) No such assistance shall be extended for the new construction of hotels, motels, or other housing for transients' use unless the community in which the project is located, under regulations prescribed by the Secretary, has caused to be made a competent, independent analysis of the local supply of transient housing and as a result thereof has determined that there exists in the area a need for additional units of such housing."

The CHAIRMAN. Is there objection to the request of the gentleman from New Hampshire?

There was no objection.

Mr. CLEVELAND. Mr. Chairman, these amendments are described in some detail on page 58 of the report on this bill, in my supplemental views. What these amendments do is to prohibit the construction of new motel and hotel facilities in areas which do not need them. I think the purpose of the amendment is quite clear. There have been several glaring examples of the abuse of ARA loans to construct new motels and hotels in areas that did not need them, where they were competing directly with hard-pressed taxpayers. Of course, the outstanding example was the construction of a large motel on the outskirts of Detroit, for almost \$2 million, at a time when Detroit hotels and motels had an occupancy rate of 54 percent.

I think the Congress should bear in mind that the hotel and motel industry is having a tough time because of Internal Revenue Service regulations.

Also, as many of you know, there are drastic new minimum wage provisions which will certainly hurt some smaller motel and hotel operators. Generally speaking, it seems the height of unfairness to permit the construction of a new hotel or motel facility with ARA funds in those areas where it can be shown they do not need them, because existing facilities have excess facilities.

I think my amendment is adequately described on page 58 of the report, and I hope the House will adopt it.

Mr. HAYS. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I rise in opposition to the amendment because while I am not on the committee I have a story to tell you about a hotel. We had a governmental agency. The Muskingum Conservancy District, which is a river watershed conservancy district, apply for a grant to build a hotel in a county, Carroll County, which was formerly in my district. The bureaucrats did everything they could to prevent this grant from being made because, they said, Congress had put in some language about hotels and there were people saying that we did not need it, that it would be a failure and it would not work. I had to go clear to the White House for a talk with President Kennedy to finally get that broken loose.

The grant was made. The local people put up \$1,200,000. The Government put

up \$800,000. They built this hotel on the shores of a lake which was the only resource the county had. It provided a considerable amount of employment while it was being built. They dedicated it this year. It is booked to capacity for the rest of the season. It is booked two-thirds for next season. They are employing in this place 1 percent, not of the unemployed people of that county, but 1 percent of the total population of the county. This is a small county, only 18,000. They have 180 full- and part-time employees. And because of this single project that county is not any more eligible for ARA.

I cannot say this as eloquently as the gentleman from Pennsylvania said it, but that project has taken this county out of the class of high unemployment. If you approve any kind of an amendment which will give some bureaucrat—and most of them are afraid of their shadows—a chance to deny an application, you can bet that they will deny it.

Now, Mr. Chairman, as far as the hotel and motel industry is concerned, I do not know what it is like in Detroit but I can tell you that in my district there are many motels going up, along Interstate 70 and you cannot find a vacant room yet at night if you stop after 4 o'clock in the afternoon.

You know, Mr. Chairman, that is a little bit like the highway situation. I have long said that we cannot build interstate highways as fast as Detroit can build cars. If you put your motels in the right place, we are not producing motels as fast as they are producing babies in this country to fill them.

So, I would not worry too much about it.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Hampshire.

The amendment was rejected.

AMENDMENT OFFERED BY MR. KUNKEL

Mr. KUNKEL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. KUNKEL: On page 77, line 21, after the period insert the following: "The fund may be used for the foregoing purposes, and for expenses of administration only in such amounts as shall be specified in annual appropriation Acts."

Mr. KUNKEL. Mr. Chairman, section 203 of S. 1648, as reported, establishes an economic development revolving fund in the U.S. Treasury to receive collections and repayments and to extend financial assistance under sections 201, 202, and 403 of the bill. Sections 201, 202, and 403 apply to loans for projects and loans for the administration of economic development districts.

Section 203 provides for a revolving fund, known as the economic development revolving fund, into which funds appropriated for loans and guarantees, and funds collected on outstanding loans under the existing Area Redevelopment Act, would be deposited. The Secretary of Commerce will draw funds for the purpose of providing loans and working capital guarantees from this fund.

One hundred and seventy million dollars appropriated for loans and guarantees under sections 201 and 202 of the bill

and the loan portions of the \$50 million appropriated for section 403 of the bill would go into the fund annually.

This section does not provide that moneys in the fund may be used for the loan program and for expenses of administration only in amounts specified in annual appropriation acts. The amendment which I have just offered would do this.

Section 203 of the bill, as reported, sets up the revolving fund without any restrictions whatsoever as to any review by the Congress being specifically provided.

There are few such precedents, if any, for this type of revolving fund. The Appropriations Committee has the right to review the revolving fund of the FHA, and I strongly believe that some type of congressional review should be established for this economic development revolving fund. I do not think that the Congress can justify establishing this revolving fund, which is in perpetuity, with absolutely no time limitation on its existence.

Even though some of the titles of this bill are limited to 5 years, this economic development revolving fund shall be in perpetuity, endless, and without the right of Congress specifically provided to review what the administrators of this legislation intend to do in forthcoming years and requiring them to make specific requests for money to be spent during a particular year out of the revolving fund, or to be used for guarantee purposes from the revolving fund, unless the language of this amendment is adopted. This is really the old back door spending question which keeps arising from time to time. Here it is a particularly aggravated form.

Congressional review is the usual procedure, and I would not think there would be too much question about the adoption of this amendment. There is no such provision in the current Area Redevelopment Act.

Mr. Chairman, this provision of the bill bypasses the Congress to a great degree and deprives it of the opportunity to subject the operating program to an annual review through the annual appropriation process. In 1961 the Comptroller General stated in a letter to Senator A. WILLIS ROBERTSON of Virginia, chairman of the Senate Committee on Banking and Currency:

The continuing feature of these authorizations avoids the need of annual appropriations, and thus there is less compulsion for careful evaluation by successive Congresses of the need for continuing particular programs. We believe that * * * combining program authority with funding, tends to perpetuate programs that might not otherwise stand the test of recurring congressional reviews.

Speaking to the same point, during the public hearings on this bill this year, the Comptroller General said:

We have consistently taken the view that the public interest is best served when congressional control of Federal activities is exercised through annual review and affirmative action on planned programs and financing requirements which attend the appropriation process.

The Comptroller General suggested that if the Congress decided to retain the revolving fund, the bill should be revised to provide that funds may be used for the loan programs and for administrative expenses only in amounts stipulated in annual appropriations acts.

Mr. Speaker, I agree fully with the Comptroller General on this recommendation on this section. Bypassing congressional review is unwise, and the Congress would be shrinking from its responsibilities, if it permitted such action.

Mr. Chairman, I strongly urge the adoption of this amendment.

Mr. CRAMER. Mr. Chairman, will the gentleman yield?

Mr. KUNKEL. I yield to the gentleman from Florida.

Mr. CRAMER. This is a new revolving fund; is it not? It is not in present law?

Mr. KUNKEL. It is not in the old law.

Mr. CRAMER. It involves \$1.1 billion at the rate of \$220 million a year for 5 years that can be paid into this fund and not at any time be subject to congressional review unless the gentleman's amendment is adopted?

Mr. KUNKEL. That is correct.

Mr. CRAMER. In addition, it provides in specific language for nearly \$302 million of existing ARA loan money to be paid into the revolving fund, and not be subject to the appropriation processes; is that correct?

Mr. KUNKEL. That is correct.

Mr. CRAMER. We are talking about \$1.4 billion, and in addition to that, interest will come into the fund, increasing it further. This fund is not subject to the 5-year limitation written in the other sections of the bill?

Mr. KUNKEL. Yes.

Mr. CRAMER. Unless the amendment is adopted, the Congress is not going to get another look at this unprecedented process involving \$1.4 billion that this new section provides for under section 203?

Mr. KUNKEL. That is correct. And may I say to the gentleman there has always been bipartisan support to eliminate backdoor spending or at least to keep it at a minimum. Now we appear to be going overboard the other way.

Mr. WRIGHT. Mr. Chairman, I rise in opposition to the pending amendment.

Mr. Chairman, there is no need for this amendment. It would utterly negate the entire purpose of having a revolving fund. It is the common practice of lending agencies of the Government, as well as in the private sector, that when moneys come back from loans those moneys were available for new loans.

The provision in this bill setting up a revolving fund is identically the same as that employed by the Small Business Administration for years in administering its revolving fund.

Do the gentleman say there is no congressional review? There will be congressional review. The Secretary is going to need appropriations to the revolving fund, periodically, perhaps every year. He will have to go to the Appropria-

tions Committee for those appropriations as well as for certain administrative expenses. He will have to give an accounting at that time to the Appropriations Committee on his stewardship of the revolving fund as do the administrators of the FHA, the Small Business Administration, and other revolving funds.

There is nothing new in this. It is exactly the same, and there is no need for the amendment. It would, as I said, negate and complicate administration of the act.

I urge defeat of the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. KUNKEL].

The amendment was rejected.

Mr. BLATNIK. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I wish to call attention to the language at the bottom of page 76, and at the top of page 77, where there is this provision:

No such assistance shall be extended unless there shall be submitted to and approved by the Secretary an overall program for the economic development of the area.

A significant aspect of this bill is the requirement that projects be submitted in accordance with an overall economic development program for the area or district. The reason why this is so important is the necessity of assuring ourselves that there is a logical, consistent plan for making these public and private investments and that most of the people in the area are agreed upon what ought to be done and what the priorities are.

For this reason, it is absolutely essential that the overall economic development program be prepared in cooperation with a representative committee or group with membership from the major economic elements within the area, particularly those which will feel the impact of the program and who can make a contribution of it.

In addition, the overall economic development program ought to be official, that is, the group preparing it ought to be recognized as qualified by an appropriate governmental authority.

The local development program itself ought to contain provision for the organizations which will have the responsibility for seeing to it that it is carried out, and it ought to contain provisions for periodic up dating.

I believe that if we adhere to these criteria, we will have good overall economic development programs, and we can be assured that the money appropriated to these programs will have the maximum economic effect.

The CHAIRMAN. If there are no further amendments to title II of the bill, the Clerk will read.

The Clerk read as follows:

TITLE III—TECHNICAL ASSISTANCE, RESEARCH, AND INFORMATION

SEC. 301. (a) In carrying out his duties under this Act the Secretary is authorized to provide technical assistance which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment (1) to areas which he has designated as redevelopment areas under this Act,

and (2) to other areas which he finds have substantial need for such assistance. Such assistance shall include project planning and feasibility studies, management and operational assistance, and studies evaluating the needs of, and developing potentialities for, economic growth of such areas. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government, through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants-in-aid to appropriate public or private nonprofit State, area, district, or local organizations. The Secretary, in his discretion, may require the repayment of assistance provided under this subsection and prescribe the terms and conditions of such repayment.

(b) The Secretary is authorized to make grants to defray not to exceed 75 per centum of the administrative expenses of organizations which he determines to be qualified to receive grants-in-aid under subsection (a) hereof. In determining the amount of the non-Federal share of such costs or expenses, the Secretary shall give due consideration to all contributions both in cash and in kind, fairly evaluated, including but not limited to space, equipment, and services. Where practicable, grants-in-aid authorized under this subsection shall be used in conjunction with other available planning grants, such as urban planning grants authorized under the Housing Act of 1954, as amended, and highway planning and research grants authorized under the Federal Aid Highway Act of 1962, to assure adequate and effective planning and economical use of funds.

(c) To assist in the long-range accomplishment of the purposes of this Act, the Secretary, in cooperation with other agencies having similar functions, shall establish and conduct a continuing program of study, training, and research to (A) assist in determining the causes of unemployment, underemployment, underdevelopment, and chronic depression in the various areas and regions of the Nation, (B) assist in the formulation and implementation of national, State, and local programs which will raise income levels and otherwise produce solutions to the problems resulting from these conditions, and (C) assist in providing the personnel needed to conduct such programs. The program of study, training, and research may be conducted by the Secretary through members of this staff, through payment of funds authorized for this section to other departments or agencies of the Federal Government, or through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants to such individuals, organizations, or institutions, or through conferences and similar meetings organized for such purposes. The Secretary shall make available to interested individuals and organizations the results of such research. The Secretary shall include in his annual report under section 706 a detailed statement concerning the study and research conducted under this section together with his findings resulting therefrom and his recommendations for legislative and other action.

(d) The Secretary shall aid redevelopment areas and other areas by furnishing to interested individuals, communities, industries, and enterprises within such areas any assistance, technical information, market research, or other forms of assistance, information, or advice which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment within such areas. The Secretary may furnish the procurement divisions of the various departments, agencies, and other instru-

mentalities of the Federal Government with a list containing the names and addresses of business firms which are located in redevelopment areas and which are desirous of obtaining Government contracts for the furnishing of supplies or services, and designating the supplies and services such firms are engaged in providing.

(e) The Secretary shall establish an independent study board consisting of governmental and nongovernmental experts to investigate the effects of Government procurement, scientific, technical, and other related policies, upon regional economic development. Any Federal officer or employee may, with the consent of the head of the department or agency in which he is employed, serve as a member of such board, but shall receive no additional compensation for such service. Other members of such board may be compensated in accordance with the provisions of section 701(10). The board shall report its findings, together with recommendations for the better coordination of such policies, to the Secretary, who shall transmit the report to the Congress not later than two years after the enactment of this Act.

SEC. 302. There is hereby authorized to be appropriated \$25,000,000 annually for the purposes of this title, for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1970.

Mr. BLATNIK (during the reading of the bill). Mr. Chairman, I ask unanimous consent that title III be considered as read and be open for amendment at any point.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

The CHAIRMAN. Are there any amendments to title III?

If there are no amendments, the Clerk will read.

The Clerk read as follows:

TITLE IV—AREA AND DISTRICT ELIGIBILITY

Part A—Redevelopment areas

Area Eligibility

SEC. 401. (a) The Secretary shall designate as "redevelopment areas"—

(1) those areas in which he determines, upon the basis of standards generally comparable with those set forth in paragraphs (A) and (B), that there has existed substantial and persistent unemployment for an extended period of time and those areas in which he determines there has been a substantial loss of population due to lack of employment opportunity. There shall be included among the areas so designated any area—

(A) where the Secretary of Labor finds that the current rate of unemployment, as determined by appropriate annual statistics for the most recent available calendar year, is 6 per centum or more and has averaged at least 6 per centum for the qualifying time periods specified in paragraph (B); and

(B) where the Secretary of Labor finds that the annual average rate of unemployment has been at least—

(i) 50 per centum above the national average for three of the preceding four calendar years, or

(ii) 75 per centum above the national average for two of the preceding three calendar years, or

(iii) 100 per centum above the national average for one of the preceding two calendar years.

The Secretary of Labor shall find the facts and provide the data to be used by the Secretary in making the determinations required by this subsection;

(2) those additional areas which have a median family income not in excess of 40

per centum of the national median, as determined by the most recent available statistics for such areas;

(3) those additional Federal or State Indian reservations or trust or restricted Indian-owned land areas which the Secretary, after consultation with the Secretary of the Interior or an appropriate State agency, determines manifest the greatest degree of economic distress on the basis of unemployment and income statistics and other appropriate evidence of economic underdevelopment;

(4) upon request of such areas, those additional areas in which the Secretary determines that the loss, removal, curtailment, or closing of a major source of employment has caused within three years prior to, or threatens to cause within three years after, the date of the request an unusual and abrupt rise in unemployment of such magnitude that the unemployment rate for the area at the time of the request exceeds the national average, or can reasonably be expected to exceed the national average, by 50 per centum or more unless assistance is provided. Notwithstanding any provision of subsection 401(b) to the contrary, an area designated under the authority of this paragraph may be given a reasonable time after designation in which to submit the overall economic development program required by subsection 202(b)(10) of this Act;

(5) notwithstanding any provision of this section to the contrary, those additional areas which were designated redevelopment areas under the Area Redevelopment Act on or after March 1, 1965: *Provided*, however, That the continued eligibility of such areas after the first annual review of eligibility conducted in accordance with section 402 of this Act shall be dependent on their qualification for designation under the standards of economic need set forth in subsections (a)(1) through (a)(4) of this section.

(b) The size and boundaries of redevelopment areas shall be determined by the Secretary: *Provided*, however, That—

(1) no area shall be designated until it has an approved overall economic development program in accordance with subsection 202(b)(10) of this Act;

(2) any area which does not submit an acceptable overall economic development program in accordance with subsection 202(b)(10) of this Act within a reasonable time after notification of eligibility for designation, shall not thereafter be designated prior to the next annual review of eligibility in accordance with section 402 of this Act;

(3) no area shall be designated which does not have a population of at least one thousand five hundred persons, except for areas designated under subsection 401(a)(3), which shall have a population of not less than one thousand persons; and

(4) except for areas designated under subsections (a)(3) and (a)(4) hereof, no area shall be designated which is smaller than a "labor area" (as defined by the Secretary of Labor), a county, or a municipality with a population of over two hundred and fifty thousand, whichever in the opinion of the Secretary is appropriate.

(c) Upon the request of the Secretary, the Secretary of Labor, the Secretary of Agriculture, the Secretary of the Interior, and such other heads of agencies as may be appropriate are authorized to conduct such special studies, obtain such information, and compile and furnish to the Secretary such data as the Secretary may deem necessary or proper to enable him to make the determinations provided for in this section. The Secretary shall reimburse when appropriate, out of any funds appropriated to carry out the purposes of this Act, the foregoing officers for any expenditures incurred by them under this section.

(d) As used in this Act, the term "redevelopment area" refers to any area within

the United States which has been designated by the Secretary as a redevelopment area.

Annual Review of Area Eligibility

SEC. 402. The Secretary shall conduct an annual review of all areas designated in accordance with section 401 of this Act, and on the basis thereof shall terminate or modify the designations of such areas in accordance with objective standards which he shall prescribe by regulation. No area previously designated shall retain its designated status unless it maintains a currently approved overall economic development program in accordance with subsection 202(b)(10). No termination of eligibility shall (1) be made without thirty days' prior notification to the area concerned, (2) affect the validity of any application filed, or contract or undertaking entered into, with respect to such area pursuant to this Act prior to such termination, (3) prevent any such area from again being designated a redevelopment area under section 401 of this Act if the Secretary determines it to be eligible under such section, or (4) be made in the case of any designated area where the Secretary determines that an improvement in the unemployment rate of a designated area is primarily the result of increased employment in occupations not likely to be permanent. The Secretary shall keep the departments and agencies of the Federal Government, and interested State or local agencies, advised at all times of any changes made hereunder with respect to the classification of any area.

Part B—Economic development districts

SEC. 403. (a) In order that economic development projects of broader geographical significance may be planned and carried out, the Secretary is authorized—

(1) to designate appropriate "economic development districts" within the United States with the concurrence of the States in which such districts will be wholly or partially located, if—

(A) the proposed district is of sufficient size or population, and contains sufficient resources, to foster economic development on a scale involving more than a single redevelopment area;

(B) the proposed district contains two or more redevelopment areas;

(C) the proposed district contains one or more redevelopment areas or economic development centers identified in an approved district overall economic development program as having sufficient size and potential to foster the economic growth activities necessary to alleviate the distress of the redevelopment areas within the district; and

(D) the proposed district has a district overall economic development program which includes adequate land use and transportation planning and contains a specific program for district cooperation, self-help, and public investment and is approved by the States or States affected and by the Secretary;

(2) to designate as "economic development centers," in accordance with such regulations as he shall prescribe, such areas as he may deem appropriate, if—

(A) the proposed center has been identified and included in an approved district overall economic development program and recommended by the State or States affected for such special designation;

(B) the proposed center is geographically and economically so related to the district that its economic growth may reasonably be expected to contribute significantly to the alleviation of distress in the redevelopment areas of the district; and

(C) the proposed center does not have a population in excess of two hundred and fifty thousand according to the last preceding Federal census.

(3) to provide financial assistance in accordance with the criteria of sections 101, 201, and 202 of this Act, except as may be herein otherwise provided, for projects in economic

development centers designated under subsection (a)(2) above, if—

(A) the project will further the objectives of the overall economic development program of the district in which it is to be located;

(B) the project will enhance the economic growth potential of the district or result in additional long-term employment opportunities commensurate with the amount of Federal financial assistance requested; and

(C) the amount of Federal financial assistance requested is reasonably related to the size, population, and economic needs of the district;

(4) subject to the 20 per centum non-Federal share required for any project by subsection 101(c) of this Act, to increase the amount of grant assistance authorized by section 101 for projects within redevelopment areas (designated under section 401), by an amount not to exceed 10 per centum of the aggregate cost of any such project, in accordance with such regulations as he shall prescribe if—

(A) the redevelopment area is situated within a designated economic development district and is actively participating in the economic development activities of the district; and

(B) the project is consistent with an approved district overall economic development program.

(b) In designating economic development districts and approving district overall economic development programs under subsection (a) of this section, the Secretary is authorized, under regulations prescribed by him—

(1) to invite the several States to draw up proposed district boundaries and to identify potential economic development centers;

(2) to cooperate with the several States—
(A) in sponsoring and assisting district planning and development groups, and

(B) in assisting such district groups to formulate district overall economic development programs;

(3) to encourage participation by appropriate local governmental authorities in such economic development districts.

(c) The Secretary shall by regulation prescribe standards for the termination or modification of economic development districts and economic development centers designated under the authority of this section.

(d) As used in this Act, the term "economic development district" refers to any area within the United States composed of cooperating redevelopment areas and, where appropriate, designated economic development centers and neighboring counties or communities, which has been designated by the Secretary as an economic development district.

(e) As used in this Act, the term "economic development center" refers to any area within the United States which has been identified as an economic development center in an approved district overall economic development program and which has been designated by the Secretary as eligible for financial assistance under sections 101, 201, and 202 of this Act in accordance with the provisions of this section.

(f) For the purpose of this Act the term "local government" means any city, county, town, parish, village, or other general-purpose political subdivision of a State.

(g) There is hereby authorized to be appropriated not to exceed \$50,000,000 for the fiscal year ending June 30, 1967, and for each fiscal year thereafter through the fiscal year ending June 30, 1970, for financial assistance extended under the provisions of subsection (a)(3) and (a)(4) hereof.

(h) In order to allow time for adequate and careful district planning, subsection (g) of this section shall not be effective until one year from the date of enactment.

Mr. BLATNIK (during the reading of the bill). Mr. Chairman, I ask unanimous consent that title IV be considered as read and be open for amendment at any point.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

AMENDMENT OFFERED BY MR. BALDWIN

Mr. BALDWIN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BALDWIN: Page 84, line 24, strike out "on or after March 1, 1965" and insert in lieu thereof "as of the date of enactment of this Act".

Mr. BALDWIN. Mr. Chairman, under the provisions of the bill on page 84, this bill would automatically bring in under the coverage of this act any area that met the test of the present Area Redevelopment Act, as of March 1 of this year, 1965, even though the area may have gone off the rolls as a depressed area between that date and the present time.

In fact, there are 423 areas in the country that met the test of the ARA, the present act, on March 1, 1965, which between then and now have been removed from that category. It seems to me that there is no valid purpose to put a retroactive date in this act and to cover 423 areas that no longer meet the test of a depressed area under the ARA which now exists.

My amendment would simply eliminate that retroactive provision and provide that only those areas that meet the test of the present Area Redevelopment Act, as of the date of enactment of this bill, will qualify under this particular section of the bill and be brought in under the coverage of the bill.

Mr. Chairman, the purpose of this type of legislation is to provide special aid for areas of surplus unemployment. To allow areas to come in through a retroactive provision that no longer qualify as having surplus unemployment is not only not consistent with the objectives of this bill, but is one of the things that the General Accounting Office has pointed out is completely inconsistent with the purposes of this act. The General Accounting Office in some of its reports has mentioned that the Area Redevelopment Administration has abused the purposes of the present act by allocating funds to areas that had already gone off the rolls as areas that meet the test of the Area Redevelopment Act. So, my amendment would correct that abuse as well, by making sure that we do not cover any areas under this provision that, as of the date of enactment of this bill, would not qualify under the present Area Redevelopment Act.

Mr. OLSEN of Montana. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, we discussed this matter in committee at great length and discussed at length just what date we should have as the cut-off date for communities that had gone off the ARA rolls. The reason we provided this retroactive date to qualify these communities is that many communities that had qualified and were on the rolls are still sick.

They are still having their troubles. The only reason why the unemployment percentage has dropped has been the exodus of the unemployed. The community is still a sick community and needs assistance under the Area Redevelopment Act. For that reason we picked a retroactive date to qualify these some 400 communities to have administered to them some of the medicine of ARA to cure their economic ills. As the gentleman from Pennsylvania [Mr. Flood] said so well, we wish to make taxpayers out of these communities, instead of taxeaters.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California, Mr. Baldwin.

The amendment was rejected.

AMENDMENT OFFERED BY MRS. MINK

Mrs. MINK. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mrs. MINK: On page 86, after line 16, insert the following:

"(d) If a State has no area designated under the preceding subsections of this section as a redevelopment area, the Secretary shall designate as a redevelopment area that area in such State which in his opinion most nearly qualifies under such preceding subsections. An area so designated shall have its eligibility terminated in accordance with the provisions of section 402 if any other area within the same State subsequently has become qualified or been designated under any other subsection of this section as of the time of the annual review prescribed by section 402: Provided, That the Secretary shall not terminate any designation of an area in a State as a redevelopment area if to do so would result in such State having no redevelopment area."

And reletter the succeeding subsection and any references thereto accordingly.

Mrs. MINK. Mr. Chairman, the amendment I offer to title 4 is a very simple amendment. It will incorporate into this new measure, which replaces the old Area Redevelopment Act, a provision which enabled two or three States to qualify for ARA assistance although these States did not meet the specific eligibility requirements set forth under that act. Without this amendment these three States, which have indeed received benefits under ARA, upon having the annual review next year would find themselves without any ability to qualify under this measure.

In order to continue the benefits which these communities have received, this amendment is necessary to assure that no State in the Union goes without recognition in terms of its particular problems in economic development.

Mr. MATSUNAGA. Mr. Chairman, will the gentleman yield?

Mrs. MINK. I am happy to yield to my colleague from Hawaii.

Mr. MATSUNAGA. I commend the gentlewoman from Hawaii, my colleague, for offering the amendment. Hawaii offers a unique situation which calls for unique treatment. I ask my colleagues of the House to support this amendment.

Mr. BLATNIK. Mr. Chairman, will the gentleman yield?

Mrs. MINK. I am delighted to yield to the gentleman from Minnesota.

Mr. BLATNIK. The gentlewoman has offered a very proper amendment. Her case, of course, is always a sound, logical, and persuasive one. The Members from the great State of Hawaii have discussed this with the chairman and the members of the committee. Their argument is a valid one.

The amendment would set no new precedent. Language rather similar to this, permitting such action, was contained in the original Area Redevelopment Act. There was some question about an interpretation, which I will not go into at this point, for it is available in the RECORD, from the General Accounting Office. The other body reaffirmed and upheld the original intent that each State shall have at least one such area.

We do accept the amendment sponsored by the gentlewoman from Hawaii.

Mrs. MINK. I thank the gentleman.

Mr. CLEVELAND. Mr. Chairman, I rise in support of the amendment.

Mr. STAFFORD. Mr. Chairman, will the gentleman yield?

Mr. CLEVELAND. I yield to the gentleman from Vermont.

Mr. STAFFORD. I want to take this opportunity to compliment the gentlewoman from Hawaii on the amendment which she has offered. I think it is a very constructive step and an improvement of the legislation which is now pending before the House. I appreciate the gentleman from New Hampshire yielding so that I can assure the gentlewoman of my support of her amendment.

Mr. CLEVELAND. Mr. Chairman, I rise in support of the amendment offered by the gentlelady from Hawaii. This amendment is exactly the same as mine which the committee previously rejected. I think this amendment accomplishes the same purpose as the amendment I intended to introduce and which I discussed at some length on pages 58 and 59 of the committee report on this bill.

Not only would I like to commend the gentlewoman for having offered this amendment, but apparently in doing so she has been most persuasive. So I want to commend her not only on having offered this excellent amendment, because the amendment is sound, but also I want to commend the gentlelady for her persuasive powers. The purpose of this amendment is to insure that every State will have at least one area entitled to the advantages of this act. The ARA Administrator will benefit from having at least one area in every State. It is only fair to States which do not have areas that qualify for the benefit to have at least one area, however small. Under the present state of the law and the facts, New Hampshire, probably Vermont, Hawaii, and Delaware will be left without any area covered as soon as the first annual review is completed. The reason that they have areas now is because of the so-called Proxmire amendment, which requires the broadest possible distribution of the program, and because of the grandfather clause in the bill.

I cannot speak for Vermont, Delaware, or Hawaii, but the reason that New Hampshire will not qualify after the first

annual review is because the unemployment rates in our most disadvantaged area—northern New Hampshire—do not qualify under the criteria of S. 1648. This is because people in northern New Hampshire, when they have not been able to obtain work, have had the "get-up-and-go" spirit to go out to find work, often at great personal sacrifice. They do not stay at home on unemployment, but their departures leave a diminished number of taxpayers to bear the burdens of the communities which they have left. This problem of out-migration, which is a real one, has been almost totally ignored and overlooked by ARA officials who rely too heavily on official unemployment statistics. The committee has amended the bill to force upon the ARA Administrator consideration of out-migration problems, but apparently he remains unconvinced.

Mr. CRAMER. Mr. Chairman, I rise in opposition to the amendment, and respectfully I say to the distinguished gentlewoman, and with some reluctance, that I think this amendment demonstrates just how foolish this program is getting. What you are going to do is in effect have a redevelopment area in every State even though within that State there is no need for it. There is no area which qualifies under the criteria in the rest of the legislation. So what you are going to do is give that area a discriminatory advantage as compared to all other areas which do meet the criteria. It shows how far afield from the objective we are getting when we are going to force money into a State by forcing an area to be declared a redevelopment area even though under the tests in the legislation they would not so qualify.

I understand what is trying to be done. This gets a few more votes for the bill and brings in States that would not be in otherwise. I say I do not think it is sound or rational or logical. It is one of the areas of the legislation that the General Accounting Office strongly criticized because it was decided that under present law you can do this and it makes no sense to put money where you do not have the need as compared to the need in other areas.

Mrs. MINK. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentlewoman from Hawaii.

Mrs. MINK. I would certainly like to correct the RECORD on this point, if in not concluding my remarks I left the impression that one county in Hawaii that has received benefits under the Area Redevelopment Act is not a county that is economically depressed. Hawaii is a very unique State in that it is not made up of one contiguous mass of land. We are separated by bodies of water. One of the large islands, consequently, having some 4,000 square miles in area, being four times the size of Rhode Island and twice the size of Delaware and just about the same size as the entire State of Connecticut, is an island that has only 60,000 inhabitants living on it. Eighty percent of the total population of my State lives in the city and county of Honolulu. The

fact that this island, which contains nearly two-thirds of the land area of my State is so underpopulated has made our State ineligible to qualify under the old Area Redevelopment Act. We have benefited a great deal by the provision which was so wisely inserted by the 87th session of Congress which made it possible for at least one county of a State, regardless of the eligibility requirements, eligible to receive these benefits. All I ask in the approval of my amendment is that this same consideration be incorporated in this new measure.

Make no mistake; no county will be forced to accept this money, as some may believe. The counties must request this and must participate in it. Therefore, I urge that my colleagues support this amendment.

Mr. CRAMER. Mr. Chairman, in answer to the gentlewoman's question, I appreciate her position and I appreciate every State wanting to get some of this money. But I say again, if a State does not have a redevelopment area that needs it under the same test that the rest of the States have to conform to, then it does not make sense to force money into that State, into an area that is not really depressed under the definition of the bill.

GAO said it should not be done under the old law. The administration said it should not be done in the bill that they sent up this year. I say it should not be done, regardless of the gentlewoman's position.

Mr. MATSUNAGA. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman.

Mr. MATSUNAGA. Mr. Chairman, I wish to point out two unique conditions which exist in the State of Hawaii which do not exist in other States. One is that we have only four counties in the State of Hawaii. The second is that the counties consist of several islands. The county of Maui, for example, consists of three islands. On one island we had an unemployment rate of about 6.3 percent at one time. While the unemployment rate on this island was 6.3 percent, the island itself could not qualify because on the two other islands there was an unemployment rate of about zero, which brought down the unemployment rate in the county as a whole below the qualifying rate.

So that with this unique situation existing in Hawaii, while we do have need for programs such as this, because of the county divisions we cannot qualify legally. We ask you on the other side of the aisle, as well as on this side, to support this amendment which will provide needed assistance to our youngest sister State.

The CHAIRMAN. The question is on the amendment offered by the gentlewoman from Hawaii.

The amendment was agreed to.

AMENDMENT OFFERED BY MR. FARBSTEIN

Mr. FARBSTEIN. Mr. Chairman, I offer an amendment.

The clerk read as follows:

Amendment offered by FARBSTEIN: Page 86, line 3, strike out "or".

Page 86, after line 4, insert the following: "or a compact contiguous area containing a population of over two hundred thousand."

(Mr. FARBSTEIN asked and was given permission to revise and extend his remarks.)

Mr. FARBSTEIN. Mr. Chairman, under the definition of this bill only a county or a municipality with a population to over 250,000 may be entitled to assistance, provided they meet the other qualifications of the law. That is to say, they are a labor area where there is greater than 50 percent unemployment. One may wonder why as a Representative of the great County of New York I offer an amendment to this bill, especially in view of the fact that Wall Street is in the County of New York and Park Avenue is also in the County of New York.

It so happens that under the statistics of the Bureau of Labor Statistics New York County is not entitled to any assistance under this act because there is only 7 percent unemployment for the year 1964, and 7.8 percent unemployment is required for that year. Although the entire County of New York is not entitled to any assistance because it does not qualify within the County of New York there are pockets of tremendous poverty; there are pockets of poverty that exceed those in Appalachia. In my district on the lower East Side, in West Harlem, in Spanish Harlem and on the East Side you have truly disadvantaged people who certainly should get assistance under this act.

Why should there be discrimination against the city simply because the entire city or the county taken together does not qualify? If a certain area or neighborhood has a population of over 200,000—and it is a compact and contiguous area; it should qualify for assistance.

Now, Mr. Chairman, one of the objections I have heard has been that the department will be unable to administer it. That to me is a lot of poppycock, because it certainly can be administered by the city of New York wherein these three areas which are disadvantaged and underprivileged are entitled to support.

Further, they say that they are unable to determine the population. Well, I feel the same as to that as I did of the other, because I have a statement here from the Bureau of the Census showing that on the East Side there are over 200,000 and in Harlem there are over 200,000 in population. Under these circumstances, it seems to me it is only a matter of common decency that these areas should be aided.

In upstate New York and other sections, there is legislation which covers them. There is one particular area which has a population of about 30,000 people and they have received about \$800,000 under this legislation.

Mr. Chairman, there are five or six different areas with a population of under 90,000 who have been receiving assistance. Yet areas of New York City and other large cities in the country fail to receive assistance.

Therefore, I urge your favorable consideration of this amendment.

Mr. Chairman, I support S. 1648, the Public Works and Economic Development Act of 1965, because it expands and improves upon its progressive and worthwhile predecessors, the Area Re-

development Act of 1961 and the Public Works Acceleration Act of 1962. I believe S. 1648 will continue the vital task of rescuing from the vicious cycle of creeping economic deterioration, the poverty pockets of this Nation, poverty pockets which continue to exist in the very midst of our unprecedented national prosperity.

The successful administration of area redevelopment programs in depressed areas has demonstrated to most of us that an area with a high unemployment rate and a low economic potential often can pull itself out of the economic quagmire if it received just a little outside help. Public works construction provides jobs, but that is only an immediate benefit—the long-term payoff comes when a community with improved public facilities can attract a high-caliber population and large industrial enterprises, which, in turn, generate more jobs. Thus, financial assistance to localities in the construction of public works projects turns out to be one of the strongest weapons in the war on poverty arsenal.

But in providing for economically depressed areas across this great Nation, we have overlooked, both in this bill and in previous legislation, a group of poverty pockets which sorely needs area redevelopment assistance. I refer to depressed areas within our large cities.

As this bill is now drafted, Mr. Chairman, it excludes from eligibility all areas smaller than a labor area as defined by the Secretary of Labor, a county, or a municipality with a population of over 250,000.

The result is that small depressed areas which lie within municipal or county boundaries, no matter how intensely populated, no matter how poverty stricken, are rendered ineligible for aid under this bill. I believe that this is a needless inequity which can and must be remedied.

My amendment will accomplish that end. It will make eligible for area redevelopment assistance "compact and contiguous areas containing a population of over 200,000." Such areas as Harlem and the Lower East Side, in my own city of New York, and similarly depressed urban areas in other cities, will then come under the provisions of S. 1648.

I submit, Mr. Chairman, that the economics of deterioration has the same effect on the Lower East Side, which is in the district I represent, as it does in Appalachia. Masses of people live where jobs are scarce and incomes are low. In either case, only a very few are able to overcome their origins and migrate to places where economic opportunities are more promising. Most stay, and stagnate and suffer.

On one hand, in areas like Appalachia, a low economic base makes it very difficult for a locality to finance public improvements which, in turn, attract business and industry and jobs. On the other hand, depressed urban areas like the Lower East Side suffer from a dearth of public improvements financed by city and State, because its set of problems is only one of a great number with which local officials must try to cope. There are simply never enough funds to finance the necessary public works projects, projects which will provide jobs in the slums, proj-

ects which will indicate to business and industry that there are opportunities for commerce within the urban concentrations.

Mr. Chairman, my dream is to see the slums of our great cities transformed into attractive and well-planned complexes of employment providing business and industry, side by side with enough decent and reasonably priced housing for the city dweller. I believe the urban industrial and commercial opportunities, which exist, for those who are imaginative and farsighted enough to recognize them, are limitless.

Congress can attract industry to the slums. Congress can attract jobs to the slums. Congress can attract to the slums the large-scale financial pump-priming that only private enterprise, investing in its own future, can contribute. Congress can accomplish all this by passing my amendment to make eligible for area redevelopment assistance the urban concentrations not now covered by S. 1648.

The other day, I was reviewing a list of public works projects approved by the Area Redevelopment Administration of the Department of Commerce as of June 15, 1965. I was struck by the fact that Putnam County, N.Y., is to receive area redevelopment assistance under the Accelerated Public Works Act of 1962 totaling \$838,000 for construction of a hospital, a jail, and for habitat improvement. I looked up the population figures and discovered that Putnam County, which is predominantly rural, has a population of 31,722.

Mr. Chairman, I do not doubt that the 31,722 people of Putnam County need the 1,356 estimated man-months of work this assistance will provide. But, I would like to make the point that the almost 300,000 people of Harlem, a compacted area within New York County with a much higher rate of unemployment than the 7 percent reported for New York County as a whole, are also in dire need of area redevelopment assistance. And they are not getting it under this bill. They are specifically excluded from such assistance under title IV, section 401 (b) (4).

I do not know how many of my colleagues have been to New York City and have viewed firsthand the poverty and lack of economic opportunity which exists in Harlem and on the Lower East Side today. Those who have, know that area redevelopment assistance such as is provided by S. 1648 would go a long way toward making these pockets of poverty decent places to live and work.

I ask that every Member of the House support my amendment to extend such assistance to the depressed and deteriorated areas of urban America.

Mr. PUCINSKI. Mr. Chairman, will the gentleman yield?

Mr. FARBSTEIN. I yield to the gentleman from Illinois.

Mr. PUCINSKI. Mr. Chairman, I would like to congratulate the gentleman from New York for his excellent amendment. I believe if the amendment were adopted—and I certainly hope that the Committee will adopt it—this would bring the large cities of America

that now have 78 percent of this Nation's population into this program.

Mr. Chairman, one of the great inequalities of this program is that the large cities have not been able to participate to the extent that the gentleman from New York has expressed in his amendment.

I would like to congratulate the gentleman for his amendment. I feel it is an important amendment and I hope the membership will realize the full scope of what the gentleman is trying to do here and support him in his efforts.

Mr. HOWARD. Mr. Chairman, I rise in opposition to the amendment.

(Mr. HOWARD asked and was given permission to revise and extend his remarks.)

Mr. HOWARD. Mr. Chairman, the problems raised by unemployment in parts of our large cities are certainly very real problems and they do demand solution.

We would hope that no one would think that in opposing this amendment we are denying the seriousness of the problems in the large cities.

However, this proposed amendment would be almost impossible to administer, would be difficult to explain, it would dilute the bill's total effectiveness and it is doubtful if it would really meet the needs of the people who live in the cities.

First of all, Mr. Chairman, there is the problem of compact and contiguous areas which must be designated within the large cities if this amendment were adopted. Anyone who has had any experience in recent days with reapportionment within our States, knows the difficulty we would have with "compact and contiguous." We may take a certain family that has three or four people working and say, "We are going around that house because to include it would make us ineligible, but we will cut through a backyard and include the Kelly family where they have two persons unemployed and therefore make our compact and contiguous area eligible."

Mr. Chairman, certainly we have a problem with the figure of 200,000. Why 200,000? Perhaps in 10 or 15 minutes we will have an amendment the purpose of which would be to bring it down to 50,000 or 25,000 or 10,000. It would be extremely expensive to get the figures for any particular area within a city.

Most importantly and most significantly, however, this bill does not address itself to the problems that do exist in our cities. If a city does not have the high rate of unemployment that would make it eligible, we must assume that there are jobs there. The problem, mainly, with our cities and our city people being unemployed is racial discrimination on the one hand and, also, it is the problem of lack of training of people for the jobs that are available on the other hand.

Mr. Chairman, this bill addresses itself to creating more jobs where they are needed. It creates within an area a climate that will attract industry to provide jobs in high unemployment areas.

Mr. Chairman, we have worked on the problems of the big cities to train the people for the jobs that are available.

We have passed a great aid-to-education bill which hits at the real problem—at the secondary and elementary school levels. We have passed an antipoverty bill. We have extended and expanded the Manpower Development and Retraining Act.

Mr. Chairman, the intention of the amendment offered by the gentleman from New York is an excellent one indeed.

But I submit his amendment is not proper at this time, and certainly not in this bill.

I urge that the amendment be defeated.

Mr. YATES. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I have listened to the arguments in opposition to the amendment, and I must say all of them, in my judgment, were unrealistic. Most of them have been directed at the difficulty of administering the program. But difficulty of administration is not an argument where the purpose of the amendment is well founded in equity and in fairness.

The purpose of this bill is to help those areas that contain pockets of unemployment, to be able to find a way to put those people to work. Why should not all cities be included, the big cities, too? In the area of the type described by the gentleman from New York, or in my city of Chicago, there are pockets of unemployment within the cities themselves. They qualify in every respect for help under this bill in the event that the definition for area is changed. Would they be ruled out by a faulty definition?

The gentleman talks about the difficulties of establishing compactness and continuity, and he cites the reapportionment statute. But that argument is not appropriate in a discussion of this kind. All of us, particularly those facing reapportionment, now know the facts of life relating to apportionment. We know the political maneuvering that goes on in State legislatures, and the reasons underlying selection of political boundaries. Those arguments are not applicable in a bill of this kind.

The gentleman spoke about the fact that this bill is not addressed to large urban centers. That is true, and that is the purpose of this amendment, to make it applicable to urban centers. Why should they not be included? Is unemployment less of a problem if it exists in urban centers? If an area of New York City of the type described by the gentleman from New York qualifies in every respect except for the definition, then the definition is faulty and should be changed. In my city of Chicago there are pockets of unemployment, where the unemployment rate is 9.1. Why should not the benefits of this bill bring relief to such areas?

Mr. FARBSTEIN. Mr. Chairman, will the gentleman yield?

Mr. YATES. I yield to the gentleman from New York.

Mr. FARBSTEIN. In connection with this difficulty of obtaining census figures, and what is compact and contiguous, I went to the Library of Congress, and the

Library of Congress wrote me in a letter dated August 11, 1965:

The New York City Planning Commission estimates that the population of central Harlem in 1960 was 221,300.

And it gives the boundaries. This letter states further:

The 1960 estimated population of the Lower East Side is 215,600.

And it gives the boundaries. If the Library of Congress can get this information, how can anybody suggest there is any difficulty in learning what is a compact and contiguous area as far as population is concerned? In Census they will be able to give you the figures.

Mr. YATES. I agree with the gentleman.

Mr. FARBSTEIN. The argument is ridiculous.

Mr. YATES. The purpose of this bill is to help people find jobs. What difference does it make if the people are located in an area that is now within the definition of the act, or an area that is within the confines of a big city, if they cannot find jobs in the big city?

The benefits of this bill should be directed to the people of cities, too, and that is the purpose of the amendment. The amendment should be adopted.

Mr. HOWARD. Mr. Chairman, will the gentleman yield?

Mr. YATES. I yield to the gentleman from New Jersey.

Mr. HOWARD. The gentleman stated this is not addressed to urban centers. Under this qualification, whether it be urban or rural, it qualifies them under this bill.

Mr. YATES. It should qualify under the bill but unfortunately, the definition in this bill does not apply to an area within a city such as has been described by the gentleman from New York.

Mr. FARBSTEIN. Mr. Chairman, will the gentleman yield?

Mr. YATES. I yield.

Mr. FARBSTEIN. Under the law, it has to be either a city or county. I do not care whether it is urban, suburban, or rural, it has to be a city or a county under this legislation which permits any area to get assistance.

Mr. YATES. I agree with the gentleman from New York. We are concerned with the Nation's largest cities, the metropolis. Many of the cities in this country are tremendous in size. They do not fit the present definition of this bill. It is said it was the purpose of this bill to exclude them. If so, that purpose should be changed to include them. We are trying now to see that they are included. They should be included because within their boundaries areas exist where the unemployment statistics show almost 10 percent unemployment. I think the purposes of this bill can be met in accordance with the amendment offered by the gentleman and I certainly urge that this amendment be accepted.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BLATNIK. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, there is no question about the severity of the problems in

these areas—these large complex cities. We are not only sympathetic—we want to do something to help them. But you are not going to help them by making it impossible to administer this. You are only going to foul it up. This is only one of a series of bills in an effort to try to correct these economic ills.

Mr. FARBSTEIN. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I will be glad to yield to the gentleman after I complete my statement.

Mr. FARBSTEIN. I would just ask the gentleman to be specific when he talks of the inability to administer this.

Mr. BLATNIK. Mr. Chairman, we want to define and we should define these areas legally and the proper place to do it is to amend the law that directs the Secretary of Labor to line up and identify the labor surplus and unemployment areas so as to properly take into account those areas in which economic distress is severe and has been prolonged. We have not been unmindful of these problems. These large metropolitan areas, these hard core areas, have caused us to double the size of the poverty program which will be going into effect mostly in the areas to which the gentleman refers throughout the country.

We have increased the Manpower Development and Training Act to give these young men and women who are untrained the skills that are required to do the jobs, some of which are not too far away, and in many cases are only a 20-minute subway ride away where these jobs are available if these young people have the skills and training.

We have allowed \$150 million annually for grants for water and sewage facilities and an additional \$50 million annually for grants for neighborhood facilities through the new Housing Act which was signed into law by the President on Tuesday.

Take this enormous Urban Renewal Act. Small communities like my hometown with a population of 7,000 people just cannot take advantage of that large and very important program for large metropolitan areas. We have passed the education bill, the vocational training bill, and a library bill, and many other such programs of that type to assist these areas. Now, I just ask the gentleman, with full recognition of your problems, and as one who has supported these programs, and other programs, that I have just enumerated completely from A to Z—I ask the gentleman: do not encumber this bill. This is no place to try to direct the Secretary of Commerce who does not have jurisdiction over the determination of what are these labor areas, when it is the prerogative and responsibility of the Secretary of Labor to do so.

If the gentleman wishes to offer a proper amendment, I will join him in it—I have discussed this with him repeatedly and sympathetically, and I mean what I say and he knows I mean it—but we should amend the proper existing statutes, which pertain to the Department of Labor.

Mr. FARBSTEIN. Will the gentleman yield?

Mr. BLATNIK. I yield to the gentleman from New York.

Mr. FARBSTEIN. I thank the gentleman for yielding.

The gentleman suggests that this amendment will be difficult of administration. It is very simple to come to a conclusion. Give me the specifics. Tell me why it is going to be difficult of administration.

The city of New York has a city hall perhaps 5 miles from this area and perhaps a half mile from my area. Why can they not administer this legislation? I believe the gentleman understands that if the administration, the Department of Labor and the Department of Commerce, want to find ways and means of administering this they can do so. They can write rules and they can write regulations to come within the purview of this law. Why they are opposed to it I do not know, except that they may be given a little more work than they have now.

So long as the gentleman also mentioned the fact that he has a keen interest in the bill, I cannot understand why he himself, who is being disadvantaged in one of his own counties, would oppose this.

Mr. BLATNIK. I oppose it exactly for the reasons I have given. The Department responsible for designating these labor areas or income-group areas is a different one. That responsibility falls, under laws passed by Congress, under the purview of and within the responsibility of the Department of Labor. Those are the laws which should be amended. This is no place for that language.

Mr. KLUCZYNSKI. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman and ladies and gentlemen of the House, I am really put in a tough spot today, to follow that great man from Minnesota, whom I honor and respect, one of the greatest fellows with whom I have ever served, who is handling this very important legislation today. I am happy that he has brought this fine legislation before us for consideration today.

I wish to congratulate the gentleman from New York [Mr. FARBSTEIN] for offering the amendment. This will help Mr. KLUCZYNSKI in the stockyard area. When we talk about compact and contiguous, there is a section in Chicago which is 1 mile square, which is one of the finest communities in the city, if not in the country. A lot of good people came from there. I was born and raised there.

I am telling you that, in the stockyard district, we had 50,000 employees not so long ago. Today we have about 2,500.

When we talk about a distressed area and where the Federal Government can help somebody, they can help the people of my district.

I ask you not to do what was done yesterday by taking the 5th Army away from Chicago. Only a few years ago the Quartermaster Corps was taken from my district and sent to Natick, Mass.

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. KLUCZYNSKI. I yield to the gentleman from Illinois.

Mr. YATES. I join the distinguished gentleman from Illinois in the commendation he has given to my very good friend from Minnesota. I dislike disagreeing with my good friend from Minnesota, but I suggest with respect to my friend that his arguments were successfully met both by the gentleman from New York and by me, this is a distressed areas bill, we are talking about distressed areas. Distressed areas within cities are nevertheless distressed areas.

The gentleman cited certain pieces of legislation which he said were applicable to deal with problems in the cities. This is true, but the fact remains that the problem of unemployment needs every kind of assistance this Federal Government has to offer. If this bill can offer an additional tool to help areas reduce unemployment in distressed areas no matter where they exist, why should we not include areas within cities like Chicago? One was well described by the gentleman from Illinois. The gentleman suggested that the law does not provide for it. That is correct. That is why we are trying to amend the law now, so that it will provide for it.

Mr. KLUCZYNSKI. I thank the gentleman. You see the position I am in. I have to vote against a gentleman I highly respect. Should I go along with the gentleman from Minnesota [Mr. BLATNIK] or should I go along with 100,000 people in my district?

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. KLUCZYNSKI. I yield to the gentleman from Iowa.

Mr. GROSS. You still have the White Sox ball park there, do you not?

Mr. KLUCZYNSKI. We have that, but we do not have the hogs or the cattle or the sheep. We sent them out to Iowa and Nebraska when we took them away from the stockyards of Chicago.

Mr. PUCINSKI. Mr. Chairman, will the gentleman yield?

Mr. KLUCZYNSKI. I yield to the gentleman from Illinois.

Mr. PUCINSKI. The gentleman from Minnesota suggests that we ought to amend this bill which will permit the Secretary of Labor to have more latitude in designating the area. I wonder if the gentleman from Illinois will yield for an answer by the chairman of the committee. We must also amend this bill because this bill limits the Area Redevelopment Act assistance to cities or counties. This is the box we are in. Even if the Secretary of Labor should ascertain that the stockyard area represented by the gentleman in the well has a labor surplus and met all of the other qualifications, still the restriction in the bill before us limiting the Area Redevelopment Act only to entire cities or counties the stockyards being located within the city of Chicago, automatically disqualifies us. That is why the gentleman from New York redesignated this and redefined it to a compact contiguous area rather than a city or a county. Will the gentle-

man, the chairman of the committee, comment on that?

Mr. BLATNIK. Mr. Chairman, will the gentleman yield?

Mr. KLUCZYNSKI. I yield to the chairman.

Mr. BLATNIK. The gentleman asked for my comment, and I will be pleased to do so. If you will turn to page 86 of the bill, lines 1, 2, and 3, it says:

No area shall be designated which is smaller than a "labor area"—

And here is the heart of the matter—
(as defined by the Secretary of Labor)—

Who does so under existing law. We do not pass in this bill or any other previous bill or attempt to authorize or limit or empower the Secretary of Commerce or the Secretary of Labor in any other way.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

(Mr. KLUCZYNSKI asked and was given permission to proceed for 2 additional minutes.)

Mr. KLUCZYNSKI. Mr. Chairman, I now yield to the gentleman from Illinois [Mr. PUCINSKI.]

Mr. PUCINSKI. Mr. Chairman, I wonder if the gentleman in the well will yield for a further remark from the chairman of the committee. Do we understand and can we write some legislative history here on the floor now that if the Secretary of Labor, as stated on page 86, lines 1, 2, and 3, if the Secretary of Labor shall designate that area as a labor surplus area, the language of "city or county" notwithstanding, it would make the gentleman's area, the stockyards area, eligible for ARA assistance and all of the things that come within the program? Do I understand the chairman correctly on that?

Mr. BLATNIK. No. Not quite.

Mr. PUCINSKI. I did not think so.

Mr. BLATNIK. If you amend the existing law authorizing the Secretary of Labor to do so, he can do so, but this is not the place to do it.

Mr. KLUCZYNSKI. Mr. Chairman, I refuse to yield any further.

I just want to say that this helps us all. I would appreciate it if you will accept the amendment.

Mr. EDMONDSON. Mr. Chairman, I move to strike out the requisite number of words.

Mr. Chairman, I think that in all fairness it should be pointed out the language of this bill does make possible the designation of areas other than counties or municipalities in two particulars. The first of those particulars is shown under subsection (a)(3) and the second is shown under subsection (a)(4). They appear on pages 83 and 84 of the bill.

The first of them involves something that I doubt would be of much use to the gentlemen from the districts presenting this amendment, because they involve Indian areas. They completely represent an exception to the county or city requirement.

The second appears in (a)(4) on page 84 which says:

(4) upon request of such areas, those additional areas in which the Secretary deter-

mines that the loss, removal, curtailment, or closing of a major source of employment has caused within three years prior to, or threatens to cause within three years after, the date of the request an unusual and abrupt rise in unemployment of such magnitude that the unemployment rate for the area at the time of the request exceeds the national average, or can reasonably be expected to exceed the national average, by 50 per centum or more unless assistance is provided.

The description of the area about which our beloved committee member from Chicago has spoken certainly would indicate to me that it is an area that would have no problem presenting evidence of a rising unemployment rate. It seems to me that there is latitude within this particular part of the bill to meet this problem within city limits and within county limits if the Secretary found the conditions outlined in section (a)(4) to be present.

I am not saying, and I would not want to deceive the gentleman by suggesting that this would be a catch-all provision that would meet any kind of a situation, but it certainly does go beyond the limits of a city and county limits and gives some latitude to the Secretary to meet extraordinary problems such as it appears you have in Chicago with the closing of this large base that was approved by this body.

Mr. PUCINSKI. Mr. Chairman, will the gentleman yield?

Mr. EDMONDSON. I yield to the gentleman.

Mr. PUCINSKI. What my colleague from Oklahoma is saying is somewhat contrary to what the chairman, the gentleman from Minnesota, says. So I wonder if we may not clarify the record. What I want to know is whether or not the area described by the gentleman from Illinois [Mr. KLUCZYNSKI] the stockyards area, from which the stockyards have moved out perhaps in the last 10 years, would qualify? All I want to know from the members of the committee is this, so that we know how to deal with the Secretary.

I would like to have assurance from these gentlemen who wrote this bill that that stockyards area now may qualify for Area Redevelopment Act assistance if the Secretary finds a labor surplus in that geographic area—not the city of Chicago, but in that specific area. If the gentleman from Oklahoma and the gentleman from Minnesota will say "yes," then I am satisfied.

Mr. EDMONDSON. I will say to the gentleman that it is my judgment, and mine alone, because I cannot speak for the gentleman from Minnesota who is managing this bill—it is my judgment that the facts presented by our colleague, the gentleman from Illinois [Mr. KLUCZYNSKI] with reference to the rising unemployment rate, with reference to the closing of a base, would certainly appear to fall squarely within the four sides of subsection (a)(4) and would appear to me to give a basis for a designation within a city or county or area that presented an application to the Secretary, for this designation.

Mr. PUCINSKI. Mr. Chairman, does the gentleman from Minnesota concur in that?

Mr. FARBSTEIN. Mr. Chairman, will the gentleman yield?

Mr. EDMONDSON. I yield to the gentleman from New York.

Mr. FARBSTEIN. Mr. Chairman, if the chairman of the committee will declare that it is the intention of the committee to accept the definition as stated by the gentleman from Oklahoma, to the effect that any area within a city or a county below 250,000 can be declared by the Secretary of Labor to be entitled to assistance providing they meet all the qualifications of this legislation, then I will be satisfied to accept that and go along without the amendment.

Mr. YATES. Mr. Chairman, if the gentleman will yield to me, I will accept that, too.

The CHAIRMAN. The time of the gentleman from Oklahoma [Mr. EDMONDSON] has expired.

Mr. BLATNIK. Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto close in 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

Mr. DENT. Mr. Chairman, I object.

Mr. BLATNIK. Mr. Chairman, I move that all debate on this amendment and all amendments thereto terminate in 10 minutes, the last 3 minutes to be reserved to the chairman.

Mr. YATES. Mr. Chairman, I make the point of order that the last part of the request may not be part of the motion; reserving 3 minutes to the committee.

The CHAIRMAN. It may not be reserved.

Mr. BLATNIK. Mr. Chairman, I move that all debate on this amendment and all amendments thereto terminate in 10 minutes.

The motion was agreed to.

The CHAIRMAN. The Chair recognizes the gentleman from Illinois [Mr. PUCINSKI].

(Mr. PUCINSKI asked and was given permission to revise and extend his remarks.)

Mr. PUCINSKI. Mr. Chairman, I think that we have all stated our case here. I want to use my time by asking the chairman of the committee, the gentleman from Minnesota [Mr. BLATNIK] to respond to the question put by myself, the gentleman from Illinois [Mr. YATES], and the gentleman from New York [Mr. FARBSTEIN] as to whether or not the statement made by the gentleman from Oklahoma [Mr. EDMONDSON] to the effect that an area within a city if it is found to be a labor surplus area under this bill and so determined by the Secretary of Labor, if that area is so designated by the Secretary, whether or not that area could come under the purview of this act?

Mr. Chairman, I have in mind the area described by my colleague from Chicago [Mr. KLUCZYNSKI], the Chicago stockyard area, which has less than 250,000 people and has an unemployment rate in excess of 9 percent.

Mr. Chairman, all we want to know now from the chairman is, Does this area or does it not come under this act, if the Secretary so certifies?

The CHAIRMAN. The time of the gentleman from Illinois has expired.

The Chair recognizes the gentleman from Pennsylvania [Mr. DENT].

Mr. KLUCZYNSKI. Mr. Chairman, I ask unanimous consent to yield the time allotted to me to the gentleman from Pennsylvania [Mr. DENT].

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. DENT. Mr. Chairman, I want to say to the Committee whether I am on the committee or not I do have a very serious interest in this legislation and for the first time since we started debate on it I have been able to take the floor because I had previously been denied time.

Mr. Chairman, I want to say to all of you that there is a serious flaw in this legislation. I hope to clear it up by questioning the chairman, and if I am not given the opportunity through that method, I intend to offer an amendment that will clear it up. They have added the Secretary of Commerce's right to designate the so-called districts or areas that would receive assistance, when they added on page 86 of the bill, after the word "labor" on line 3 thereof, the designation "county" or a "municipality."

Mr. Chairman, by adding further the restriction of 250,000 population, when you say the labor area is designated by the Secretary of Labor, you wipe out the first part of the designation. If you stopped there then you would have allowed these people to come in under the law because the Secretary of Labor can designate any unemployment area within the Nation, in any State, whether it is a county, municipality, combination of counties, municipalities, or parts of counties and municipalities. However, further reservations are added by giving the Secretary absolute discretion.

So, this amendment is not required. However, when you say on line 5, "which ever in the opinion of the Secretary is appropriate," then you compound the felony that is now being practiced by the agreements between the Secretaries of Labor and Commerce, in some instances.

Mr. Chairman, when they take a county like mine of 352,000 people and tie it onto Allegheny County with four other counties and because Allegheny County's unemployment rate may be so low that it takes the high rate of unemployment in my county and wipes it off the low average of the Nation, then my county of 352,000 people is denied the surplus-labor-market designation.

This denies us the privileges of a labor surplus area in preferential treatment so badly needed in some instances.

Mr. Chairman, what must be done here is to correct the inequity in the bill, you do not need this Farbstein amendment. It can be corrected simply by striking out all on page 86 after line 5.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

The Chair recognizes the gentleman from Illinois [Mr. McCLORY].

Mr. McCLORY. Mr. Chairman, I do not represent any part of the city of Chicago. I do represent two counties that are in the Chicago metropolitan area. A great many of my constituents work in the city of Chicago and commute there daily. I am very interested in the welfare of Chicago as well as the welfare of the State of Illinois and the Nation as a whole.

I do not see any reason why this legislation should discriminate against the city of Chicago and, it seems to me, in its present form that is what this legislation does.

Mr. Chairman, without commenting on the merits of this legislation it seems to me that, if it is going to be enacted, it should provide adequately for the city of Chicago and to the large metropolitan areas. Accordingly I am pleased to support the amendment offered by the gentleman from New York [Mr. FARBSTEIN].

Mr. Chairman, I want to say this with regard to the transfer of the 5th Army headquarters to Fort Sheridan: This proposed new location is within the Chicago metropolitan area and I am happy that the House has taken the very appropriate action of providing the funds for this new location of the 5th Army headquarters at historic Fort Sheridan. Let me say again that this 600-acre military post located about 30 miles from the center of Chicago is well located and ideally suited to accommodate the headquarters command of the great 5th U.S. Army.

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. FARBSTEIN].

Mr. FARBSTEIN. Mr. Chairman, I think this amendment has been apply debated. I do not think we should permit confusion to overcome that which has been very clearly delineated. Unless the chairman of the committee, the gentleman from Minnesota, who is handling this legislation, will define it, as suggested by my question and by the questions of the two gentlemen from Chicago, I say the only way we can adjust this inequity is by adopting my amendment. In all decency, in all fairness, there should be no discrimination against the large cities. When communities throughout the various States that have one-third or 25 percent, or even 15 percent of the population of the large cities that are able to get assistance, but not the cities. There is no reason why the larger cities should not be able to obtain assistance under this legislation.

I ask for the adoption of this amendment.

The CHAIRMAN. The Chair recognizes the gentleman from Florida [Mr. CRAMER].

Mr. CRAMER. Mr. Chairman, I think this debate is very interesting, because it has proven conclusively what an unsatisfactorily, poorly drafted, vague, and ambiguous bill we have before us. How it discriminates against some areas compared with other areas is disturbing. There is no question about that. We wrote into the bill that in a large number of cities that have no depressed areas you are excluding many pockets of unemployment in the big cities which do not have that. There is no rhyme or reason to the bill.

Let me say this: There is no money in the bill for the gentleman's amendment and, also, if it is a 200,001 area they are out, and if it is a 199,999 area they are in. That is not fair. You do not know what the area involved would be, if the Secretary decided to make it smaller. That is not fair. So the amendment itself is imperfect. It is not the answer to the problem, but it shows why this bill should be sent back to the committee, where this, along with other matters, should be given proper consideration.

The CHAIRMAN. The Chair recognizes the gentleman from Oklahoma [Mr. EDMONDSON].

Mr. EDMONDSON. Mr. Chairman, the last thing I want to do on this floor is to mislead the Members of the House. Committee counsel advises me there is no instance in which the Secretary has designated a labor area smaller than a municipality. There is disagreement as to whether the Secretary has the authority to make such a determination or not, and I think the chairman of our subcommittee has properly argued that this is not a jurisdictional question for our committee. It belongs to another committee.

For my own part, it seems to me to make very good sense that the Secretary should have the discretion and the authority to recognize the existence of a labor surplus problem within a large municipality where millions of people are involved. I would strongly urge that there be action along that line by the Secretary at the earliest possible time, but I do not see how we can go along with this amendment in the bill we are considering.

The CHAIRMAN. The Chair recognizes the gentleman from Ohio [Mr. HARSHA].

(By unanimous consent, the time allotted Mr. HARSHA was given to Mr. BLATNIK.)

The CHAIRMAN. The Chair recognizes the gentleman from Minnesota [Mr. BLATNIK].

Mr. BLATNIK. Mr. Chairman, I think the answer to this whole question has been given by the gentleman from Oklahoma [Mr. EDMONDSON]. I think in view of the situation which exists, and which has resulted in such spirited debate, that we have had a demonstration of the inadvisability of writing a very serious piece of legislation by amendment at what may be the wrong place. And I am convinced that this is the wrong place.

I do ask my friends who have problems to bring these problems out. Let us get together and work for a sound amendment at the proper time. Let us refer this problem to the Committee on Education and Labor for legislation which authorizes or directs or empowers the Secretary of Labor to determine what labor districts, or markets or economic markets, whatever they may be, should receive help.

That is the problem as we see the problem. So when I speak it is not at all in opposition to the effort to solve these problems. I respect the fight that is being put up here but this is not the

place to do it, to jeopardize the whole program that involves about 1,000 areas throughout the country and over 35 million people.

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield.

Mr. YATES. The gentleman knows that the furthest thing from the minds of the gentleman from New York and myself is to jeopardize a program of this type. The reason I rose is to ask the gentleman whether he agrees with the gentleman from Oklahoma that the possibility does exist that the Secretary of Labor does have the authority, as suggested by the gentleman from Oklahoma, to make the benefits of this act available to distressed areas within the Nation's large cities.

Mr. BLATNIK. He may have. But we do not know. We will certainly find out; and if he does not I will help you to find a way so that he does have that authority.

The CHAIRMAN. The time of the gentleman has expired. All time has expired on the pending amendment.

The question is on the amendment offered by the gentleman from New York [Mr. FARSTEIN].

The amendment was rejected.

AMENDMENT OFFERED BY MR. THOMPSON OF NEW JERSEY

Mr. THOMPSON of New Jersey. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. THOMPSON of New Jersey: On page 86, line 4, after the word "over" strike out "two hundred and fifty thousand" and insert in lieu thereof "one hundred thousand."

The CHAIRMAN. The Chair recognizes the gentleman from New Jersey [Mr. THOMPSON] in support of his amendment.

Mr. ARENDS. Mr. Chairman, will the gentleman yield?

Mr. THOMPSON of New Jersey. I yield.

Mr. ARENDS. Mr. Chairman, I have asked the gentleman to yield so that I might ask the chairman of the subcommittee in charge of the bill if he expects to finish this bill tonight.

Mr. BLATNIK. In answer to the gentleman, I want it to be known by all Members on both sides that we have received excellent cooperation from the ranking minority Member and his colleagues on the other side to expedite this business. My understanding is that we may have perhaps 2 or maybe 3 more amendments that would be of any consequence. There may be other minor amendments. So I hope that we ought to be able to get through within 20 minutes or half an hour, at the most.

Mr. ARENDS. No doubt there are going to be some votes. I thank the gentleman from New Jersey.

(Mr. THOMPSON of New Jersey asked and was given permission to revise and extend his remarks.)

Mr. THOMPSON of New Jersey. Mr. Chairman, I am a little less than sanguine, shall I say, after what happened to the last amendment.

Mr. Chairman, the main thrust of the Public Works and Economic Develop-

ment Act of 1965 is to make various forms of Federal assistance available to those areas of our country which are afflicted with substantial and chronic unemployment.

Title IV of the act sets forth several criteria for eligibility. The basic criterion is an average rate of unemployment above the national average for specified periods of time. In designating redevelopment areas, the Secretary of Commerce is given considerable latitude, subject to certain specific restrictions. One of those restrictions is that no redevelopment area may be designated which is smaller than a labor market area as designated by the Secretary of Labor, a county, or a municipality with a population of over 250,000.

Mr. Chairman, I can well understand the need for establishing a population floor for municipal eligibility. Nevertheless, the National League of Cities has expressed concern that the 250,000 figure would arbitrarily foreclose from eligibility many cities that might otherwise benefit from the act.

For that reason, I have offered an amendment reducing the population floor to include municipalities of more than 100,000. This amendment has been strongly urged by Gov. Richard J. Hughes of my own State of New Jersey. According to the 1960 census, the amendment would bring within the scope of the act 78 more cities, including Paterson, Trenton, Camden, and Elizabeth, N.J.

Because of the rigidity of the qualifying criteria under the current ARA Act, cities such as Trenton and Camden have not been able to obtain badly needed assistance. Camden has substantial unemployment as a result of cutbacks at the New York Ship Co. and, to a lesser extent, at the RCA plant.

Camden's inclusion as part of the Philadelphia labor market area has made it ineligible for assistance. Trenton's inclusion as part of Mercer County's labor market area has foreclosed any hope of assistance for its problems.

Mr. Chairman, I would hope that my colleagues would accept this amendment to bring Trenton, Camden, and other cities similarly situated within the purview of the act.

Herewith are the cities which would be brought under the act by my amendment:

Cities in the United States with population 100,000-250,000 [1960 census]

	Population
Montgomery, Ala.....	134,393
Mobile, Ala.....	202,779
Tucson, Ariz.....	212,892
Little Rock, Ark.....	107,813
Anaheim, Calif.....	104,184
Berkeley, Calif.....	111,268
Fresno, Calif.....	133,929
Glendale, Calif.....	119,442
Pasadena, Calif.....	116,407
Sacramento, Calif.....	191,667
San Jose, Calif.....	204,196
Santa Ana, Calif.....	100,350
Torrance, Calif.....	100,991
Bridgeport, Conn.....	156,748
Hartford, Conn.....	162,178
New Haven, Conn.....	152,048
Waterbury, Conn.....	107,130
Jacksonville, Fla.....	201,030
Columbus, Ga.....	116,779

*Cities in the United States with population
100,000-250,000—Continued
[1960 census]*

	Population
Savannah, Ga.	149,245
Peoria, Ill.	103,162
Rockford, Ill.	132,109
Evansville, Ind.	141,543
Fort Wayne, Ind.	161,776
Gary, Ind.	178,320
Hammond, Ind.	111,698
South Bend, Ind.	132,445
Des Moines, Iowa	208,982
Kansas City, Kans.	121,901
Topeka, Kans.	119,484
Baton Rouge, La.	152,419
Shreveport, La.	164,372
Cambridge, Mass.	107,716
New Bedford, Mass.	102,477
Springfield, Mass.	174,463
Worcester, Mass.	186,587
Dearborn, Mich.	122,007
Flint, Mich.	196,940
Grand Rapids, Mich.	202,379
Lansing, Mich.	113,058
Duluth, Minn.	106,884
Jackson, Miss.	144,122
Lincoln, Nebr.	128,521
Camden, N.J.	117,159
Elizabeth, N.J.	107,698
Paterson, N.J.	143,663
Trenton, N.J.	114,167
Albuquerque, N. Mex.	201,189
Albany, N.Y.	189,726
Niagara Falls, N.Y.	102,394
Syracuse, N.Y.	216,038
Utica, N.Y.	100,410
Yonkers, N.Y.	190,634
Charlotte, N.C.	201,584
Greensboro, N.C.	119,574
Winston-Salem, N.C.	111,135
Canton, Ohio	113,631
Youngstown, Ohio	166,689
Allentown, Pa.	108,347
Erie, Pa.	138,440
Scranton, Pa.	111,443
Providence, R.I.	207,498
Chattanooga, Tenn.	130,009
Knoxville, Tenn.	111,827
Nashville, Tenn.	170,874
Amarillo, Tex.	137,969
Austin, Tex.	186,445
Beaumont, Tex.	119,175
Corpus Christi, Tex.	167,690
Lubbock, Tex.	128,691
Wichita Falls, Tex.	101,724
Salt Lake City, Utah	181,454
Newport News, Va.	113,662
Portsmouth, Va.	144,773
Richmond, Va.	219,958
Spokane, Wash.	181,608
Tacoma, Wash.	147,979
Madison, Wis.	126,706

Mr. DENT. Mr. Chairman, will the gentleman yield?

Mr. THOMPSON of New Jersey. I yield to the gentleman from Pennsylvania.

Mr. DENT. The gentleman's amendment seeks to make eligible cities.

Mr. THOMPSON of New Jersey. Cities of 100,000 rather than of 250,000. I ask the gentleman's support.

Mr. DENT. Under the terms of the language which is on page 86, the discretion is in the Secretary.

The CHAIRMAN. The time of the gentleman from New Jersey has expired.

Mr. THOMPSON of New Jersey. Mr. Chairman, I ask unanimous consent that I may proceed for 2 additional minutes, 30 seconds of which I will yield to my friend from Pennsylvania.

The CHAIRMAN. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. DENT. I do not want the time. I wanted to ask a question.

Mr. THOMPSON of New Jersey. I will answer it.

Mr. DENT. All I say is that this would not help the city, because it would be under the discretion of the Secretary. He would still keep it in a labor area.

Mr. THOMPSON of New Jersey. No; at least, I do not believe that is so. If the gentleman has a perfecting amendment, I will be glad to have it. Let us go this far and then perfect it beyond that.

Mr. Chairman, I thank you and I thank the Members of the committee for their attention.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey [Mr. THOMPSON].

The amendment was rejected.

AMENDMENT OFFERED BY MR. DENT

Mr. DENT. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DENT: Amend page 86 by striking all of line 5.

(Mr. DENT asked and was given permission to revise and extend his remarks.)

Mr. DENT. Mr. Chairman, perhaps the gentleman from New Jersey is correct and I am completely wrong. Of course, if I am there will be nothing left to do other than withdraw the amendment.

However, as I read the language of the bill—and I have read a few—when they designate the areas that are to be given aid they designate a labor area, one, as defined by the Secretary of Labor—who, in spite of the arguments here, does have the right to designate any area, a combination of geographical areas, into an area of excess unemployment. And added to the labor area designation is added a county or a municipality with a population of over 250,000—

Mr. THOMPSON of New Jersey. Mr. Chairman, will the gentleman yield?

Mr. DENT. I will yield to the gentleman for 30 seconds in a minute.

Mr. THOMPSON of New Jersey. I will take it.

Mr. DENT. If they stopped at that point, then every county or every municipality would have the right to be designated as an area eligible for this assistance and grants. But when they say "as defined by the Labor Secretary" and leave it up to the discretion of the Secretary of Commerce, that wipes out the very cities the gentleman from New Jersey wants to put in.

If you want proof, just go up in the area in which I live. As Congressman MORGAN knows, because his county is about as large as mine, and they have not been divorced from Allegheny County, because the survey would not let them be divorced. We have two complete legislative congressional districts that are being denied the benefits of what the committee is supposed to be trying to give them. The words "county or municipality" do not mean a thing here unless the chairman of the committee will answer this question. Will you answer this question, Mr. Chairman? Is it your understanding of this law, as the gentleman from New Jersey stated, that

every county and every municipality with over 250,000 prior to his amendment would be designated an area eligible for aid? Is it your understanding that is true?

Mr. BLATNIK. Mr. Chairman, will the gentleman yield?

Mr. DENT. I yield to the gentleman.

Mr. BLATNIK. No, that is not my understanding.

Mr. DENT. Then, am I right that if the Secretary of Labor or the Secretary of Commerce persists in using the designation of a labor area put out by the Secretary of Labor, that he can deny every city the aid that the gentleman wants to aid by the amendment that we just accepted? He can deny them the assistance if it is in a labor area of less than average size?

Mr. THOMPSON of New Jersey. Mr. Chairman, will the gentleman yield?

Mr. DENT. Yes. I yield to the gentleman.

Mr. THOMPSON of New Jersey. Unhappily the amendment was not accepted. My understanding was it was defeated.

Mr. DENT. I know that.

Mr. THOMPSON of New Jersey. But going back to the language, it says an area shall be designated which is smaller than a labor area as defined by the Secretary of Labor, a county or a municipality with a population of over 250,000. In other words, it needs, under this language, to be a labor area. It may be a county or it may be a municipality, but the municipality must be 250,000 or more.

Mr. DENT. I disagree with your analysis at that point when you state that every county or municipality can be a labor area when my amendment is accepted.

Mr. THOMPSON of New Jersey. I hope I helped you as much as you did me.

Mr. DENT. I appreciate your help. What I am driving at is, if it stops where the gentleman stopped reading, then he is right, but it continues on and says, "whichever in the opinion of the Secretary is appropriate," meaning that he can take the cities, as he is now doing, and include them in a labor area and deny them the benefits of this legislation. Here is the law, and here is the gentleman who administers it and he said it is the law, and so did the chairman. All I am saying is if you want to help the communities of over 250,000, all you have to do is take away the discretion from the Secretary to designate this community as part of a labor area. So I ask that the amendment be accepted.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania.

The question was taken; and on a division (demanded by Mr. DENT), there were—ayes 28, noes 61.

So the amendment was rejected.

AMENDMENT OFFERED BY MR. OLSON OF MINNESOTA

Mr. OLSON of Minnesota. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. OLSON of Minnesota: Page 83, strike out lines 17 through

20 inclusive and insert in lieu thereof the following:

"(2) those additional areas in which 40 per centum or more of the families have annual incomes of \$3,000 or less as determined on the basis of the most recent available statistics;"

(Mr. OLSON of Minnesota asked and was given permission to revise and extend his remarks.)

Mr. OLSON of Minnesota. Mr. Chairman, the general purpose of S. 1648 as stated in the report is to provide a comprehensive program of Federal assistance to help provide more jobs and higher incomes for people who live in areas where jobs are scarce or incomes are low.

Mr. Chairman, I agree completely with this purpose and am offering an amendment which, I hope my colleagues will agree, will improve the likelihood of this legislation to fulfill this objective. I agree that previous legislation in this area has unquestionably been instrumental in reducing unemployment and in spurring our national economy. This has been accomplished primarily where assistance has been made available because of substantial and/or persistent unemployment.

I agree with my colleague from Minnesota [Mr. BLATNIK] when he pointed out yesterday that, though we are justifiably proud of our healthy economy as it now exists, it is necessary to maintain our persistence in searching out those instances where people are not sharing as they should in this healthy economy.

I believe the act we are considering contains the necessary ingredients to accomplish this purpose where we can identify our problem through lack of employment. I do not believe we have had the same satisfactory results in areas of underemployment. Furthermore, I do not believe the language in the bill before us is adequate to correct this deficit. I admit my amendment benefits primarily rural areas, but no one disputes that a substantial portion of the poverty this and previous Congresses have sought to eliminate is found in our rural areas. My amendment will identify those areas where substantial percentages of the families have incomes below \$3,000, the figure we have identified as the poverty level.

From the statistics available for those counties which are added by my amendment, I find that about 10 percent of the families have gross incomes—from all sources—of less than \$1,000. There can be little question that a family whose gross income does not exceed \$1,000 is, for all practical purposes, unemployed.

Mr. Chairman, we cannot wage a successful campaign to reduce underemployment as well as unemployment unless we are willing to uniformly identify those areas where we know underemployment exists. In my discussions, I find little difference of opinion concerning the alarming economic impact of pockets of poverty on fellow citizens as well as on the national economy.

All that remains is the will to properly identify areas of need and to apply our energies in seeking a solution. I expect the most serious—if not the only—disagreement with my amendment will be its effect in expanding the areas covered

under this act. The Committee's action to enlarge the funds available and the very probable reduction in the number of eligible areas because of the annual review provision coupled with the fact that the areas added by my amendment are less significant when viewed in terms of population has convinced me the contention of insufficient funding is not adequate to reject my amendment.

There are excellent provisions in title 3 of this act in which the benefit is not predicated on the funds expended but from the technical assistance, research, and information that is essential to helping the areas of which I speak.

Mr. Chairman, the point I would like to emphasize is that the benefits from this act with the change I have recommended would make a more significant contribution than merely the addition of a community facility. The recognition of these areas of underemployment will be a first step to the solution of this problem, which we all know exists.

Part B of title 4, would stimulate the underemployment areas to mobilize their resources through economic development centers, and this is essential if these areas are to improve the conditions in which they find themselves.

Mr. EDMONDSON. Mr. Chairman, I rise in opposition to the amendment.

(Mr. EDMONDSON asked and was given permission to revise and extend his remarks.)

Mr. EDMONDSON. Mr. Chairman, I would like to say initially that I have been impressed, as I am sure all Members have, with the thoroughness of the preparation of the very able gentleman from Minnesota and with the eloquence of his presentation. No man could argue more effectively in behalf of the district which he represents. He has used one argument that has been unusually persuasive with me in that he has called to my attention the fact that he believes this amendment, if adopted, would add a county in my district to the eligible list of counties. I know that a number of Members have shared that experience with the gentleman from Minnesota.

Nonetheless, Mr. Chairman, I think it must be pointed out that the gentleman's amendment if adopted would have the effect of adding approximately 600 additional areas of eligibility to the act. This is an increase of more than 50 percent of the number of eligible areas presently covered by the act.

Mr. Chairman, we have already made an addition of 97 counties through the approval of the Sisk amendment. I feel it is a sound thought to have in connection with this bill that we will spread far too thin the resources that we are proposing to devote to this program, if we add another 600 counties.

Now, Mr. Chairman, there is no doubt about the merits of the problem within some of these counties.

Mr. OLSON of Minnesota. Mr. Chairman, will the gentleman yield?

Mr. EDMONDSON. I yield to the gentleman from Minnesota.

Mr. OLSON of Minnesota. It is less than 600.

Mr. EDMONDSON. I would like to be accurate.

Mr. OLSON of Minnesota. It is about 500, because some of the counties added by the Sisk amendment are duplicated in my amendment. The figure is about 510 or 511 counties.

Mr. EDMONDSON. I certainly want to be correct in my statement, because the basis for the estimate of 600 that we had could very easily be off in view of the number of counties which were covered by the Sisk amendment. I want to apologize if I have made an incorrect statement. I want to apologize to the gentleman from Minnesota for not taking into account the Sisk counties in calculating the figure of 600 additions to this program.

However, Mr. Chairman, even at 510 or 511 this still represents almost a 50-percent enlargement of the program.

I feel it can also be accurately said that there has been a genuine effort on the part of the committee to deal more generously with the problem in the rural counties in this bill. We have changed the formula with reference to income, changed it from the 33 percent of the national median, which was the income criterion under ARA, to 40 percent of the national median, which has served to bring in a very large number of counties that were not covered under the ARA program.

Mr. Chairman, I feel it also should be noted that we adopted the Roberts amendment which was aimed directly at rural areas in the committee, which makes it possible to bring counties in where there has been a substantial reduction in population due to lack of employment opportunity.

Mr. Chairman, both of these represent efforts to meet more adequately the problem in the rural areas.

We are not contending that this is a perfect bill. We are aware of the fact that there are some areas of need in the cities which are not met. We are aware of the fact that there are some areas of need in the country which it will not meet. But it does more and it does it more effectively than was the case under the previous program.

Mr. Chairman, we believe we have a balanced program that will make the most effective use possible of the resources being devoted to this program.

Mr. Chairman, I urge that this amendment not be adopted, even though I apparently am thereby excluding one of the counties which it is my honor to represent, and which the Olsen amendment might add to the program.

Mr. CURTIS. Mr. Chairman, will the gentleman yield?

Mr. EDMONDSON. I yield to the gentleman from Missouri.

Mr. CURTIS. If I understand the argument of the gentleman correctly, this will simply spread it thinner. Why do you not just vote some more money? That would take care of it, if the need is really there. Why do you not just vote more money? That does not seem to bother anyone here.

Mr. EDMONDSON. I think if the gentleman from Missouri offered one to increase the money, I am sure he would get some votes.

Mr. CURTIS. I would, but I am not going to offer such an amendment.

Mr. EDMONDSON. This committee is trying to maintain a balanced budget and stay as close to the budget as possible. I am sure the committee wants to stay as close as it can to the President's budget figures, and do an effective job with those funds which we believe the bill as it stands will do.

This amendment should be rejected.

Mr. MATTHEWS. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in support of this amendment. I come from a beautiful State, a magnificent peninsula with various flora and fauna. This part of the southeastern United States invites all of you to participate in its many enjoyable opportunities and resources.

As you come into Florida from the North you get into the Eighth District which I represent and you pass through Fernandina Beach. If you were to go west you would come to the land of my birth, Micanopy. Just a few miles back to the east you would come to the community of Hawthorne, the largest city between Lochloosa and Cones Crossing going north and south, and Grove Park and McMeekin going east and west. Here I lived most of my life.

If you go down South you come to some of the lesser-known cities, such as Fort Lauderdale and Miami. If you were to go around the west coast you would come to St. Petersburg and Tampa, all jewels, I admit, delightful places.

Mr. Chairman, some months ago, as our great friend, Mr. Forrester, from Georgia used to say, I had "to divorce myself" from the Area Redevelopment Administration because it did not seem quite equitable to me that by the formula they used they declared the great gold coast areas of Broward County, Fort Lauderdale, and Miami, which is in Dade County, as the areas in Florida that because of various reasons needed particular help. The undeveloped rural areas in my district and in other parts of Florida could not qualify for assistance.

I hope my colleagues from these areas will forgive me. It is not because I love other areas less, it is because I love my area more.

Mr. Chairman, the proposition of the gentleman from Minnesota addresses itself to this problem of underemployment. It would seem to me that one of the biggest problems in America today is underemployment. Surely we are concerned with unemployment, but I would remind you there are areas in this Nation that have always lived in gentle poverty. They have always had a little bit of a depression. They have always been underemployed.

I think the proposition of the gentleman from Minnesota addresses itself particularly to this problem of underemployment, especially this problem that exists in rural areas. The Secretary of Agriculture has said one-half of all the poverty in America exists in the rural areas, which is just a fraction of the total population.

But what a high percentage of really significant poverty caused by underemployment.

When we speak about the cost, I would remind you it is my understanding and I address this question to the gentleman from Minnesota, is it not true there would probably be 8 million or even less affected if the gentleman's amendment is carried?

Mr. OLSON of Minnesota. I thank the gentleman for giving me the opportunity to point this out again. In terms of population, this is a much less significant amendment than those amendments that have been accepted without argument. Statistics that I have compiled prove that the Sisk amendment added 13 million people. My amendment, before being affected by the Sisk amendment, adds 9 million people. The 29 areas that the Sisk amendment took away from my amendment, were the most populous areas, and my amendment is now down to less than half of the people affected in my amendment that were affected in an amendment that was accepted without argument.

Mr. MATTHEWS. I want to thank the gentleman. Let me say again it is because of my conviction that his amendment addresses itself to this great problem of underemployment in many, many areas of this country that I think this amendment should be passed, and I hope the committee will approve it.

Mr. SMITH of Iowa. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I have a question to ask of the gentleman from Minnesota [Mr. BLATNIK] that directly affects this amendment. There was a very serious flaw in the ARA program which was formerly in effect and that involved the rural areas of this country. The need for employment opportunities in these areas were not properly reflected in the criteria which were used. It used unemployment figures but the farmers of this country are not subject to unemployment compensation laws and they do not appear in the Bureau of Labor Statistics figures. I think the committee tried to take care of it in this bill in section 401 (a) (1) where it states that redevelopment areas that are eligible include those areas where "there has been a substantial loss of population due to lack of employment opportunity."

However, in addressing himself to the amendment before the House, the gentleman from Oklahoma indicated there are 510 counties covered by the amendment of the gentleman from Minnesota [Mr. OLSON]. Now, if that is the case, I misunderstand the language that I just read, because I think several hundred of those counties would be included in that language. Mr. Chairman, there are two industries in this country, that have had very great and rapid changes due to automation. One of them is coal mining. In the coal mining industry, the efficiency per man has increased at the rate of about 9 to 10 percent per year.

The other industry is agriculture where the efficiency per man has been increasing at the rate of 14 percent per year.

Whenever you have this kind of increase in efficiency in an industry, obviously hundreds of thousands are going

to be automated out of their jobs. They must look for an opportunity for employment in some other industry. In the case of coal miners, most of them tended to stay in their area, but that did not happen in the case of agriculture. Out in our country, most of the people followed the motto, "I am unemployed—I will travel." They immediately go somewhere to look for a job. They go to Cleveland or Los Angeles or somewhere else to try to get a job that some city man has. And they take their families with them and they then also will look for a job elsewhere. So we have a lot of areas where we have not kept pace with the national growth, and they are not reflected in any criteria that has been previously used.

This is the reason I flatly refused to vote for another extension of the old ARA program that we had before.

I believe the Roberts amendment, which I described previously, is for the purpose of taking care of this problem. But I am somewhat doubtful as a result of the statement that 510 counties are included in the amendment of the gentleman from Minnesota. I want to ask this—under this Roberts amendment, which is section 401(a) (1), on page 82, is it true that these rural areas in my State, in the State of Minnesota, and other rural areas, that have failed to keep pace with the national growth, would be included as areas eligible under this bill?

Mr. BLATNIK. Yes. The purpose of this amendment is to assist those areas which, despite their long history of economic problems and high unemployment, are not reflected in the current statistics and particularly on the basis of family income. But the unemployment statistics do not tell the truth because of this high out-migration. That is why we felt very strongly in the committee that special consideration ought to be given to those areas.

We need to know much more about them than now and to have much more information than is now available. We direct the attention of the Secretary to these cases, to see exactly what are the reasons for this out-migration. This will take into consideration all the economic factors. We will then be in a better position to come up with a sound recommendation to help these people, who do need help, in my opinion.

Mr. SMITH of Iowa. Then the areas which have failed to keep pace with the national growth may be eligible in spite of the fact that they did not have sufficient unemployment to qualify under other provisions of the bill.

Mr. BLATNIK. They may be; we do not know. We direct the Secretary to find out. They may be.

Mr. SMITH of Iowa. I thank the gentleman.

Mr. OLSON of Minnesota. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Iowa. I yield to the gentleman from Minnesota.

Mr. OLSON of Minnesota. What about the people who live in these areas who do not have sufficient money to get out? What about the old people? We

have heard the talk about the coal fields. There are many rural areas we know well enough which have people without sufficient income, far from job opportunities and training. They are still living there, and we have not done anything about them with the Roberts language.

Mr. CRAMER. Mr. Chairman, I move to strike the requisite number of words.

I will say that we now have seen the fourth demonstration as to what a bad bill this one before us is.

This is the language of the present law. The effect of the language in the bill before us will be that these rural areas which now qualify will not qualify under the bill. That is all there is to it. The gentleman's amendment is understandable, because he wants those areas that did qualify in the past to continue to qualify.

The present law specifically provides \$100 million to go to these rural areas about which the gentleman has been talking. The legislation before us would eliminate them.

This is a pretty interesting display we are having today. We see that areas formerly in are now out, so far as rural areas are concerned. We see that areas which do not have any reason to be in, because there is not adequate unemployment, are put in. We find municipalities with large pockets of poverty are eliminated.

I say that the only answer to the amendment which has been offered, when you have an opportunity to give an answer, is to take care of these areas throughout the Nation with problems—and there are many, as exemplified by this debate, which are not covered—is to send the bill back to the committee telling the committee to do the job it should have done in the first place.

Mr. OLSON of Minnesota, Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from Minnesota?

Mr. OLSON of Minnesota. If the gentleman is correct—and I am not certain his figures or interpretation would jibe with mine, but saying he is correct, the last act carried much less funding than this bill. If these areas were in before and there was not a problem caused, then making of these areas eligible according to the formula Members have all read and heard, would be of no harm if we agree with the formula I submitted; that is, on gross income and not a statistic on median income.

Mr. CRAMER. The gentleman clearly showed that \$100 million would go to rural areas but will not now go to them for the simple reason that the rural areas do not qualify under this new legislation. This shows again that if everyone is to be treated properly and not discriminatorily the bill should go back to the committee. Let us take care of these problems where they should be taken care of, in the committee.

The CHAIRMAN. The time of the gentleman from Florida has expired.

Mr. BLATNIK. Mr. Chairman, I ask unanimous consent that all debate on this amendment and any amendments thereto cease in 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. FUQUA. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman and Members of the House, I have been associated with economic improvement in my community, and my county, long before I came to Congress, helping to work out a program so that we could take advantage of the old Area Redevelopment Administration as it would affect our counties.

I now have in my district probably more counties than are in any other district in my State which are eligible under this bill, but I rise in strong support of the amendment offered by my good friend and distinguished colleague from Minnesota [Mr. OLSON] because I feel that if we really want to help some of the rural areas, where help is really needed, where there is poverty and low income and high amounts of unemployment, this is the way we can help these people.

It has been pointed out already that this amendment only affects some 8 million people compared to some 190 million people that we have in this country. It is a very small percentage that is helped. The number of counties is certainly large. It sounds like a large number, but when you look at the number of people you are helping, it is only a small number. These are the people who really need this help. We have counties where people want and need help. We have many areas where the high school graduates are finishing school and have no place to go except for migrating to some larger cities and seeking employment. This is a way we can help these local communities in providing local leadership which we so desperately need in the rural areas of America.

I strongly urge the House to support the Olson amendment, where we can give some help to the local areas. I am not sure all of the local areas can take advantage of it. Many of them cannot and maybe a majority cannot, but I am sure it will be in the best interests of this country if we can give these people an opportunity to take advantage of this program.

Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. All time has expired. The question is on the amendment offered by the gentleman from Minnesota [Mr. OLSON].

The question was taken; and on a division (demanded by Mr. OLSON of Minnesota) there were—ayes 73, noes 98.

Mr. OLSON of Minnesota. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. OLSON of Minnesota and Mr. EDMONDSON.

The Committee again divided, and the tellers reported that there were—ayes 75, noes 111.

So the amendment was rejected.

The CHAIRMAN. The Clerk will read.

Mr. BLATNIK. Mr. Chairman, I ask unanimous consent that the balance of the bill be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

Mr. SAYLOR. Mr. Chairman, reserving the right to object—

Mr. CRAMER. Mr. Chairman, reserving the right to object, and I reserve the right to object solely for the gentleman to restate his request because I could not hear it.

Mr. BLATNIK. Mr. Chairman, I had asked unanimous consent that the balance of the bill be considered as read and open to amendment at any point.

Mr. CRAMER. Mr. Chairman, I withdraw my reservation.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

Mr. SAYLOR. Mr. Chairman, reserving the right to object, there are a number of amendments still at the Clerk's desk.

Is it the intention of the gentleman from Minnesota who is handling this bill to limit the time, if his unanimous-consent request is granted?

Mr. BLATNIK. Well, it would depend upon the length of time consumed.

Mr. SAYLOR. Mr. Chairman, I object.

The CHAIRMAN. Objection is heard. The Clerk will read.

The Clerk read as follows:

TITLE V—REGIONAL ACTION PLANNING COMMISSIONS

Establishment of regions

SEC. 501. The Secretary is authorized to designate appropriate "economic development regions" within the United States with the concurrence of the States in which such regions will be wholly or partially located if he finds (A) that there is a relationship between the areas within such region geographically, culturally, historically, and economically, (B) that with the exception of Alaska and Hawaii, the region is within contiguous States, and (C) upon consideration of the following matters, among others, that the region has lagged behind the whole Nation in economic development:

- (1) the rate of unemployment is substantially above the national rate;
- (2) the median level of family income is significantly below the national median;
- (3) the level of housing, health, and educational facilities is substantially below the national level;
- (4) the economy of the area has traditionally been dominated by only one or two industries, which are in a state of long-term decline;
- (5) the rate of outmigration of labor or capital or both is substantial;
- (6) the area is adversely affected by changing industrial technology;
- (7) the area is adversely affected by changes in national defense facilities or production; and
- (8) indices of regional production indicate a growth rate substantially below the national average.

Regional commissions

SEC. 502. (a) Upon designation of development regions, the Secretary shall invite and encourage the States wholly or partially located within such regions to establish appropriate multistate regional commissions.

(b) Each such commission shall be composed of one Federal member hereinafter referred to as the "Federal cochairman", appointed by the President by and with the advice and consent of the Senate and one member from each participating State in the Senate, and one member from each participating State in the region. Each State member may be the Governor, or his designee, or such other person as may be provided by the law of the State which he represents. The State members of the commission shall elect a cochairman of the commission from among their number.

(c) Decisions by a regional commission shall require the affirmative vote of the Federal cochairman and of a majority, or at least one if only two, of the State members. In matters coming before a regional commission, the Federal cochairman shall, to the extent practicable, consult with the Federal departments and agencies having an interest in the subject matter.

(d) Each State member of regional commission shall have an alternate, appointed by the Governor or as otherwise may be provided by the law of the State which he represents. The President, by and with the advice and consent of the Senate, shall appoint an alternate for the Federal cochairman of each regional commission. An alternate shall vote in the event of the absence, death, disability, removal, or resignation of the State or Federal cochairman for which he is an alternate.

(e) The Federal cochairman to a regional commission shall be compensated by the Federal Government from funds authorized by this Act up to level IV of the Federal Executive Salary Schedule. His alternate shall be compensated by the Federal Government from funds authorized by this Act at not to exceed the maximum scheduled rate for grade GS-18 of the Classification Act of 1949, as amended, and when not actively serving as an alternate for the Federal cochairman shall perform such functions and duties as are delegated to him by the Federal cochairman. Each State member and his alternate shall be compensated by the State which they represent at the rate established by the law of such State.

(f) If the Secretary finds that the State of Alaska or the State of Hawaii meet the requirements for an economic development region, he may establish a Commission for either State in a manner agreeable to him and to the Governor of the affected State.

Functions of Commission

SEC. 503. (a) In carrying out the purposes of this Act, each Commission shall with respect to its region—

(1) advise and assist the Secretary in the identification of optimum boundaries for multistate economic development regions;

(2) initiate and coordinate the preparation of long-range overall economic development programs for such regions;

(3) foster surveys and studies to provide data required for the preparation of specific plans and programs for the development of such regions;

(4) advise and assist the Secretary and the States concerned in the initiation and coordination of economic development districts, in order to promote maximum benefits from the expenditure of Federal, State, and local funds;

(5) promote increased private investment in such regions;

(6) prepare legislative and other recommendations with respect to both short-range and long-range programs and projects for Federal, State, and local agencies;

(7) develop, on a continuing basis, comprehensive and coordinated plans and programs and establish priorities thereunder, giving due consideration to other Federal, State, and local planning in the region;

(8) conduct and sponsor investigations, research, and studies, including an inventory and analysis of the resources of the region, and, in cooperation with Federal, State and local agencies, sponsor demonstration projects designed to foster regional productivity and growth;

(9) review and study, in cooperation with the agency involved, Federal, State, and local public and private programs and, where appropriate, recommend modifications or additions which will increase their effectiveness in the region;

(10) formulate and recommend, where appropriate, interstate compacts and other forms of interstate cooperation, and work with State and local agencies in developing appropriate model legislation; and

(11) provide a forum for consideration of problems of the region and proposed solutions and establish and utilize, as appropriate, citizens and special advisory councils and public conferences.

(b) The Secretary shall present such plans and proposals of the commissions as may be transmitted and recommended to him (but are not authorized by any other section of this Act) first for review by the Federal agencies primarily interested in such plans and proposals and then, together with the recommendations of such agencies, to the President for such action as he may deem desirable.

(c) The Secretary shall provide effective and continuing liaison between the Federal Government and each regional commission.

(d) Each Federal agency shall, consonant with law and within the limits of available funds, cooperate with such commissions as may be established in order to assist them in carrying out their functions under this section.

(e) Each regional commission may, from time to time, make additional recommendations to the Secretary and recommendations to the State Governors and appropriate local officials, with respect to—

(1) the expenditure of funds by Federal, State, and local departments and agencies in its region in the fields of natural resources, agriculture, education, training, health and welfare, transportation, and other fields related to the purposes of this Act; and

(2) such additional Federal, State, and local legislation or administrative actions as the commission deems necessary to further the purposes of this Act.

Program development criteria

SEC. 504. In developing recommendations for programs and projects for future regional economic development, and in establishing within those recommendations a priority ranking for such programs and projects, the Secretary shall encourage each regional commission to follow procedures that will insure consideration of the following factors:

(1) the relationship of the project or class of projects to overall regional development including its location in an area determined by the State to have a significant potential for growth;

(2) the population and area to be served by the project or class of projects including the relative per capita income and the unemployment rates in the area;

(3) the relative financial resources available to the State or political subdivisions or instrumentalities thereof which seek to undertake the project;

(4) the importance of the project or class of projects in relation to other projects or classes of projects which may be in competition for the same funds;

(5) the prospects that the project, on a continuing rather than a temporary basis, will improve the opportunities for employment, the average level of income, or the economic and social development of the area served by the project.

Regional technical and planning assistance

SEC. 505. (a) The Secretary is authorized to provide to the commissions technical assistance which would be useful in adding the commissions to carry out their functions under this Act and to develop recommendations and programs. Such assistance shall include studies and plans evaluating the needs of, and developing potentialities for, economic growth of such region, and research on improving the conservation and utilization of the human and natural resources of the region. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government, or through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants-in-aid to the commissions. The Secretary, in his discretion, may require the repayment of assistance provided under this subsection and prescribe the terms and conditions of such repayment.

(b) For the period ending on June 30 of the second full Federal fiscal year following the date of establishment of a commission, the administrative expenses of each commission as approved by the Secretary shall be paid by the Federal Government. Thereafter, not to exceed 50 per centum of such expenses may be paid by the Federal Government. In determining the amount of the non-Federal share of such costs or expenses, the Secretary shall give due consideration to all contributions both in cash and in kind, fairly evaluated, including but not limited to space, equipment, and services.

(c) There is hereby authorized to be appropriated \$15,000,000 for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1970, for the purposes of this section.

Administrative powers of regional commissions

SEC. 506. To carry out its duties under this Act, each regional commission is authorized to—

(1) adopt, amend, and repeal bylaws, rules, and regulations governing the conduct of its business and the performance of its functions;

(2) appoint and fix the compensation of an executive director and such other personnel as may be necessary to enable the commission to carry out its functions, except that such compensation shall not exceed the salary of the alternate to the Federal cochairman on the commission and no member, alternate, officer, or employee of such commission, other than the Federal cochairman on the commission and his staff and his alternate, and Federal employees detailed to the commission under clause (3), shall be deemed a Federal employee for any purpose;

(3) request the head of any Federal department or agency (who is hereby so authorized) to detail to temporary duty with the commission such personnel within his administrative jurisdiction as the commission may need for carrying out its functions, each such detail to be without loss of seniority, pay, or other employee status;

(4) arrange for the services of personnel from any State or local government or any subdivision or agency thereof, or any intergovernmental agency;

(5) make arrangements, including contracts, with any participating State government for inclusion in a suitable retirement and employee benefit system of such of its personnel as may not be eligible for, or continue in, another governmental retirement or employee benefit system, or otherwise provide for such coverage of its per-

sonnel, and the Civil Service Commission of the United States is authorized to contract with such commission for continued coverage of commission employees, who at date of commission employment are Federal employees, in the retirement program and other employee benefit programs of the Federal Government;

(6) accept, use, and dispose of gifts or donations of services or property, real, personal, or mixed, tangible or intangible;

(7) enter into and perform such contracts, leases, cooperative agreements, or other transactions as may be necessary in carrying out its functions and on such terms as it may deem appropriate, with any department, agency, or instrumentality of the United States or with any State, or any political subdivision, agency, or instrumentality thereof, or with any person, firm, association, or corporation;

(8) maintain an office in the District of Columbia and establish field offices at such other places as it may deem appropriate; and

(9) take such other actions and incur such other expenses as may be necessary or appropriate.

Information

SEC. 507. In order to obtain information needed to carry out its duties, each regional commission shall—

(1) hold such hearings, sit and act at such times and places, take such testimony, receive such evidence, and print or otherwise reproduce and distribute so much of its proceedings and reports thereon as it may deem advisable, a cochairman of such commission, or any member of the commission designated by the commission for the purpose, being hereby authorized to administer oaths when it is determined by the commission that testimony shall be taken or evidence received under oath;

(2) arrange for the head of any Federal, State, or local department or agency (who is hereby so authorized, to the extent not otherwise prohibited by law) to furnish to such commission such information as may be available to or procurable by such department or agency; and

(3) keep accurate and complete records of its doings and transactions which shall be made available for public inspection.

Personal financial interests

SEC. 508. (a) Except as permitted by subsection (b) hereof, no State member or alternate and no officer or employee of a regional commission shall participate personally and substantially as member, alternate, officer, or employee, through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise, in any proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter in which, to his knowledge, he, his spouse, minor child, partner, organization (other than a State or political subdivision thereof) in which he is serving as officer, director, trustee, partner, or employee, or any person or organization with whom he is serving as officer, director, trustee, partner, or employee, or any person or organization with whom he is negotiating or has any arrangement concerning prospective employment, has a financial interest. Any person who shall violate the provisions of this subsection shall be fined not more than \$10,000, or imprisoned not more than two years, or both.

(b) Subsection (a) hereof shall not apply if the State member, alternate, officer, or employee first advises the regional commission involved of the nature and circumstances of the proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter and makes full disclosure of the financial interest and receives in advance a written determination made by such commission that the interest is not so sub-

stantial as to be deemed likely to affect the integrity of the services which the commission may expect from such State member, alternate, officer, or employee.

(c) No State member of a regional commission, or his alternate, shall receive any salary, or any contribution to or supplementation of salary for his services on such commission from any source other than his State. No person detailed to serve a regional commission under authority of clause (4) of section 506 shall receive any salary or any contribution to or supplementation of salary for his services on such commission from any source other than the State, local, or intergovernmental department or agency from which he was detailed or from such commission. Any person who shall violate the provisions of this subsection shall be fined not more than \$5,000, or imprisoned not more than one year, or both.

(d) Notwithstanding any other subsection of this section, the Federal cochairman and his alternate on a regional commission and any Federal officers or employees detailed to duty with it pursuant to clause (3) of section 10 shall not be subject to any such subsection but shall remain subject to sections 202 through 209 of title 18, United States Code.

(e) A regional commission may, in its discretion, declare void and rescind any contract or other agreement pursuant to the Act in relation to which it finds that there has been a violation of subsection (a) or (c) of this section, or any of the provisions of sections 202 through 209, title 18, United States Code.

Annual reports

SEC. 509. Each regional commission established pursuant to this Act shall make a comprehensive and detailed annual report each fiscal year to the Congress with respect to such commission's activities and recommendations for programs. The first such report shall be made for the first fiscal year in which such commission is in existence for more than three months. Such reports shall be printed and transmitted to the Congress not later than January 31 of the calendar year following the fiscal year with respect to which the report is made.

Mr. BLATNIK (interrupting reading of the bill). Mr. Chairman, I ask unanimous consent that all of title V be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. SIKES. Mr. Chairman, I move to strike out the last word.

(Mr. SIKES asked and was given permission to revise and extend his remarks.)

Mr. SIKES. Mr. Chairman, I am for the Public Works and Economic Development Act because I understand the need for the program, I have seen the good effects of ARA and APW, and I believe its passage is in keeping with sound principles of progress in all areas of our country.

We hear that the Nation is prosperous. Our economy is booming. Our people are productive. And these statements are true from the standpoint of the whole country. But they are not true for many parts of the country.

They are not true for some of the counties in my district and in my State and please note that I am talking about glamorous, progressive, growing Florida. We have problems there, too.

These counties are not prosperous. Some of the little "economies" are de-

pressed. Some of the people who live in these counties, do not have an opportunity to work or produce to their fullest capacity.

That is why we need a program which looks to the economic growth of the lagging areas of the Nation.

Congress has enacted many measures intended to support and promote the overall economy for the Nation.

Congress should continue the measure that supports the "little economies" scattered throughout our country which are in need of help. This is overdue.

I am familiar with the Area Redevelopment program. I have seen its good effects at first hand. I have seen its potential. It has served a useful purpose in my State. I am confident that it has made a good contribution to the economic growth of the Nation.

It is not easy to accomplish a stimulus for individual initiative. The road is rough. This program relies on the local community to put together practical ideas for new industrial or commercial enterprises. Local leaders have to get the ideas and prove that they are practical.

All this takes time. It takes effort. It requires individual initiative.

When Congress first passed the Area Redevelopment Act, we estimated that it would take 4 years to commit \$100 million in loans to the large urban areas and an additional \$100 million in loans to the smaller rural areas.

Despite a number of unfavorable circumstances the Administration committed all of the authorized \$100 million for loans to create new employment in industrial and commercial facilities in rural areas, the so-called "5-b" areas, almost a year ago.

Because Congress did not act last year, the rural areas and the smaller towns and villages have been the principal losers. We should keep this program going in the rural areas as well as in the urban areas. Perhaps it is even more important to rural areas but it has much to contribute to both.

I am particularly impressed with the opportunity we now have in many of the smaller depressed areas to give new life to their economies by helping them develop recreation and tourism projects. Recreation and tourism projects offer new hope for many lagging rural economies. Recreation and tourism depend on open space, water, trees, and fresh air—all of which are items generally available in rural areas. Recreation and tourism are fast-growing industries, growing faster than the increase in population—faster than the increase in leisure time—faster than the increase in good roads makes it possible for city dwellers to get a change in scenery. Recreation and tourism provide jobs for the relatively unskilled—jobs for people in their home areas where they are adjusted and comfortable, thereby making it unnecessary for them to crowd into city slums in order to find work.

These are all reasons why I feel that it is essential that we renew this program and make it possible for its benefits to be available to the rural areas for another 5 years.

This is a program which relies primarily on the free enterprise system to do something about unemployment and underemployment. It is directed almost wholly toward helping community leaders in depressed areas find the means to help businessmen create new job opportunities. It is the only program that is pointed toward this goal. I consider this very important. It places the emphasis on individual initiative but it helps the individual to find an opportunity which wasn't there before.

This act, like the ARA program, was conceived on behalf of our local communities. It has been planned by and in cooperation with local community leaders. It is started on local initiative. It is carried out by and with local businessmen.

The EDA program gets maximum help from the private banking community. Private lending institutions are encouraged to take the maximum possible portion of every project. The Government may not finance more than 65 percent. Private lending institutions are allowed favorable mortgage terms. Private investors will respond by making large contributions to EDA projects. The experience of the last 4 years assures us that is so.

And finally, we all need to keep in mind that dollars invested under the EDA program come back to the Federal Treasury in the form of loan repayments with interest and increased Federal taxes on the incomes of the new wage earners and the profits resulting from the new businesses.

The program still is needed. It is effective. I consider it sound. We need its help for areas of high unemployment or underemployment.

Mr. DON H. CLAUSEN. Mr. Chairman, I move to strike out the requisite number of words.

Mr. Chairman, I had intended to offer an amendment to this section and a couple of other sections, but in the interest of time I shall withhold the introduction of these amendments and request that I be permitted to revise and extend my remarks associated with these amendments and also that the gentleman from Mississippi [Mr. WALKER] be granted the same privilege.

Mr. Chairman, I had intended to offer three amendments to the bill that I think would have improved the bill immeasurably. Briefly, they were designed to retain congressional approval over regional and interstate compacts, insert an anti-piracy provision to protect existing industries, and restrict loans to certain agricultural products that are substantially in surplus or experiencing an oversupply of production, thus creating a depressive effect on existing markets. In particular, I refer to the poultry industry throughout the Nation. The poultry producers and the Broiler Council have spoken to me and other Members of the House about their concern over lending Federal financial assistance to create new businesses in depressed areas, while a marked surplus of production in a given commodity is very much in evidence. I do not think this is fair and I am sure many of my colleagues will agree. How-

ever, with the mood of the House today and their attitude of rejecting nearly all amendments up until now. I think the offering of these amendments would be an exercise in futility.

The gentleman from New Hampshire [Mr. CLEVELAND] and I have been working on the problem to stop the pirating of industry from one area by another. If his amendment carries, I will withhold the offering of my anti-piracy amendment.

Mr. Chairman, I planned to offer an amendment to S. 1648 which, briefly stated, would require congressional approval as a prerequisite to the establishment of each and every multi-State regional commission under the terms of title V of the bill.

This amendment would be consistent with the terms of article I, section 10, of the Constitution of the United States, which provides, among other things, that:

No State shall, without the consent of Congress, * * * enter into agreement or compact with another State.

Title V of S. 1648 authorizes the Secretary of Commerce to designate economic development regions within contiguous States in the United States. Upon designation of development regions, the Secretary is required to invite and encourage the States to establish appropriate multi-State regional commissions. S. 1648 contains general requirements relative to the membership, functions, and administrative powers of such commissions, together with certain other general provisions. The bill provides that the 2 full fiscal years after the date of establishment of each multi-State regional commission 100 percent of its administrative expenses will be paid by the Federal Government. Thereafter, forevermore, without limitation as to time, one-half of such administrative expenses will be paid by the Federal Government.

The establishment of these multi-State regional commissions, and the resulting financial commitment of the Federal Government would be accomplished through actions of the Secretary of Commerce, without further consideration or attention by the Congress. I believe that this is contrary to the concepts of our Government as set forth in our Constitution. If enactment of this bill is to be construed as a blanket congressional endorsement of any and all multi-State regional commissions. I believe that it is a distortion of the meaning and intent of the Constitution.

Whether a multi-State regional commission is needed or desirable in a particular region depends upon the peculiar circumstances involved. In the case of the Appalachian region, the Congress, after due deliberation, decided that an Appalachian Regional Commission was justified. Whether it would make the same decision in the case of a different region would depend upon the facts. But, in any event, the decision should be that of the Congress. The decision should not be left to the Secretary of Commerce who, however competent, is still a political appointee.

No matter how vague the language of

S. 1648 may be—and it is exceedingly vague—one fact cannot be hidden: The creation of multi-State regional commissions interposes an additional level of government between the State and the Federal Government. Therefore, inevitably, it would dilute and weaken the position of the State and local governmental organizations. This may be necessary in particular cases—but I do not believe that it should be accomplished without due consideration of the Congress, in furtherance of the constitutional directive that:

No State shall, without the consent of Congress, * * * enter into agreement or compact with another State.

The day may come when regional government will have a place in our Federal system but a change in the Constitution would be required so as to guarantee responsiveness to a regional electorate. If the particular case has merit, I believe the Congress can be relied upon to give its approval. If it does not have merit, I would rather rely upon the wisdom of the Congress, rather than that of the Secretary of Commerce, for appropriate action.

My amendment would not prohibit the establishment of multi-State regional commission. It would simply require the Secretary of Commerce to submit a report and recommendations concerning each of such proposed commissions to the Congress, and require congressional approval as a prerequisite to their establishment.

I believe that my amendment was meritorious, and consistent with the Constitution of the United States and our basic concept of the structure of the Government of the United States.

Mr. Chairman, my poultry protection amendment would have added a new section to S. 1648, to prohibit financial assistance under the act for the production, processing or wholesale marketing of poultry, eggs, and poultry or egg products. The amendment is designed to protect the poultry and egg industry, which is already plagued with problems of oversupply, from additional production by new competing enterprises which would have an unfair advantage if financed with Federal tax dollars.

It is regretted that any specific industries would require identification in this legislation, but it has come to my attention that the Area Redevelopment Administration is currently giving serious consideration to one or more loans in the poultry industry which would increase national productive capacity by two percent or more. Because of this fact, and because of conditions in the broiler and egg industries—both current and long run—the amendment is essential to the health of these major segments of the agricultural economy.

All available information plainly indicates that the broiler industry is threatened with an imminent danger from overabundant supply. The current increase in production casts a dangerous shadow on the year's final quarter and is expected to produce sharply reduced prices. Most noteworthy is a very recent analysis by the U.S. Department of Agriculture which accurately describes the

situation now facing the broiler industry from which I quote:

By January the broiler breeder flock will have climbed to about 12 percent above a year earlier. This expansion will create strong pressures for a substantial increase in broiler production through early 1966.

Any further buildup in hatchery supply flocks would so extend the broiler industry's production capacity in 1966 that a prolonged period of heavy production and depressed prices would be likely.

Yet in the face of this condition, the ARA is nevertheless seriously considering a loan which would increase broiler production by an additional 2 percent. This would amount to an enormous volume of 18 million more chickens annually being placed on the market, and the history of the industry demonstrates, as is the case with most meat products, that even relatively small shifts in supply produce dramatic changes in price. If private entrepreneurs choose to bring about these situations themselves, that is their business, but I do not believe that a chaotic market condition should be the result of Government financing, especially when accomplished under an act which seeks to enhance economic development and create employment.

In my view, it was never and is not now the intentment of Congress that Federal loans, grants or other financial assistance would be made available in such a manner as would cause or contribute to depressed market conditions in any industry. Such a policy could at best create minimal employment opportunities in one area while causing disemployment and unemployment of more substantial proportions in others. More important, any loan which creates an industrywide critical situation through oversupply harms not only existing producers but those who would ostensibly be assisted by the loan itself; the loan thus becomes a hollow promise and inexcusable hoax on persons and firms making counterpart investments and the very workers which the loan would appear to employ.

It should be pointed out that my amendment deals only with the special programs of financial assistance provided by S. 1648. It would not, in any way limit or affect any benefits or assistance now available under other Federal programs such as those administered by the Small Business Administration and by the Farmers' Home Loan Bank under the Farmers' Home Administration. It would protect the poultry and egg industry from federally financed competition under a program supposedly designed to alleviate depressed economic conditions.

The CHAIRMAN. Is there objection to the request by the gentleman from California?

There was no objection.

Mr. WALKER of Mississippi. Mr. Chairman, until recently I was relatively unfamiliar with the Area Redevelopment Administration and the work it does; but since about early May, I have been in close contact with this agency.

I strongly question the desirability of continuing through the proposed Economic Development Administration the work of the ARA.

In a recent meeting on a certain loan application for ARA funds, Mr. William Batt, ARA Administrator, stated that the EDA in essence would merely extend the ARA on a more permanent basis, and although he had been given no authority to do so, he was proceeding to consider loan applications under provisions of the bill that we are now discussing.

The point I would like to make is that I feel this agency could do more harm than good. At the present time, Mr. Batt and the ARA, upon counsel of the Department of Agriculture, are considering a loan of \$2.7 million for an integrated poultry complex in western Pennsylvania. If this loan is approved, it will provide Government funds to go into competition with free enterprise. This firm reportedly would employ 300 to 500 people in an area that was dropped from the distressed areas list 6 months ago—and in an area that has an unemployment rate of less than 3 percent. Also, this new poultry complex would create over 200 new poultry farms, adding production in an industry which is already in distressed condition. As late as July 22, the USDA warned that broiler prices may be heading for a sharp drop and that overproduction could cause an even greater drop in prices.

It is hard for me to understand how we can create another bureau that would in many cases use Federal funds to finance businesses which would cause severe unemployment conditions in other areas.

There is another industry with which I am familiar and which is closely aligned with the broiler industry—this is the commercial egg industry. The U.S. Department of Agriculture is currently supporting a bill which is before the Dairy and Poultry Subcommittee which would set up a marketing order limiting the production of eggs. It seems to me that if the poultry industry is in such bad shape that it needs Federal restrictions to curb production, we are certainly in no position to turn around through another agency and use Federal funds which would magnify the overproduction problem.

Mr. Chairman, this is only one of many instances where Federal funds have been used under the guise of area redevelopment, to expand industries which were already in poor positions.

I must oppose this legislation and humbly urge my colleagues to do likewise.

Mr. KEITH. Mr. Chairman, I move to strike the requisite number of words.

(Mr. KEITH asked and was given permission to revise and extend his remarks.)

Mr. KEITH. Mr. Chairman, I make this motion in order to ask a question of the chairman of the committee.

On pages 62 and 63 under the subject of area eligibility, there is in my view a question as to whether or not a community in my district would be covered under the provisions of this act.

It says that the Secretary of Labor must find that the current rate of unemployment as determined by appropriate annual statistics for the most recently available calendar year is 60 percent or

more and has averaged at least 60 percent for the qualifying period specified in paragraph (b).

Mr. Chairman, it goes on to say that there are further qualifications which with reference to the city of New Bedford are very vital to me.

It says that the Secretary of Labor must also find that the annual average rate of unemployment has been at least 50 percent above the national average for 3 of the preceding 4 calendar years. Then there are additional subparagraphs.

But, Mr. Chairman, I am not concerned with those other items. I would like to know to what average it refers when it speaks of a national average for the 3 of the preceding 4 calendar years. I will spell out the question: If we assume that in the years of 1961, 1962, 1963, and 1964 the national averages are as I have gathered them from the Department of Labor 6.7, 5.6, 5.7, and 5.2, and then if you increase them by 50 percent in order to make the comparison called for under the formula you have 10.05, 7.9, 8.55 and 7.8 percent for the years 1961 through 1964.

In those same years, the figures for the city of New Bedford are, for example, the 9.8, 7.9, 8.0 and then 8.4. If you take the year 1964 as the base year and take the New Bedford figures for the 3 or 4 years preceding that, New Bedford does qualify.

My question is: In this city of 102,000 people, with their current figure of 8.4, and a national figure of 7.8, for 1964 they qualify but they do not appear to qualify in 3 out of the 4 years if you compare 1964 with 1964, 1963 with 1963, and 1962 with 1962.

Mr. BLATNIK. I may advise the gentleman that New Bedford and other towns up there are eligible, even though they may not be under the existing or current rate. I cannot speak precisely because I do not have all of your figures in mind, but they qualify under the grandfather clause. Where eligible as of March 1965, that would continue for a year until the next annual review by the Department.

Mr. KEITH. They would qualify under the grandfather clause but what about the years in the future. My question is important to all of us, and it is simple:

In taking 50 percent above the national average, do they mean the current national average or the average for three of the preceding years?

Mr. BLATNIK. I cannot give that answer, and the gentleman knows it, I am sure. We will all know after the next annual review. We do not know now what the national unemployment figures are going to be.

Mr. CRAMER. Mr. Chairman, will the gentleman yield?

Mr. KEITH. I yield to the gentleman from Florida.

Mr. CRAMER. That is one of the most startling replies that has been given to any question yet. In other words, when you vote on this bill you do not know whether your areas are in or out of the bill, according to the gentleman from Minnesota.

Let me say what I think the answer to the gentleman's question is. I think the answer is that gentleman's community will not qualify under the criteria set forth in the bill.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. CRAMER. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, the gentleman is entitled to a reply. He has raised a serious question. His community qualifies at the national average of last year, because its unemployment rate was 50 percent above the national average for that year, but it would not qualify if the national average for the 3 preceding years are used, since those national averages were different.

So the gentleman's question is a serious one. It is my opinion his community would not qualify because you take the national average on each annual basis, and that changes each year.

Therefore, he would not qualify because he would only meet the requirements in 1 of the 4 preceding years, and not 3. I think the gentleman's question is a very sound one and one that should be answered unquestionably in the legislative history of this bill.

Mr. BLATNIK. My answer to that would be, under the grandfather clause, those areas are qualified.

Mr. CRAMER. If the gentleman asks the same question after the year period, would he qualify—that is the question.

Mr. BLATNIK. I may be speculating, but as to the grandfather clause, on March 1, 1965, for a year thereafter, the areas are qualified.

Mr. CRAMER. I think it is a very interesting situation, where the sponsor of legislation cannot tell a Member whether a city in his district is going to meet or not meet the test that has been written into this legislation, and does not even know how to interpret it.

Mr. PHILBIN. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I would like to commend the distinguished gentleman from Minnesota [Mr. BLATNIK] on the fair, able way in which he has handled this bill. I would also like to ask the gentleman a question.

On page 8 of the committee report, under the caption or title "Types of Facilities Eligible for Assistance," there is a list of the types of projects that are deemed to be eligible and another short list of types that the committee feels might not be appropriate.

I would appreciate very much if the distinguished Chairman could advise me whether, in his judgment, libraries and recreational centers for the elderly would be eligible for grants and assistance under the act.

Mr. BLATNIK. I am making a general statement now. Of course, area by area, conforming to the economic development plan for that area, and within that framework of reference, we would be able to give you a more precise answer. If these projects carry out, either directly or indirectly, the purposes of this act, to enhance and encourage and improve the capability for long term pri-

vate permanent employment, then they would be eligible.

Mr. PHILBIN. Does the gentleman believe the two projects that I mentioned; namely, libraries and recreational centers for the elderly would be eligible?

Mr. BLATNIK. Certainly, offhand—yes. Libraries could be eligible and certainly recreational areas for the aged, provided the projects otherwise meet the criteria of the bill.

Mr. PHILBIN. I thank the gentleman very much.

Mr. CLEVINGER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I had intended to do two things today. I wanted first to tell the Members of this House something about my district which is a depressed area and what it is going to gain under this bill. I also wanted to go back to my district and tell my people there something about this bill and this House. I am not going to do the latter if I do not cut short the former. Therefore, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. CLEVINGER. Mr. Chairman, I represent a district which will benefit from this act. I would like to describe some of the conditions within this district and tell the Members of the House why I think this act would be of such great benefit, not only to the people of the 11th District of Michigan, but all of America.

Let me describe the situation in the city of Sault Ste. Marie where I live. During the last 15 years, 5 out of 5 industries in Sault Ste. Marie have closed down. We had a carbide plant which closed; a tannery; a woolen mill; a lumbermill; and a ship machine shop. These closed because of technological obsolescence. They came to the Soo area around the turn of the century. They closed because they no longer provided the goods and services now required.

During the last two decades, we have seen our iron and copper mining decline. In our iron mining industry, we have had over 100 years of mining of top grade iron ore. In fact, Mr. Speaker, until the discovery of the iron ore in the north country, the future of America's economy was that to be an agrarian economy. But despite the century of mining, there is still more ore in the ground than has been mined.

Fortunately, there has been a resurgence in iron mining, even at the time mines are closing. This resurgence is due to the pelletization and beneficiation of iron ore so that low-grade ores can be economically utilized. Part of the research on pelletization is being paid for by ARA funds. Also, we have deepened the channels in the Great Lakes so that our ore carriers can carry fuller loads and thus transport the ore to the mills more economically.

In our copper mining industry, we have literally hundreds of years of mining because there is evidence of copper mining being carried on before the white man came to the north country. Yet, in

spite of all of these years of mining, only 20 percent of the copper deposits in the Upper Peninsula of Michigan have been mined.

Let me tell a tale of Government aid to an industry. In 1951, a corporation obtained a Government loan of over \$57 million. These funds were used to finance a new mining operation which used new techniques to mine what was then considered low-grade ore. This company has repaid the loan to the Government, and it now mines over one-half of the copper coming from Michigan. Since the opening of the mine, copper production has jumped from 22,000 short tons in 1952 to over 56,000 short tons in 1960. This is the type of Government aid we are talking about in this bill.

There is talk of our tourist industries, and it is an important one that has grown recently. Since the opening of the expressway system financed principally by Federal funds, the north country is within a 1-day drive of over 50 million people. Now we find that almost one-half of all the tourists traveling to and in Michigan are headed toward northern Michigan and the Upper Peninsula. Better highways within my district will help this travel to continue.

Mr. Chairman, there are two ways of reducing the unemployment rate in a distressed area: First, move men out. Second, put men to work. This act will help put men to work. Mr. Speaker, resources can be used or wasted. This act will help us use the resources of northern Michigan and prevent their waste. This act provides capital, permits cooperation among people who want to work toward economic development, and it gives the people of this great area hope for the continued development of this great part of America.

Mr. EVANS of Colorado. Mr. Chairman, will the gentleman yield?

Mr. CLEVINGER. I yield.

(Mr. EVANS of Colorado asked and was given permission to revise and extend his remarks.)

Mr. EVANS of Colorado. Mr. Chairman, the Congress now has the benefit of more than 3 years of accumulated experience under the Area Redevelopment Act to assist us in considering the Public Works and Economic Development Act of 1965. The record of the Area Redevelopment Administration on a nationwide basis is impressive. Unemployment in redevelopment areas has been dropping steadily and at a faster rate than the national average; economically depressed areas and communities have been assisted in preparing inventories of basic skills and resources which are an essential foundation to a successful search for new industry; the simple fact is that thousands of new jobs have been created under the ARA.

It is to be expected that problems with a program of such novelty and breadth should occur. The 1965 act has been drafted in light of this experience and of the problems it revealed. One example of great importance to the West and to the sound economic development of certain areas in southeastern Colorado is the regional development concept, al-

lowing planning and assistance on a multicounty or multistate basis.

In discussing past experience under the ARA it is helpful to deal with specific examples. One such example is the Stonewall Forest Products, Inc., of Trinidad, Colo.

Trinidad is an area suffering from severe economic dislocation as a result of the abrupt decline of the coal mining industry before and following World War II. It is an area where outside financial backing and technical assistance is essential to reverse the trend of steady economic deterioration. Once this trend is reversed it is clear that private enterprise can do the great bulk of the job of economic recovery.

Stonewall Forest Products was established at a total cost of \$585,000. It now provides some 70 jobs in the sawmill and the surrounding areas. It is an important element in the effort to diversify the economy of the Trinidad area formally dependent on coal mining alone.

The \$380,250 ARA industrial loan provided basic financing of the enterprise. This loan is repayable within a 17-year period and bears an annual interest rate of 4 percent. A local economic support entity, Community Enterprises of Trinidad, has provided \$58,500 to the company. The membership of this group is very broad and includes the bulk of the local business community. This is a clear recognition of the importance of such an economic development effort to all elements of the Trinidad community. The support of these local businessmen was well placed: one investor was an auto dealer who contributed \$1,000. Within the next few weeks sales of automobiles to the company had already returned the amount of his initial investment.

Equally important is the fact that local residents formerly unemployed or not holding steady jobs are now receiving a steady income and a chance to break away from the impending cycle of welfare, unemployment, and inadequate training.

Additional investment has been provided by a joint loan from the First National Bank of Trinidad and the Trinidad National Bank to the amount of \$61,500. The applicant himself supplied \$84,750 and came into the enterprise with a substantial amount of personal experience in the lumbering business obtained in California and Washington.

Stonewall Forest Products, Inc., is a going business in a city that 4 years ago had no such enterprise and little hope of receiving it. It is one of the numerous examples of the success in practice of the ARA concept and program.

Mr. HORTON. Mr. Chairman, I move to strike out the last word.

(Mr. HORTON asked and was given permission to revise and extend his remarks.)

Mr. HORTON. Mr. Chairman, I recommend approval of the Public Works and Economic Development Act of 1965 because it will continue the work of two Federal programs that have accomplished a good deal during their short lives, but leave a good deal more to be done. I refer to the accelerated

public works program and the area redevelopment program. The first used \$850 million to speed up 7,700 needed public facility projects throughout the Nation, an amount equal to the matching funds supplied by the local communities and the States. On the construction work, a million man-hours of employment was generated, and most of the projects have probably opened up, directly and indirectly, thousands of permanent jobs, because most of the public works that were accelerated and assisted made their communities better places to live and work and thereby more attractive to industry.

In addition to public works grants, S. 1648, the EDA package, includes public facility loans, private commercial and industrial loans, technical assistance grants and contracts, and long-term assistance for economic development districts and regions.

Federal aid is needed for the hundreds of disadvantaged areas in the country, as well as those faced with the loss of an industry upon which their economic well-being depends. Recently the village of Clyde, N.Y.—in Wayne County, which I represent—learned that the General Electric plant there would soon close down. Production will be consolidated in other GE plants, including the one at nearby Auburn, where 150 Clyde employees can be transferred and absorbed. But out of a total payroll of 450, that still leaves 300 workers without jobs. Obviously, the only practical way to get them working again is to find a new tenant for the GE plant, which is being phased out rapidly.

Bill Batt and his Area Redevelopment Administration were prompt to respond to my call for help. A Presidential task force was set up, consisting of representatives of ARA and of the Department of Labor. They came to Clyde and conferred with officials of the town and of General Electric, and with me, in order to explore every practical means of filling the alarming employment gap.

Only a couple of weeks ago, Bill Batt made a personal visit to Clyde, where he announced that he had just approved a technical assistance project that will send in a team of experienced business consultants to carry on the work of getting not only a new manufacturer into the vacant GE plant but other new industry into Wayne County as well.

I am personally convinced that it is in our best interests, local as well as national, to support the continuation of such valuable programs as these, by enacting S. 1648.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

TITLE VI—ADMINISTRATION

SEC. 601. (a) The Secretary shall administer this Act and, with the assistance of an Assistant Secretary of Commerce, in addition to those already provided for, shall supervise and direct the Administrator created herein, and coordinate the Federal cochairmen appointed heretofore or subsequent to this Act. The Assistant Secretary created by this section shall be appointed by the President by and with the advice and consent of the Senate and shall be compensated at the rate provided for level IV of the Federal

Executive Salary Schedule. Such Assistant Secretary shall perform such functions as the Secretary may prescribe. There shall be appointed by the President, by and with the advice and consent of the Senate, an Administrator for Economic Development who shall be compensated at the rate provided for level V of the Federal Executive Salary Schedule who shall perform such duties as are assigned by the Secretary.

(b) Paragraph (12) of subsection (d) of section 303 of the Federal Executive Salary Act of 1964 is amended by striking out "(4)" and inserting in lieu thereof "(5)".

(c) Subsection (e) of section 303 of the Federal Executive Salary Act of 1964 is amended by adding at the end thereof the following new paragraph:

"(100) Administrator for Economic Development."

Advisory Committee on Regional Economic Development

SEC. 602. The Secretary shall appoint a National Public Advisory Committee on Regional Economic Development which shall consist of twenty-five members and shall be composed of representatives of labor, management, agriculture, State and local governments, and the public in general. From the members appointed to such Committee the Secretary shall designate a Chairman. Such Committee, or any duly established subcommittee thereof, shall from time to time make recommendations to the Secretary relative to the carrying out of his duties under this Act. Such Committee shall hold not less than two meetings during each calendar year.

Consultation with other persons and agencies

SEC. 603 (a) The Secretary is authorized from time to time to call together and confer with any persons, including representatives of labor, management, agriculture, and government, who can assist in meeting the problems of area and regional unemployment or underemployment.

(b) The Secretary may make provision for such consultation with interested departments and agencies as he may deem appropriate in the performance of the functions vested in him by this Act.

Mr. BLATNIK (interrupting the reading). Mr. Chairman, I ask unanimous consent that title VI be considered as read and open for amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. OLSEN of Montana. Mr. Chairman, I move to strike the requisite number of words.

I should like to direct a question to the manager of the bill, the gentleman from Minnesota [Mr. BLATNIK].

I refer to page 116 of the bill, section 703(e), and I read:

No financial assistance authorized under this Act shall be used to finance the cost of facilities for the generation, transmission, or distribution of electric energy, except on projects specifically authorized by the Congress, or to finance the cost of facilities for the production or transmission of gas (natural, manufactured, or mixed).

Then, comparing that language with the report, page 8, in the section entitled "Competition with privately owned utilities," which states, and I quote:

Language is provided under sections 101 (e), 201(d), and 703(e) which would prevent the act from being used for purposes which would compete with an existing private utility subject to State or Federal regulation.

The Secretary would, in fact, be prohibited from financing the cost of facilities for the production, generation or transmission of gas or electrical energy, or for the distribution of electrical energy. The language of the bill does not prohibit financing facilities for gas distribution which do not compete with existing utilities, because the committee recognizes that assistance may be required for local communities to undertake the extension of short line distribution gas to industrial sites. These provisions are intended to prevent the approval of projects which would compete with privately owned utilities, and the committee is confident that the Secretary of Commerce will administer the proposed act in a manner which will insure that the intended effect will be realized.

Sections 101(c) and 201(d) are virtually identical and spell out what is obviously the committee's intent in this regard, that is:

Except for projects specifically authorized by Congress, no financial assistance shall be extended under this section with respect to any public service or development facility which would compete with an existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State or Federal regulatory body, unless the State or Federal regulatory body determines that in the area to be served by the facility for which the financial assistance is to be extended there is a need for an increase in such service (taking into consideration reasonably foreseeable future needs) which the existing public utility is not able to meet through its existing facilities or through an expansion which it agrees to undertake.

However, the language of section 703 (e), if interpreted literally, would seem to preclude funds under this act from being used to develop new sources of fuel. As my colleague knows, with the rapidly increasing population in the West and on the west coast, there is an urgent need for the development of new sources of fuel gas. I would hope that the language of the report is legislative history and I wonder if you would confirm that the legislative history and the intent of Congress is that these sections of the act, including section 703(e), have specific reference only to the use of funds authorized by the act being used to finance enterprises that would constitute public utilities which would compete with similar existing facilities.

Mr. BLATNIK. Mr. Chairman, the gentleman's question refers to page 116, lines 7 to 12, which is a prohibition of the use of any of these funds for projects in the utility field such as gas and electricity which compete with privately owned utilities. However, it is understood and intended by the committee, as explained in the committee report on page 8, that this prohibition of competing with private utilities would not preclude a local municipality or area redevelopment organization or unit from extending short distances, where it might be required, a gasline or an electric powerline to an industrial park.

Mr. OLSEN of Montana. I thank the gentleman.

(Mr. OLSEN of Montana asked and was given permission to revise and extend his remarks.)

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

TITLE VII—MISCELLANEOUS

Powers of Secretary

SEC. 701. In performing his duties under this Act, the Secretary is authorized to—

(1) adopt, alter, and use a seal, which shall be judicially noticed;

(2) hold such hearings, sit and act at such times and places, and take such testimony, as he may deem advisable;

(3) request directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics needed to carry out the purposes of this Act; and each department, bureau, agency, board, commission, office, establishment or instrumentality is authorized to furnish such information, suggestions, estimates, and statistics directly to the Secretary;

(4) under regulations prescribed by him, assign or sell at public or private sale, or otherwise dispose of for cash or credit, in his discretion and upon such terms and conditions and for such consideration as he shall determine to be reasonable, any evidence of debt, contract, claim, personal property, or security assigned to or held by him in connection with loans made or evidences of indebtedness purchased under this Act, and collect or compromise all obligations assigned to or held by him in connection with such loans or evidences of indebtedness until such time as such obligations may be referred to the Attorney General for suit or collection;

(5) further extend the maturity of or renew any loan made or evidence of indebtedness purchased under this Act, beyond the periods stated in such loan or evidence of indebtedness or in this Act, for additional periods not to exceed ten years, if such extension or renewal will aid in the orderly liquidation of such loan or evidence of indebtedness;

(6) deal with, complete, renovate, improve, modernize, insure, rent, or sell for cash or credit, upon such terms and conditions and for such consideration as he shall determine to be reasonable, any real or personal property conveyed to, or otherwise acquired by, him in connection with loans made or evidences of indebtedness purchased under this Act;

(7) pursue to final collection, by way of compromise or other administrative action, prior to reference to the Attorney General, all claims against third parties assigned to him in connection with loans made or evidences of indebtedness purchased under this Act. This shall include authority to obtain deficiency judgments or otherwise in the case of mortgages assigned to the Secretary. Section 3709 of the Revised Statutes, as amended (41 U.S.C. 5), shall not apply to any contract of hazard insurance or to any purchase or contract for services or supplies on account of property obtained by the Secretary as a result of loans made or evidences of indebtedness purchased under this Act if the premium therefor or the amount thereof does not exceed \$1,000. The power to convey and to execute, in the name of the Secretary, deeds of conveyance, deeds of release, assignments and satisfactions of mortgages, and any other written instrument relating to real or personal property or any interest therein acquired by the Secretary pursuant to the provisions of this Act may be exercised by the Secretary or by any officer or agent appointed by him for that purpose without the execution of any express delegation of power or power of attorney;

(8) acquire, in any lawful manner, any property (real, personal, or mixed, tangible or intangible), whenever deemed necessary or appropriate to the conduct of the activities authorized in sections 201, 202, 301, 403, and 503 of this Act;

(9) in addition to any powers, functions, privileges, and immunities otherwise vested in him, take any and all actions, including

the procurement of the services of attorneys by contract, determined by him to be necessary or desirable in making, purchasing, servicing, compromising, modifying, liquidating, or otherwise administratively dealing with or realizing on loans made or evidences of indebtedness purchased under this Act;

(10) employ experts and consultants or organizations therefor as authorized by section 15 of the Administrative Expenses Act of 1946 (5 U.S.C. 55a), compensate individuals so employed at rates not in excess of \$100 per diem, including travel time, and allow them, while away from their homes or regular places of business, travel expenses (including per diem in lieu of subsistence) as authorized by section 5 of such Act (5 U.S.C. 73b-2) for persons in the Government service employed intermittently, while so employed: *Provided, however,* That contracts for such employment may be renewed annually;

(11) sue and be sued in any court of record of a State having general jurisdiction or in any United States district court, and jurisdiction is conferred upon such district court to determine such controversies without regard to the amount in controversy; but no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against the Secretary or his property. Nothing herein shall be construed to except the activities under this Act from the application of sections 507(b) and 2679 of title 28, United States Code, and of section 367 of the Revised Statutes (5 U.S.C. 316); and

(12) establish such rules, regulations, and procedures as he may deem appropriate in carrying out the provisions of this Act.

Saving provisions

SEC. 702. (a) No suit, action, or other proceeding lawfully commenced by or against the Administrator or any other officer of the Area Redevelopment Administration in his official capacity or in relation to the discharge of his official duties under the Area Redevelopment Act, shall abate by reason of the taking effect of the provisions of this Act, but the court may, on motion or supplemental petition filed at any time within twelve months after such taking effect, showing a necessity for the survival of such suit, action, or other proceeding to obtain a settlement of the questions involved, allow the same to be maintained by or against the Secretary or the Administrator or such other officer of the Department of Commerce as may be appropriate.

(b) Except as may be otherwise expressly provided in this Act, all powers and authorities conferred by this Act shall be cumulative and additional to and not in derogation of any powers and authorities otherwise existing. All rules, regulations, orders, authorizations, delegations, or other actions duly issued, made, or taken by or pursuant to applicable law, prior to the effective date of this Act, by any agency, officer, or office pertaining to any functions, powers, and duties under the Area Redevelopment Act shall continue in full force and effect after the effective date of this Act until modified or rescinded by the Secretary or such other officer of the Department of Commerce as, in accordance with applicable law, may be appropriate.

Transfer of functions, effective date, and limitations on assistance

SEC. 703. (a) The functions, powers, duties, and authorities and the assets, funds, contracts, loans, liabilities, commitments, authorizations, allocations, and records which are vested in or authorized to be transferred to the Secretary of the Treasury under section 29(b) of the Area Redevelopment Act, and all functions, powers, duties, and authorities under section 29(c) of the Area Redevelopment Act are hereby vested in the Secretary.

(b) The President may designate a person to act as Administrator under this Act until the office is filled as provided in this Act or until the expiration of the first period of sixty days following the effective date of this Act, whichever shall first occur. While so acting such person shall receive compensation at the rate provided by this Act for such office.

(c) The provisions of this Act shall take effect upon enactment unless herein explicitly otherwise provided.

(d) Notwithstanding any requirements of this Act relating to the eligibility of areas, projects for which applications are pending before the Area Redevelopment Administration on the effective date of this Act shall for a period of one year thereafter be eligible for consideration by the Secretary for such assistance under the provisions of this Act as he may determine to be appropriate.

(e) No financial assistance authorized under this Act shall be used to finance the cost of facilities for the generation, transmission, or distribution of electric energy, except on projects specifically authorized by the Congress, or to finance the cost of facilities for the production or transmission of gas (natural, manufactured, or mixed).

Separability

SEC. 704. Notwithstanding any other evidence of the intent of Congress, it is hereby declared to be the intent of Congress that if any provision of this Act or the application thereof to any persons or circumstances shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this Act or its application to other persons and circumstances, but shall be confined in its operation to the provision of this Act or the application thereof to the persons and circumstances directly involved in the controversy in which such judgment shall have been rendered.

Application of act

SEC. 705. As used in this Act, the terms "State", "States", and "United States" include the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.

Annual report

SEC. 706. The Secretary shall make a comprehensive and detailed annual report to the Congress of his operations under this Act for each fiscal year beginning with the fiscal year ending June 30, 1966. Such report shall be printed and shall be transmitted to the Congress not later than January 3 of the year following the fiscal year with respect to which such report is made.

Use of other facilities

SEC. 707. (a) The Secretary is authorized to delegate to the heads of other departments and agencies of the Federal Government any of the Secretary's functions, powers, and duties under this Act as he may deem appropriate, and to authorize the re-delegation of such functions, powers, and duties by the heads of such departments and agencies.

(b) Departments and agencies of the Federal Government shall exercise their powers, duties, and functions in such manner as will assist in carrying out the objectives of this Act.

(c) Funds authorized to be appropriated under this Act may be transferred between departments and agencies of the Government, if such funds are used for the purposes for which they are specifically authorized and appropriated.

Appropriation

SEC. 708. There are hereby authorized to be appropriated such sums as may be necessary to carry out those provisions of the Act for which specific authority for appropri-

ations is not otherwise provided in this Act. Appropriations authorized under this Act shall remain available until expended unless otherwise provided by appropriations Acts.

Penalties

SEC. 709. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any financial assistance under sections 101, 201, 202, or 403 or any extension thereof by renewal, deferment or action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the Secretary, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

(b) Whoever, being connected in any capacity with the Secretary, in the administration of this Act (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to him or pledged or otherwise entrusted to him, or (2) with intent to defraud the Secretary or any other body politic or corporate, or any individual, or to deceive any officer, auditor, or examiner, makes any false entry in any book, report, or statement of or to the Secretary, or without being duly authorized draws any order or issues, puts forth, or assigns any note, debenture, bond, or other obligation, or draft, bill of exchange, mortgage, judgment, or decree thereof, or (3) with intent to defraud participates or shares in or receives directly or indirectly any money, profit, property, or benefit through any transaction, loan, grant, commission, contract, or any other act of the Secretary, or (4) gives any unauthorized information concerning any future action or plan of the Secretary which might affect the value of securities, or having such knowledge invests or speculates, directly or indirectly, in the securities or property of any company or corporation receiving loans, grants, or other assistance from the Secretary, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

Employment of expeditors and administrative employees

SEC. 710. No financial assistance shall be extended by the Secretary under sections 101, 201, 202, or 403 to any business enterprise unless the owners, partners, or officers of such business enterprise (1) certify to the Secretary the names of any attorneys, agents, and other persons engaged by or on behalf of such business enterprise for the purpose of expediting applications made to the Secretary for assistance of any sort, under this Act, and the fees paid or to be paid to any such person; and (2) execute an agreement binding such business enterprise, for a period of two years after such assistance is rendered by the Secretary to such business enterprise, to refrain from employing, tendering any office or employment to, or retaining for professional services, any person who, on the date such assistance or any part thereof was rendered, or within one year prior thereto, shall have served as an officer, attorney, agent, or employee, occupying a position or engaging in activities which the Secretary shall have determined involve discretion with respect to the granting of assistance under this Act.

Prevailing rate of wage and forty-hour week

SEC. 711. All laborers and mechanics employed by contractors or subcontractors on projects assisted by the Secretary under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5).

The Secretary shall not extend any financial assistance under section 101, 201, 202, or 403 for such a project without first obtaining adequate assurance that these labor standards will be maintained upon the construction work. The Secretary of Labor shall have, with respect to the labor standards specified in this provision, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 133z-15), and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c).

Record of applications

SEC. 712. The Secretary shall maintain as a permanent part of the records of the Department of Commerce a list of applications approved for financial assistance under section 101, 201, 202, or 403, which shall be kept available for public inspection during the regular business hours of the Department of Commerce. The following information shall be posted in such list as soon as each application is approved; (1) the name of the applicant and, in the case of corporate applications, the names of the officers and directors thereof, (2) the amount and duration of the loan or grant for which application is made, (3) the purposes for which the proceeds of the loan or grant are to be used, and (4) a general description of the security offered in the case of a loan.

Records and audit

SEC. 713. (a) Each recipient of assistance under this Act shall keep such records as the Secretary shall prescribe, including records which fully disclose the amount and the disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance is given or used, and the amount and nature of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient that are pertinent to assistance received under this Act.

Conforming amendment

SEC. 714. All benefits heretofore specifically made available (and not subsequently revoked) under other Federal programs to persons or to public or private organizations, corporations, or entities in areas designated by the Secretary as "redevelopment areas" under section 5 of the Area Redevelopment Act, are hereby also extended, insofar as practicable, to such areas as may be designated as "redevelopment areas" or "economic development centers" under the authority of section 401 or 403 of this Act: *Provided, however*, That this section shall not be construed as limiting such administrative discretion as may have been conferred under any other law.

SEC. 715. All financial and technical assistance authorized under this Act shall be in addition to any Federal assistance previously authorized, and no provision hereof shall be construed as authorizing or permitting any reduction or diminution in the proportional amount of Federal assistance to which any State or other entity eligible under this Act would otherwise be entitled under the provisions of any other Act.

Mr. BLATNIK (interrupting the reading). Mr. Chairman, I ask unanimous consent that title VII be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

AMENDMENT OFFERED BY MR. CLEVELAND

Mr. CLEVELAND. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CLEVELAND: On page 113, following line 17, insert the following new section:

"PREVENTION OF UNFAIR COMPETITION"

"SEC. 702. No financial assistance under this Act shall be extended to any project when the result would be to increase the production of goods, materials, or commodities, or the availability of services or facilities, when there is not sufficient demand for such goods, material, commodities, services, or facilities, to employ the efficient capacity of existing commercial or industrial enterprises."

And renumber succeeding sections and references thereto accordingly.

Mr. CLEVELAND (interrupting the reading). Mr. Chairman, I ask unanimous consent that further reading of the amendment be dispensed with and that it be printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from New Hampshire?

There was no objection.

Mr. CLEVELAND. Mr. Chairman, I share with many people here a desire to conclude debate on this legislation and to conclude our deliberations for the week at the earliest possible time. This is an important amendment, however, and I urge your careful attention to it.

The amendment is written in its entirety on page 59 of the report on this bill. I would appreciate it, Mr. Chairman, if the members of the committee would take the time and trouble to scan the amendment as it appears on page 59 and to read my brief remarks in support of the amendment.

This is probably one of the most constructive amendments offered here today. Generally speaking, this amendment would prevent the incredible situation which arises when the ARA lends money to establish a business which is going to create goods and services that are already in oversupply.

This amendment comes from hard experience in my own district.

This comes directly from the experience I have had in New Hampshire. When shoeshops in New England and New Hampshire were closing, we read that ARA funds were building shoeshops in rural Indiana. Not only were they creating more shoes at a time of bad oversupply, but they were creating jobs in an unorganized labor market and in a low wage labor market in direct competition with New England labor. This is but one of many examples. Hardwood plywood plants were being built with ARA money at a time when we had an oversupply of it. The same is true in the pulp and paper industry.

This amendment is simple. It will prevent this type of shocking misuse of the taxpayers' funds. It is my understanding that a perfecting amendment and an improving amendment will be offered by the gentleman from New York [Mr. McCARTHY]. I can say that I approve of his amendment because it improves my amendment.

Mr. BLATNIK. Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto cease in 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

AMENDMENT OFFERED BY MR. McCARTHY TO THE AMENDMENT OFFERED BY MR. CLEVELAND

Mr. McCARTHY. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. McCARTHY to the amendment offered by Mr. CLEVELAND: In the new section 702 proposed to be inserted, strike out "existing commercial or industrial enterprises" and insert in lieu thereof "existing competitive commercial or industrial enterprises."

Mr. McCARTHY. Mr. Chairman, I ask the indulgence of the Members.

As a member of the subcommittee who sat for many weeks on this bill, I would not be offering this amendment if I were not convinced that it is necessary. This narrows the Cleveland amendment. What it would do in effect is prohibit the ARA from coming in and loaning money to set up a new company to compete directly in the same market area with an established company in the same line of business. This is against their policy, they tell me. I said, "Why do you not accept my amendment, then?" They said it would tie their hands. But they come in in the shoe industry, in the paper industry, and in the particle board industry and the gypsum industry where I had firsthand knowledge of it and do this. There were six gypsum plants out in the southwestern part of the United States. They were not getting enough business and they needed a new gypsum plant out there like they needed a hole in the head. Well, what did the ARA come in and do? They did not put one new gypsum plant there but they put two new gypsum plants there. Now they are working 3 days a week and most of them are in the red. I suggest this is not a liberal or a conservative matter but is a matter of woollyheadedness, of people taking tax dollars from one company which does not have enough business and turning around and giving it to another company to set them up in direct competition with the other company. I think it is absolutely woollyheaded and is the kind of thing that hurts the Democratic Party more than anything else. There is nothing, nothing, that drives a businessman more to apoplexy than that.

The CHAIRMAN. The Chair recognizes the gentleman from Massachusetts [Mr. BOLAND].

Mr. BOLAND. Mr. Chairman, I am rather surprised at the distinguished, the amiable, and capable gentleman from Minnesota because he does not accept this amendment. I think the amendment ought to be accepted. Let us not kid ourselves. The people who are administering this law downtown could care little about the amendment. They are willing to grant these loans to any place, anywhere in the Nation. All this does, this amendment offered by the gentleman from New Hampshire [Mr. CLEVELAND],

and perfected by the gentleman from New York [Mr. McCARTHY], is tighten up this law. We are given the ARA a lot of personnel to make marketing analyses of the particular products assembled and manufactured by industries looking for loans. The gentleman from New Hampshire cited three or four instances concerning his area. I could cite a number of instances concerning Wisconsin, New York, California, Massachusetts, and other areas in the United States. All this amendment does is to say to the ARA Administrator that we are not going to permit you to give loans to an industry that is going to manufacture a product that is now in oversupply. That is all we are doing. This would seem to me to be a sensible amendment, and I am amazed that it is not accepted by the Committee. It ought to be. It is a good amendment. It protects industry in your area and ought to be adopted by this Committee.

The CHAIRMAN. The question is on the amendment to the amendment as offered by the gentleman from New York.

The amendment to the amendment was agreed to.

The CHAIRMAN. The question is on the amendment as amended.

The amendment as amended was agreed to.

AMENDMENT OFFERED BY MR. SAYLOR

Mr. SAYLOR. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SAYLOR: On page 123, after line 7, add the following new section:

"SEC. 715. Any moneys available under authority of this Act to be used, directly or indirectly, for the construction, reconstruction, alteration or improvement of any facility, or for the purchase, repair or improvement of any equipment, shall be expended for such purposes subject to the condition that there shall be purchased for use in such construction, reconstruction, alteration, repair or improvement only articles, materials and supplies manufactured in the United States substantially all from articles, materials, or supplies produced or manufactured, as the case may be, in the United States, except in the case of any such manufactured article, material, or supply where the price thereof exceeds by 50 per centum or more the bid or offered price of a comparable manufactured article, material, or supply of foreign origin (including applicable duty and all costs incurred after arrival in the United States)."

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. SAYLOR. I yield.

Mr. GROSS. The amendment is an excellent one. The minority accepts it.

Mr. SAYLOR. Mr. Chairman, if you will notice, the report on this bill states that:

The general purpose of S. 1648 is to provide a comprehensive program of Federal assistance to help provide more jobs and higher incomes for people who live in areas where jobs are scarce or incomes are low.

Already this year a great many bills have been introduced in the House and Senate for the express purpose of holding down the volume of imported goods competitive with American production.

My amendment serves to meet this intent, though it is in no way open to criticism by either our State Department or representatives of other nations involved in trade and tariff agreements with the United States.

Use of funds available under the Public Works and Economic Development Act for purchase of materials made outside the United States would be just as foreign to the intent of the legislation as the use of these funds for providing employment of aliens in their native countries. Without my amendment it would actually be possible for projects to involve vast expenditures from which American workers would share only to a minimum degree.

I need only remind you that the Tennessee Valley Authority, Bonneville Power Administration, and other publicly created agencies have made a specialty of buying generators, turbines, and steel for transmission towers from companies located outside the United States. In the absence of a prohibition against such practices, what chance has the American steelworker and electrical worker in any program supposedly designed to boost the economy of areas in this country?

If there is any question about the propriety of confining purchases of materials for public works to the manufacturers of this country, then I suggest that careful perusal be made of the documented study on policies and practices of foreign governments in the purchase of materials for public works. I published that extensive study in the CONGRESSIONAL RECORD earlier this year, and I should be glad to make copies available to interested parties.

If Congress is going to make Federal funds available to boost the economy of areas in this country, then certainly expenditures should be confined to this country. We should follow a rigid policy of buying only home-made materials for public works. After all, what are we trying to do but help our districts.

The very basic purpose of this bill is to help Americans. My amendment is simply known as the buy-American amendment. All it does is say to any community that is going to use these funds, "If you are going to provide jobs in America use American products."

I have heard some members of the committee say they would like to accept this amendment but it seems that this bill does not involve very much money. This bill, with the amendment calling for \$100 million additional a year that has been adopted, comes to approximately \$760 million a year over and above administrative expense. Over a 5-year period that is \$3.8 billion. If the people on the Democratic side of the aisle say they are interested in America and interested in jobs for Americans, then there should be no reason why this amendment should not be adopted. Are you really interested in taking care of the people of this country or are you just putting this up as a sham?

How does it come that the departments downtown, particularly the State Department, do not like the buy-American amendment? What is wrong with the American workingman?

What is wrong with the products that are being produced in this country? If you are going to try and help people and spend \$3.8 billion over a 5-year period in public works and ARA, do it by requiring the communities which are going to receive the benefit of this money to turn around and spend that money in America.

Now, Mr. Chairman, this amendment must be good because everyone downtown does not like it. The entire Democratic leadership in the House is against it. They do not like a "buy American amendment."

Well, Mr. Chairman, I happen to be one of those who was born in this country. I am proud of the fact that I was born in this country.

I have the honor to represent an area that has received a great deal of benefit out of the predecessors of this bill and all I can tell you is that the laboring men in my district, the men who work in the steel mills, would like to see, if we are going to spend \$3.8 billion in this country on this bill, that they be allowed to produce the steel that is going to be used in these projects to make this country of ours a better country. I offered this amendment not at 100 percent but at a 50-percent differential. Representatives of the steel mills located in my district have said to me, "at that figure we can produce and compete with labor anywhere in the world in the production of steel."

The people who make the bricks and the people who make the tile that are going to be used in the sewer projects say they can compete with anybody in the world with a 50-percent differential, provided it is based upon the delivered product in this country.

Mr. Chairman, since I have made a very exhaustive study of what other countries do in matters like this, I will include, as a part of my remarks, a summary of the laws in other countries that are a great deal more stringent than my amendment. They cover purchases by countries or cities or municipal subdivisions in those countries.

My amendment ties the funds in the proposed act exclusively to American workers and products.

I urge the support of my colleagues.

I am concerned, as are all Americans, with our Government's monetary and economic policies. Today, the two most persistent economic problems facing the United States are our unfavorable balance of payments and unemployment.

While our present unemployment level is acute, should there be a downturn in the economy, this situation would become critical. Pennsylvania had 233,000 persons unemployed during March. The Nation as a whole had 3,740,000 persons out of work during the same period. We are faced with an inescapable and unavoidable responsibility to provide employment for these unfortunate fellow citizens. The Appalachian program, the Manpower Training and Development Act, the antipoverty programs and other proposals are splendid ideas and promise dividends in higher employment, but we must be relentless in our fight to

create more work for our labor forces. The President's economic report for 1965 calls unemployment "the greatest test now confronting our general economic and manpower policies." I submit that Congress should continue to support measures which provide that moneys expended by this administration will be used for the benefit of the people of this country.

The balance-of-payment deficit and the outflow of gold poses far more complex problems in that internal actions alone cannot eliminate this deficit but could reduce it substantially. In the main our trade and tariff policies have been formulated to coincide with our foreign policy requirements rather than considered in conjunction with our current unemployment problems.

This country is committed to efforts to end our balance-of-payments deficits, and I would remind my colleagues that this administration pledged itself to eliminate this deficit. Congress has been asked to enact various measures to strengthen our checks on foreign use of U.S. capital markets. The Secretary of the Treasury has been asked to enroll our banking community in a major effort to limit lending abroad. American industry has been requested to limit direct investments in foreign countries. The Department of Defense and the Agency for International Development have been directed to cut oversea spending to the bone. Finally, our citizens have been encouraged to "see America first."

Whether these various measures will be adequate is not yet determined, but it is clear to me that we should carefully analyze our trade policies and the policies of other nations in their entirety if we are to rectify these pressing problems. It is the nontariff barriers imposed by other nations that have in great measure contributed to our present balance-of-payments deficit.

Let me make my position clear. I am not blind to the need for dealings with the other trading nations of the world, but I ask that we keep in mind the fact that we are beset with acute problems that are directly related to our foreign spending policies.

If we are to maintain our economic and military commitments to other nations with the attendant gold outflow, we should at the minimum be afforded reciprocity by foreign governments in the field of public procurement policies.

Mr. Chairman, am I to understand that our Nation is to be committed to correcting our international balance of payments on the one hand while, on the other, we are to permit Federal contracts to be awarded to foreign concerns? This possibility especially concerns me when I consider that the major trading countries of the world discriminate against foreign industry in favor of their domestic concerns.

I submit that the individual taxpayer has a right to ask that his Government buy domestic products because that taxpayer has contributed his money toward procurement of those services and supplies. Purchases from domestic concerns are sound and logical from an economic viewpoint if all factors are considered.

For example, a Government agency recently procured some supplies from a foreign supplier at a cost of \$500,000 and contended that it had saved the Government approximately \$100,000. A careful analysis of this procurement would have disclosed that such a savings was not, in fact, achieved by our Government. If the procurement had been made from a domestic concern, a considerable percentage of the money involved would have been used to pay local, State, and Federal taxes. Additional tax revenue would have been achieved from the necessary procurement of raw materials necessary to produce the manufactured products desired by the agency. Further, the workers necessarily employed to produce the raw materials and the manufactured items would have received several hundreds of thousands of dollars in wages, part of which would have been applied to their social security funds, pensions, payroll taxes, along with a corresponding decrease in unemployment compensation that many otherwise received.

One major domestic industry has recently estimated that at least 30 percent of every dollar collected from the sale of the product involved eventually goes—through corporate, personal, property, and sales taxes—to Federal, State, and local taxing bodies.

Mr. Chairman, advocates of free trade may label my case for domestic preference of public supply and public works contracts as an attempt to return to the days of isolationism and protectionism. Domestic preference is neither isolationism nor protectionism. As a matter of fact, it is the accepted way of transacting public business in almost every major trading country in the world. For example, in a recent staff study made by the U.S. Bureau of the Budget, the following statement concerning foreign procurement policies of the members of the Organization for Economic Cooperation and Development—OECD—is made:

The State Department has obtained reports from U.S. embassies on the foreign procurement policies of all OECD countries which indicate that * * * various practices hamper or restrict the opportunities of foreign firms to compete for Government contracts.

The study further states:

Practices which limit the opportunity to compete for Government contracts include such things as * * * exclusive preference to domestic firms; regulations which preclude foreign bidding on Government contract.

In summary, few other countries have defined their "buy national" policies as publicly as the United States, but widespread administrative discretion generally permits them to show preference for domestic firms.

Mr. Chairman, at the time the Bureau of the Budget staff study was made, a complete compilation of domestic preference laws and regulations of the major world trading companies was not available. However, such a compilation is now available. I shall introduce beginning today for inclusion into the CONGRESSIONAL RECORD a two-volume report, prepared by Joseph W. Marlow, associated with Cravath, Swaine & Moore of New York City, which report substantiates the fact that the major world trading coun-

tries, such as Japan, France, Italy, Canada, the United Kingdom, and some 27 others do, in fact, favor their domestic concerns to the almost complete exclusion of U.S. products.

The report that I shall institute cites chapter, page, and verse from the laws and regulations of these major trading countries, proving that a domestic preference program exists in each one of these countries.

I submit that the policy of domestic preference pursued by these major trading countries is a sound and logical policy. The United States must be as wise as these countries have been and recognize that domestic preference is good for the country and its citizens.

Japan, for example, has recently recognized that domestic preference does, in fact, benefit the nation. On September 20, 1963, the Japanese Cabinet issued a "Buy Japan" decision, justified in part as follows:

In order for the Japanese economy to attain growth at the rate expected by the Government, the Government should take the lead in carrying out such measures as are within its jurisdiction to take, while keeping the international payments in balance, and at the same time voluntary cooperation should be expected from the industrial and financial circles.

It is therefore decided that correct evaluation for domestic products * * * be established and that effort be made to encourage the use of domestic products by the Government and Government agencies, in order to prevent the outflow of foreign exchange through unnecessary imports and to promote the domestic industries.

Our Nation, with its similar problems, must be equally as wise and recognize that domestic preference is in the Nation's best interests.

In summary, Mr. Chairman, I submit that public procurement of foreign supplies and services should be held to an absolute minimum. My daily remarks will prove that such action would be in step with the practices and policies of the major world trading countries. Such action would also be compatible with our national interests regarding balance of payments, gold reserves, employment, and real net cost.

I produce this material not to castigate or condemn our foreign friends, but only to demonstrate that it is unorthodox as well as idiotic for our own Government to spend public funds for materials that, if supplied by domestic producers, would provide employment for Americans, bring taxes into all levels of government, and improve our balance-of-payments position. In the midst of our current make-work programs, how can we justify buying materials from alien sources to the exclusion of U.S. industry and labor?

The one justifiable alternative to the policies and practices of foreign governments described in the following study is for our own Government to buy from producers and suppliers in the United States—not as a retaliatory move but only as the reasonable answer to America's unemployment and balance-of-payments problems.

INTRODUCTION

In a staff study on the "Foreign Procurement of the United States Government"

made in 1963 (and released in April 1964),¹ the United States Bureau of the Budget made the following statement (at page 24) concerning the foreign procurement policies of other members of the Organization for Economic Cooperation and Development (OECD):

"G. Foreign Procurement Policies of other OECD Governments.

"The State Department has obtained reports from United States embassies on the foreign procurement policies of all OECD countries which indicate that a majority of them do not have legislation covering foreign procurement by government agencies and that in practice procuring agencies have broad administrative discretion in all phases of procurement. Also, procurement decisions are not infrequently handled on the basis of unpublished internal administrative orders. In general, it appears that various practices hamper or restrict the opportunities of foreign firms to compete for government contracts.

"Practices which limit the opportunity to compete for government contracts include such things as little or no advance publicity regarding planned government procurement; exclusive preference to domestic firms; regulations which preclude foreign bidding on government contracts; cumbersome administrative or excessive bonding requirements. In some cases bids are open to foreign firms only when domestic sources are unable to meet specifications or supply desired products; in others, bulk supply agreements between government agencies and domestic suppliers provide for selective tender from closed lists of suppliers and confidential negotiations.

"In summary, few other countries have defined their 'buy national' policies as publicly as the United States, but widespread administrative discretion generally permits them to show preference for domestic firms. National procurement policies are currently under examination in the OECD."

The results which are reported in the attached volumes of an investigation of the statutes, regulations, policies, and practices of selected foreign countries providing for preferences for domestic materials and firms in the awarding of public supply and public works contracts amply support the conclusions of the Bureau of the Budget, not only as to members of OECD, but also as to almost all other countries covered by the investigation. Quite obviously, every nation "favors its own."

The investigation was made by Joseph W. Marlow, associated with Messrs. Cravath, Swaine & Moore, of New York, with the assistance of their European office in Paris and Messrs. Wilmer, Cutler & Pickering, their correspondents in Washington, D.C.

A variety of methods was employed in making the investigation. For a few countries (Belgium, Italy, France and Japan), attorneys practicing in those countries were retained to make an initial investigation and report, for all countries, desk officers in the Bureau of International Commerce of the United States Department of Commerce in Washington, D.C., were interviewed and copies of unclassified foreign service dispatches and airgrams to the Department of State from various embassies of the United States in foreign countries were obtained, where pertinent and available. In some cases the embassies were contacted directly. To the extent available in the United States, an independent review was made of statutes, regulations, etc., in the original languages and translations were prepared of the more important ones which were not originally issued

¹ Printed in Appendix 3 to the Transcript of Hearings Before the Subcommittee on Defense Procurement of the Joint Economic Committee of Congress, Apr. 16 and 21, 1964.

in English. Pertinent published secondary material was also located and reviewed, including treatises, law review articles, and the like. In cases of ambiguity, cross-checks were made of several sources of information.

Caveat: Cravath, Swaine & Moore have emphasized that statements concerning foreign law must not be regarded as expressions of opinion, except where a specific reference is made that attributes such statements to counsel authorized to practice in the particular country. Moreover, although every effort has been made to render an accurate report, the very nature of the subject matter leaves open the possibility of omissions and erroneous interpretations as well as of developments subsequent to the time when the investigation was made which could entirely change the legal position in a particular country.

NOTE CONCERNING INTERNATIONAL ORGANIZATIONS

The major regional economic organizations are the subject of separate articles in the attached volumes. They are the European Economic Community, the Benelux Economic Union, the European Free Trade Association, the Latin American Free Trade Association and the Central American Common Market.

Two others—the General Agreements on Tariffs and Trade (GATT) and the Organization for Economic Cooperation and Development (OECD)—will be described briefly. Most of the countries which are dealt with in the attached volumes are members of both GATT and OECD.

THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT)

In March 1965 GATT had 66 "Contracting Parties", of which 26 of the most important ones are dealt with in the attached volumes.

GATT is an international (multilateral) trade agreement—encompassing a code of rules for fair trading in international commerce. While it has no irrevocable enforcement power other than what can be accomplished by moral suasion, it has nevertheless helped to reduce obstacles to trade, particularly in the tariff area, and to foster expansion of world trade. GATT is "the only (existing) international instrument which lays down the rules for trade on a worldwide basis."

Meetings of GATT countries provide a forum for discussion of participants' trade problems and for submission of complaints arising from alleged breaching of GATT rules.

GATT resulted from the determination of the Allies in World War II to remove or at least to reduce the depression-born hindrances to world trade—high tariff protection, quotas, exchange controls, etc.—and to seek to establish a world trading system based on nondiscrimination, with the goal of achieving fair, full, and free exchange of goods, and, as a result thereof, it was hoped, higher standard of living for all. In October 1947, 23 of the nations which were meeting to negotiate the initial draft for the charter of the International Trade Organization (ITO), planned as one of the United Nations specialized agencies, conducted tariff negotiations among themselves and formulated GATT. GATT was intended to be a stop-gap measure, effective only until the ITO charter was ratified. But the refusal of Congress to permit the United States to join ITO resulted in its demise so that GATT remained as the only continuing instrument for international trade negotiations and cooperation.

As formulated in 1947, GATT's objectives are to help raise standards of living; to ensure full employment; to develop full use of the world's resources; to expand production and exchange of goods; and to promote economic development.

More recently, the emphasis has been on the expansion of trade, the resolving of the trade problems of the lesser developed coun-

tries, the removal of barriers to trade, and wider access to world markets.

In pursuit of those broad objectives, GATT is guided by the following principles:

1. Trade should be conducted on the basis of nondiscrimination. All contracting parties are bound by the most-favored-nation clause in the application of import and export duties and charges and in their administration, subject to the right to form free trade areas and customs unions.

2. Any protection afforded to domestic industries should be through customs tariffs only and not by use of commercial restrictions, such as import quotas, licensing requirements, or other controls of a quantitative nature.

3. The concept of consultation should be pursued to provide a forum for discussion of members' trade problems and complaints, aimed at avoiding damage to trading interests of contracting parties.

4. Tariffs and other barriers to trade should be negotiable.

Essentially a trade agreement, GATT provides for none of the trappings of a formal organization. The work of the Contracting Parties, when not in session, is performed by a Council of Representatives (consisting of delegates of countries maintaining permanent GATT missions in Geneva), by groups of experts, and by working parties and committees, with the administrative assistance and collaboration of a small Secretariat. Aside from the regular semiannual meetings, major tariff negotiating conferences are held as and when a majority of the membership deems them desirable. What may well be the most important conference (the so-called "Kennedy Round") began in May 1964.

The agreement embraces a total of 35 articles. The first two deal specifically with tariffs. Article I states the most-favored-nation obligation, i.e., that tariff concessions offered to any one nation, either in or outside of GATT, must be extended to all GATT members. Article II incorporates the concessions (mainly reductions or bindings of import duties) set forth in the schedules annexed to the agreement. The schedules resulting from the original negotiations in 1947 and the subsequent negotiations include an estimated 60,000 items covering more than one-half of the total foreign trade of the world. Article III contains rules relating to the application of internal taxes and regulations which are designed to ensure that imported goods will be treated equally with domestic products. Paragraph 8(a) of Article III contains an exception to the national treatment rules of that article which is of major importance in the field of public procurement. Paragraph 8(a) provides as follows:

"8. (a) The provisions of this article shall not apply to laws, regulations or requirements governing the procurement by governmental agencies of products purchased for governmental purposes and not with a view to commercial resale or with a view to use in the production of goods for commercial sale."

Articles IV to X are the technical articles, providing a set of rules and principles applicable to transit trade, to antidumping (Art. VI), to customs valuation, to customs formalities and to marks of origin. Article XI prohibits quantitative restrictions on imports and exports. Articles XII through XV qualify that rule where necessary to accommodate countries with balance-of-payments problems. Subsequent articles deal with state trading, subsidies, economic development, opportunities for joint discussion and settlement of differences arising out of the application of the agreement.

ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD)

In March 1965 OECD had 21 members, all of which were located in Europe, except Canada, Japan and the United States. All

its members except Iceland and the United States are dealt with in the attached volumes.

OECD is an organization established by a convention ratified by 18 Western European countries, Canada and the United States, which formally took effect on September 30, 1961. (Japan joined in May 1964.) Its purpose is to achieve maximum economic cooperation among its members so as to foster and further their sound economic development, partnered with financial stability, and, thus, to contribute to the economic well-being of nonmembers as well.

Although OECD does not develop or administer trade rules or conduct tariff negotiations, one of its primary purposes is to contribute to the expansion of world trade on a multilateral non-discriminatory basis in accordance with international obligations. It provides a forum for discussion of the activities, objectives and problems of members in the broad economic sphere.

OECD is the successor organization to the Organization for European Economic Cooperation (OEEC), which was created in the early postwar years (1948) to administer the U.S. Government's Marshall plan aid program and to restore economic viability to war-ravaged Europe. Although those tasks were successfully completed by the OEEC, the need for continued international economic cooperation remained. Because of changing economic conditions in the world and the increasing interdependence of the industrialized nations, however, Western leaders deemed it advisable to create a new organization for international cooperation, with greater breadth of interest and membership.

The member countries have agreed to promote the efficient use and development of their economic resources; to encourage research; to promote vocational training; to pursue policies designed to achieve economic growth and internal and external financial stability; to pursue efforts to reduce or abolish obstacles to the exchange of goods and services and current payments; to extend the liberalization of capital movements and to contribute to the economic development of member and non-member countries.

OECD has three broad major assignments—the coordination of the economic policies of its members, the extension of aid to developing countries, and consideration of trade and payments problems. More specialized assignments cover a wide range of economic activity, including agriculture, industry and energy, science, technology and productivity.

The Convention has 21 articles, as well as several special protocols, which generally cover the aims and responsibilities of the members, including the provision of information necessary to the pursuit of OECD tasks, consultation on a continuing basis, the carrying out of studies and the participation in agreed upon projects, close cooperation and, where necessary, coordinated action. Article 5 specifically outlines the powers of the Organization: it may make decisions which, with provided exceptions, shall be binding on members; make recommendations to members and enter into agreements with members, nonmembers, and international organizations. Article 6 requires that all decisions, with a few exceptions, be made by mutual agreement of all members, who have one vote each. The remaining articles are organizational or administrative in purpose.

The Council, composed of representatives of all member states, is the supreme body of OECD, making all general and administrative decisions for the OECD.

The Executive Committee, with 10 members chosen annually by the Council, acts only on authority of the Council. General policy questions on progress of work of OECD are submitted to the Executive Committee before submission to the Council. The Secretariat, which is staffed by international civil servants headed by the Secretary Gen-

eral, exercises all the functions necessary for administration of the Organization assigned to it.

The basic work of OECD is carried on by numerous committees and special committees to which member governments appoint representatives. There are committees working in the areas of Economic Affairs; Development Assistance; Trade, Payments and Related Activities; Agriculture and Fisheries; Scientific Affairs; Industry and Energy; and Manpower and Social Affairs.

In 1963 the Trade Committee, in connection with its investigation of administrative and technical regulations which hamper the expansion of trade, initiated an inquiry on regulations regulating the awarding of public contracts by OECD members.

ABBREVIATIONS

Benelux: Belgium-Netherlands-Luxembourg Economic Union.

CACM: Central American Common Market.

EEC: European Economic Community.

EFTA: European Free Trade Association.

Euratom: European Atomic Energy Community.

GATT: General Agreement on Tariffs and Trade.

LAFTA: Latin American Free Trade Association.

OECD: Organization for Economic Cooperation and Development.

Stat.: United States Statutes at Large.

UNTS: United Nations Treaty Series (published by the United Nations).

UST: United States Treaties and Other International Agreements (published by the United States Department of State).

EUROPEAN ECONOMIC COMMUNITY

The actions which have thus far been taken, and which are proposed to be taken, to achieve the aims of the European Economic Community (often referred to as the Common Market) offer indisputable evidence of the existence in the Member States of legislative, regulatory and administrative provisions, policies and practices which exclude foreigners from participation in public contracts or discriminate against their participation and the use of foreign products and materials. As those discriminations are progressively eliminated within the Community, United States firms and products will suffer increasing disadvantages vis-a-vis materials and companies of the Member States in competition for public contracts of the Member States.

The Community was established by the Treaty of Rome of March 27, 1957 (298 UNTS 11 (1958)), which took effect on January 1, 1958. The Member States are Belgium, France, the German Federal Republic, Italy, Luxembourg, and the Netherlands.

The objectives of the Community are to establish a common market and to bring the economic policies of the Member States progressively into harmony during a transitional period ranging from 12 to 15 years beginning January 1, 1958. The most significant measures designed to achieve those objectives are: (1) the elimination of customs duties and quantitative restrictions; (2) the establishment of a common tariff and a common commercial policy; (3) the establishment of free movement of persons, services and capital; (4) the inauguration of common agricultural and transport policies; (5) the establishment of a system of fair competition; (6) the taking of measures to coordinate economic policy and adjust balance of payments; (7) the creation of a Social Fund and a European Investment Bank; and (8) the association of overseas countries and territories related to certain Member States.

The Community operates through four principal organs. The Council has one rep-

resentative appointed by each Member State. It coordinates the economic policies of the Member States, formulates general policy for guidance of the Commission and exercises final decisionmaking powers. The Commission has nine members appointed by common agreement of the Member States. Its members are responsible to the Community rather than to their appointing governments. It executes the decisions of the Council, decides technical questions of Treaty application, advises the Council on basic issues and exercises powers conferred on it by the Council. The Court of Justice consists of seven judges appointed by the Member States. It serves as the common court for the Community, the European Coal and Steel Community (ECSC) and the European Atomic Energy Community (Euratom). It concerns itself with the legal problems arising out of the operations of the respective treaties involved. The European Parliament or Assembly consists of 142 representatives who are elected by and from legislatures of the Member States and is also common to the Community and the ECSC and Euratom. Its functions are largely limited to those of review and debate, but it is armed with powers of censure and must be consulted by the Council, before taking an official act, in most cases where there is interference with national legislation. Also of importance is the Economic and Social Committee, composed of 101 private persons representative of all sectors of the economic and social life of the Community. The Council must consult it in cases which entail acts of special economic and social significance, including the taking of action in the field of right of establishment.

The Treaty of Rome is a complex and lengthy document composed of six parts and numerous annexes, conventions, protocols and declarations. The Treaty is silent on the subject of public contracts and public works, except for a reference in article 132 relating to association with overseas countries and territories. Nevertheless, it contains a number of provisions which have been, and will continue to be, applied to eliminate discrimination in that field.

The most important are those contained in chapter 2 of title III (sec. 52-58) relating to the right of establishment and in chapter 3 of that title (sec. 59-66) relating to services. Of lesser importance are the provisions of articles 30-37 relating to the elimination of quantitative restrictions and the general prohibition of discrimination contained in article 7. The provisions of article 100 for the approximation of the legal and administrative provisions of the Member States are not of immediate, but are undoubtedly of great future, importance, particularly in the field of public supply contracts. Also of importance are the provisions of part 4 (arts. 131-136) relating to the association with the Community of the non-European countries and territories which had special relations with Belgium, France, Italy and the Netherlands, as well as those of article 237 relating to membership in the Community by other European countries and article 238 relating to association with the Community of third countries, unions of states or international organizations.

Copies of an unofficial English translation of the foregoing provisions of the Treaty are attached hereto as schedule A.

Under article 52, paragraph 1, sentence 1, restrictions on freedom of establishment are to be gradually abolished during the transitional period. The right to freedom of establishment is defined in the second paragraph of that article to mean the privilege to start and conduct non-wage-earning activities, which include any independent activity aimed at the production of income. In order to exercise the freedom of activity under chapter 2, it is necessary, as a rule,

for the particular person to go into the Member State in which the activity is to be conducted and to create his economic center there. A far-reaching exception from this principle, which is of special importance for companies, is provided in the second sentence of article 52, paragraph 1, for the establishment in other Member States of agencies, branch establishments and subsidiary companies.

Pursuant to the provisions of paragraph 1 of article 54, the Council of the Community issued on December 18, 1961, a General Program for the Abolition of Restrictions on the Freedom of Establishment (Journal Officiel of the European Communities, January 15, 1962, p. 36 et seq.). The General Program lays down the order of priority in which discrimination is to be abolished for the various areas of activity. Under title I of the program, its beneficiaries are:

(1) Physical persons, provided they are nationals of the Member States or of the overseas countries and territories; and

(2) Firms or companies established under the laws of the Member States or of the overseas countries and territories whose registered office, central administration, or place of business, is located in the Community or in one of the overseas countries or territories.

Where a company has only its registered office within the Community, it must show that it has an actual and continuous link with the economy of a Member State (or overseas country or territory). Such link may not, however, be conditioned on nationality, that is, no nationality requirement may be imposed on managers, partners or shareholders so as to defeat the application of the test. The present position as to overseas countries and territories is discussed infra in the section on association and additional membership.

The provisions of titles III and IV of the program with regard to public contracts are as follows (unofficial translation from French by Commerce Clearing House, Inc.):

Title III

"Subject to the exceptions or special provisions set forth in the Treaty, and particularly those of:

"Article 55, pertaining to activities relating to the exercise of public authority in a Member State,

"Article 56, pertaining to provisions covering special treatment for foreign nationals and justified by reasons of public order, public security or public health, the restrictions to be lifted according to the timetable provided for in title IV are as follows:

"A. Any prohibition on or impairment of the non-wage-earning activities of nationals of other Member States, consisting in differential treatment based on nationality as provided under a legislative, regulatory or administrative provision of a Member State or resulting from the application of such a provision or of administrative practices.

"Among such restrictive provisions and practices are particularly those which, with regard to foreigners only:

"The same applies to provisions and practices which, solely with respect to foreigners, exclude, limit or make subject to certain conditions the ability to exercise the rights normally attached to a non-wage-earning activity and, in particular, the opportunity:

"(b) To tender bids or to participate as contractor or sub-contractor in public contracts or contracts with other public bodies.

to the extent that the professional activities of the party concerned require the exercise of such opportunity.

"Finally, the provisions and practices mentioned also include those which limit or impair the admission of the personnel of the

principal establishment, located in one Member State, into the managing or supervisory bodies of the agencies, branches or subsidiaries opened in another Member State.

"B. The conditions to which a legislative, regulatory or administrative provision, or an administrative practice, subjects the access to or exercise of a non-wage-earning activity and which, although applicable regardless of nationality, impair the access to or exercise of such activity by foreigners either exclusively or principally."

Title IV

"For the purpose of the effective elimination of restrictions on the freedom of establishment, the following time-table shall be adopted:

"A. Before the expiration of the second year of the second stage [December 31, 1963] of the transitional period as regards the activities listed in Annex I [which include most manufacturing activities], subject to paragraph B;

"B. By December 31, 1963, as regards the activities mentioned under item 400, 'Construction,' of Annex I, carried out in the form of participation in public works contracts.

"However, with respect to the characteristics and requirements peculiar to this sector, and in order to ensure a gradual and balanced abolition of restrictions, together with the measures desirable for coordinating methods of procedure:

"1. The awarding of public works contracts by a State, its territorial subdivisions such as *Länder*, regions, provinces, departments, communes and other bodies under public law to be determined, to nationals and companies of the other Member States through their agencies or branches established in such State, may be suspended in this State as of the time when the number of public works contracts awarded in such State to nationals and companies of other Member States exceeds the quota referred to in title V, paragraph C(e), 1(a) of the general program relating to services.

"2. As regards the awarding of public works contracts to these agencies and branches by bodies under public law which, on December 31, 1963, shall not have been included among those mentioned in the first paragraph, the elimination of restrictions shall take place before the expiration of the transitional period."

In March 1964 the Commission submitted to the Council a proposal for modification in several respects, particularly as to effective dates, of the General Program on Establishment as well as the General Program on Services referred to *infra* (hereinafter sometimes referred to as the general programs modification proposal). The text of the proposal was published in the January 29, 1965, issue of the *Journal Officiel* of the European Communities. The Proposal was submitted by the Council to the European Parliament and to the Economic and Social Committee as well as to the Member States for advice and approval. In February 1965 it still had not taken effect.

The General Programs Modification Proposal would change the date in the third line of subparagraph 2 of paragraph B of title IV from December 31, 1963, to January 1, 1965, and would add the following new subparagraphs 3 and 4 following subparagraph 2:

"3. The liberalization by steps provided for works contracts applies to the works contracts of establishments which, regardless of their legal nature, operate the national railways in the six Member States.

"4. The regulations concerning the awarding of public works contracts are also applicable to the allocation of works concessions."

Under the provisions of chapter 2 and the above-quoted provisions of the General Program on Establishment, to the extent that

a national of a Member State has established himself in another Member State or has established an agency, branch establishment or subsidiary company in such State, his right to receive the same treatment as a national of that State includes the right to make applications for contracts to all authorities and public corporate bodies just like a national of that State and to be awarded such contracts on the same conditions as such a national. In that regard, it makes no difference whether the contracts pertain to goods or services. There are, however, special provisions for the building and construction industry which are discussed below.

Chapter 3 of the Treaty relating to services is of importance, and then only of limited importance, if there is no "establishment" by a national of one Member State in another Member State. Under article 59, "services" within the meaning of the Treaty are involved if a person residing in one Member State furnishes services of any of the types specified in article 60 to a recipient of such services who lives in another Member State. Borderline problems vis-a-vis chapter 2 arise only if the person rendering the services goes temporarily into the country of the recipient in order to furnish those services, as article 60, paragraph 3, expressly contemplates. To the extent that an overlapping with chapter 2 results, the latter takes precedence under article 60, paragraph 1.

On December 18, 1961, the Council of the Community, pursuant to article 63, paragraph 1, also issued a General Program for the Abolition of Restrictions on the Free Provision of Services (*Journal Officiel* of the European Communities, January 15, 1962, p. 32 *et seq.*). Title I thereof provides for the same application as the General Program on Establishment (except for the overseas countries and territories). Title III of the Program on Services provides as follows with regard to public contracts (unofficial translation from French by Commerce Clearing House, Inc.):

"Subject to the exceptions or special provisions of the Treaty and specifically to:

"Article 55, dealing with activities in a Member State relating to the exercise of public authority;

"Article 56, dealing with the provisions for special treatment for foreign nationals, justified by reasons of public order, public security and public health;

"Article 61, dealing with the free movement of services, in matters of transport, which is governed by the provisions of the title relating to transport;

the provisions relating to the free movement of goods, capital and persons as well as those relating to systems of taxation;

those restrictions to be lifted according to the schedule provided in Title V, whether they affect the offerer, either directly or indirectly through the recipient or through the service, are as follows:

"A. Any prohibition on or any impairment of the non-wage-earning activities of the offerer, consisting in a treatment differentiating on a basis of nationality as provided by a legislative, regulatory or administrative provision of a Member State or resulting from the application of such a provision or of administrative practices.

"Among such restrictive provisions and practices are particularly those which, with regard to foreigners only:

"* * * * *

"The same applies to provisions and practices which, solely with respect to foreigners, exclude, limit or make subject to conditions the ability to exercise the rights normally attached to the provision of services and, in particular, the opportunity:

"* * * * *

"(b) To tender bids or to participate as a co-contractor or sub-contractor on public

contracts or contracts with other bodies under public law,

"* * * * *

to the extent that the professional activities of the party concerned require the exercise of such opportunity.

"Furthermore, the conditions to which a legislative, regulatory or administrative provision or an administrative practice subjects the provision of services and which, although applicable regardless of nationality, impair the provision of these services by foreigners either exclusively or principally, also constitute restrictions."

Title V of the General Program on Services, which contains the timetable for the abolition of restrictions, contains the following special provision with regard to public works contracts (unofficial translation from French):

"For purposes of the effective elimination of restrictions on the free provision of services, the following time-table shall be adopted:

"* * * * *

"C. Other restrictions: The other restrictions on the free provision of services, defined in title III [which include those defined in paragraph A of title III] shall be eliminated at the latest at the time of the carrying out of the time-table provided for establishment. However, the elimination of restrictions shall take place:

"* * * * *

"(e) As regards public works contracts:

"1. When the provision of services is carried out with the participation of nationals and companies of the other Member States in the public works contracts of a State, or its territorial subdivisions such as *Länder*, regions, provinces, departments, communes and other public bodies to be determined, by December 31, 1963, under the following conditions, in order to take into account the characteristics and requirements peculiar to this sector and to ensure a gradual and balanced abolition of restrictions, together with the desirable measures for coordinating methods of procedure:

"(a) When the number of public works contracts awarded in one Member State to nationals and companies of the other Member States by such State, its territorial subdivisions or the other public bodies determined as stated above exceeds a certain quota, such State may suspend until the end of the current year the awarding of such contracts to these nationals and companies.

"This quota shall be determined on the basis of a certain percentage, equal in principle for all Member States and increasing every two years, from December 31, 1963, to December 31, 1969, to the average of the amounts of public works contracts awarded during the two preceding years.

"Furthermore, except for justified exceptions, the amount of work contracts which nationals and companies of one State, established in such State, obtain in the other Member States shall be taken into account.

"(b) Public works contracts awarded in one State to nationals and companies of other Member States are understood to mean: contracts awarded directly to these nationals and companies established in the other Member States; and contracts awarded to these nationals and companies through their agencies or branches established in such State.

"Each Member State shall take the necessary steps to determine and publicize periodically the amount of public works contracts awarded to nationals and companies of the other Member States.

"2. When the services are supplied in the form of participation in public works contracts entered into by public bodies which, on December 31, 1963, have not been included among those mentioned in the first subparagraph of paragraph 1, before the expiration of the transitional period."

The above-quoted special provision for a gradual transition was made because some Member States feared that an immediate elimination of discrimination might entail difficulties for their building and construction industries.

The General Programs Modification Proposal referred to supra, page 8, would effect the following changes in the above-quoted provision of title V of the General Program on Services:

(1) The date of December 31, 1963, in paragraph C.(e)1. would be changed to January 1, 1965.

(2) The wording of the second paragraph of clause (a) in (e)1 would be changed to read as follows:

"This quota shall be determined on the basis of a percentage. This percentage must in principle be the same for all Member States. It is fixed for the first time for the year 1965 and increases each two years from January 1, 1966, to December 1, 1969."

(3) The date of December 31, 1963, in paragraph (e)2. would be changed to January 1, 1965, and the following would be added as (e)3 and (e)4:

"3. The liberalization by steps provided for works contracts applies to the works contracts of establishments which, regardless of their legal nature, operate the national railways in the six Member States.

"4. The regulations concerning the awarding of public works contracts are also applicable to the allocation of works concessions."

The general programs do not in themselves have a binding effect for the elimination of restrictions. The elimination must be initiated by directives issued on proposal of the Commission by the Council (after prior consultation with the European Parliament and the Economic and Social Committee). It was not until March 1964 that the Commission forwarded to the Council a draft of a first directive on tenders for, and execution of, public building work. A copy of an unofficial translation from German of such draft directive is attached hereto as Schedule B. The Press Release (dated March 12, 1964) of the Commission with regard thereto is as follows (CCH Common Market Reporter, par. 9129):

"In pursuance of the General Programs on Freedom of Establishment and Freedom to Supply Services, the Executive Commission of the Common Market has forwarded to the Council the draft of a first directive on tenders for, and execution of, building work for the State, local authorities and public corporations.

"Under this draft directive each Member State will in certain circumstances abolish as of January 1, 1965, restrictions on the undertaking of such work by firms from other Member States.

"Work carried out for railway boards, however constituted, will be considered for this purpose as government work.

"Although there will in future be no discrimination against nationals of other Member States, the awarding of public contracts to such nationals may be suspended when a certain quota has been filled. The first quota will run from January 1, 1965, and the last will expire on December 31, 1969.

"The quota system will apply to public works contracts as a whole and also to two categories: those costing up to \$600,000 and those costing more than this sum.

"In each case the Member States will fix the 1965 quota by applying a factor of 15 percent to the average annual value of public works contracts awarded between January 1, 1963, and December 31, 1964. Each State will be able to suspend the award of such contracts when their total amount is in excess of the general quota or when one or the other of the two partial quotas referred to above is attained. However, suspension may be applied only when the amount of the

public contracts which nationals and companies of a Member State have obtained since January 1 in other Member States is not more than half the quota fixed for each of the three cases.

"The draft directive contains a further safeguard clause applicable only to contracts above \$600,000. Under this clause each Member State may suspend, until the end of the current year at the latest, the award of public works contracts in excess of \$600,000 to nationals and companies of other Member States when the amount of such contracts awarded to these nationals and companies reaches twice the quota fixed annually in relation to the contracts above \$600,000.

"The draft directive also provides that the Member States shall send to the Commission certain information, within specified time limits, so that the liberalization of tenders for public works contracts may be put into effect.

"The Commission will be assisted by an advisory committee in dealing with any problems or disputes arising from the application of the measures taken by the Member States."

A second proposed draft directive on public works contracts was announced by the Commission in July 1964. Its object is to coordinate procedures for the awarding of public works contracts in the Member States. A copy of an unofficial translation from German of such draft directive is attached hereto as Schedule C. The "Information Memo" (No. P-48/64 dated July 1964) of the Official Spokesman of the Commission with regard thereto is as follows:

"The Commission has prepared a second proposed directive on public contracts. Its object is to coordinate procedures for the award of public works contracts in the Member States, and it has been drawn up by the Directorate-General for Competition in collaboration with Government experts in pursuance of Article 100 of the treaty. Under this article the Council, acting by means of a unanimous vote on a proposal of the Commission, is to issue directives for the approximation of such legislative and administrative provisions of the Member States as have a direct incidence on the establishment or functioning of the Common Market.

"The draft of the directive was put before the Council on 16 March 1964. The purpose of the new directive, as of the earlier one, is to liberalize public works contracts.

"One class of restrictions at present in force consists of laws, regulations and administrative practices in the Member States which wholly or partly exclude persons in other Member States from tendering for or executing such contracts. The first directive proposed by the Commission is aimed at abolishing these provisions and practices.

"The second type of restriction results from the differences between the procedures for the award of public works contracts in the various Member States. Hence, in accordance with the General Programmes for the removal of restrictions on freedom of establishment and freedom to supply services, the second proposed directive lays down coordination measures intended to ensure that calls for tenders in this field are given publicity in all Community countries, that there shall be no discrimination in technical specifications, and that objective criteria shall be applied in judging the capacities of the persons tendering and the suitability of their tenders.

"The two directives are closely connected. 'Public works contracts' therefore has the same meaning in both. But they differ in so far as public works contracts awarded by railways do not come within the scope of the second directive. In some member countries the railways are operated by private enterprise, in others by the State, and coordination of the provisions for award of con-

tracts by railways is therefore to be the subject of a separate directive.

"The present directive provides for the abolition of all discrimination in technical specifications. Such discrimination covers any technical requirement that has the effect of penalizing or excluding enterprises in other Member States that wish to compete for contracts. Further discriminatory measures include specifications indicating particular patents, types, categories, models or processes when such indication is not justified by the nature of the project concerned. The directive does not, however, cover discriminatory specifications for building materials in the general annexes to the contract. Prohibition of such specifications will be provided for in another directive, based on article 33(7) of the Treaty.

"The directive lays down that a notice of public works contracts must be published in the official gazette of the European Communities. The notice must give all essential data. This will ensure that participants know in advance the exact grounds on which their tender may be accepted or rejected. The proposed rules for publication will at first apply to contracts worth more than 1,000,000 units of account. With effect from 1 January 1966 they will apply to contracts for more than 600,000 u.a., and from 1 January 1968 to contracts for more than 300,000 u.a.

"All other provisions, in particular those introducing objective criteria for judging the capacities of the individuals tendering and the suitability of their tenders, apply to contracts with a value of more than 60,000 u.a. The draft includes a list of possible exceptions in which contracts may be awarded without compliance with the terms of the directive.

"Finally, arrangements are made for setting up an expert committee of officials from the Member States to advise the Commission on questions which arise as the directive is implemented."

The participation in public supply contracts of another Member State by nationals residing in a Member State and not "established" in the other State is outside the scope of the chapters of the rights of establishment and services. Possibly, discriminations in that area could be deemed to be measures having the same effect as quantitative restrictions within the meaning of articles 30-37 of the Treaty and eliminated under the provisions of paragraph 7 of article 33. The general prohibition of discrimination contained in article 7 could also be applied. In order to eliminate discriminations entirely, however, it will probably be necessary to approximate the legal and administrative provisions of the Member States under article 100 of the Treaty, since articles 7, 52-58 and 59-66 authorize only the prohibition of differential treatment according to nationality. The same problems and possible solutions are applicable to provisions that give controlling effect to the origin of goods by requiring, for example, that goods furnished pursuant to public contracts must have been manufactured in the country of the public agency which awarded the contract.

Any effective action in this field is, it would appear, several years away, although recent annual reports of the Commission indicate that some exploratory work is in progress.

ASSOCIATION AND ADDITIONAL MEMBERSHIP

Under the provisions of the Treaty of Rome the Community may conclude a membership agreement with any European State (art. 237) or an agreement of association with a third country (art. 238) or with an overseas country or territory having special relations with a Member State (art. 131).

The Community has concluded Agreements of Association with Greece (effective

November 1, 1962) and Turkey (effective December 1, 1964). The provisions of those Agreements relating to establishment and services, discrimination on the basis of nationality and related provisions are discussed in the respective sections on those two countries.

The Community also signed (on July 20, 1963) an Agreement of Association under Article 238 with the 18 African and Malagasy States (the Kingdom of Burundi, the Federal Republic of Cameroon, the Central African Republic, the Republic of Chad, the Republic of Congo (Brazzaville), the Republic of the Congo (Leopoldville), the Republic of Dahomey, the Republic of Gabon, the Republic of Ivory Coast, the Malagasy Republic (Madagascar), the Republic of Mali, the Islamic Republic of Mauritania, the Republic of Niger, the Republic of Rwanda, the Republic of Senegal, the Somali Republic, the Republic of Togo, and the Republic of Upper Volta). The Agreement took effect on June 1, 1964 (Journal Officiel of the European Communities, June 11, 1964, page 1429), and will remain in force until May 31, 1969, but may be extended.

Title III (articles 29-34) contains provisions with regard to establishment and services which amount to what is in effect a negatively worded reciprocity clause. The Associated States assume the obligation of giving nationals of the Member States equal treatment among each other. A Member State can claim rights for its nationals in an Associated State, however, only to the extent that the Member State grants comparable rights to the nationals of the Associated State. Accordingly, the Member States do not assume any obligations under the Agreement and, in particular, no obligation to grant national treatment. As a result, upon the taking effect of the Agreement, the reference in Title I of the General Program on Establishment with regard to overseas countries and territories ceased to have any application to the Associated States. There is no comparable problem in the case of services, since the General Program on Services does not apply to nationals of overseas countries and territories.

In the case of the remaining overseas countries with special relations with a Member State, which now consist only of a number of unimportant French territories and the Netherlands and Surinam, which are autonomous parts of the Kingdom of the Netherlands, the Council of the Communities rendered a decision on February 25, 1964, under the provisions of Article 136 of the Treaty of Rome, the provisions of which conform largely to those of the Agreement of Association with the African and Malagasy States. The decision took effect simultaneously with the Association Agreement (Journal Officiel of the European Communities, June 11, 1964, page 1472) as to all such territories except the Netherlands Antilles for which the effective date is October 1, 1964 (Journal Officiel, October 1, 1964, page 2413). The provisions made in the decision on the right of establishment and the right of services conform to those of the Association Agreement with the African and Malagasy States and, accordingly, the consequences are the same.

In the case of the remaining French overseas departments (French Guiana, Guadeloupe, Martinique, and Reunion) the Council of the Community rendered a second decision on February 25, 1964, which also took effect on June 1, 1964 (Journal Officiel, June 11, 1964, page 1484), and which provides that articles 52-58 of the Treaty of Rome shall continue to apply to such departments. In exceptional cases the Council, in issuing directives under article 54, is authorized to make special provisions for such departments. In addition, the decision provides for accelerated elimination of discriminatory

distinctions between nationals of the Member States. By reason of the provision of article 227, paragraph 2, of the Treaty of Rome, the provisions of the Treaty with regard to services continued to apply to such departments.

EUROPEAN ATOMIC ENERGY COMMUNITY (EURATOM)

Article 97 of the Treaty establishing the European Atomic Energy Community of March 25, 1957 (298 UNTS 167 (1958)), permits nationals of member states (who are the same as the Member States of the European Economic Community to participate in the construction of commercial and research reactors on a nondiscriminatory basis.

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SCHEDULE A. TREATY ESTABLISHING THE EUROPEAN ECONOMIC COMMUNITY AND CONNECTED DOCUMENTS

(English translation issued in 1961 by the Publishing Services of the European Communities)

(NOTE.—In response to the numerous requests which have been received the Publishing Services of the European Communities have undertaken to reprint the English translation of the Treaty of Rome, made in 1958 and in circulation since then.

(It should be emphasized that this translation has no legal authority whatsoever, and that only those versions of the Treaty are valid which were drawn up, signed and ratified in the four languages of the European Economic Community: Dutch, French, German and Italian.

(Reference should therefore be made to those versions in case of disagreement or uncertainty arising from the English translation.

(According to information received to date by the Publishing Services this applies in particular to the following articles of the treaty: Article 32; articles 85, 1 and 92, 1; article 86; article 112, 1; articles 165, paragraphs 4 and 166, paragraph 3; articles 169 and 170; article 173; article 179; article 184; article 237, paragraph 2.)

PART 1. PRINCIPLES

Article 7

Within the field of application of this Treaty and without prejudice to the special provisions mentioned therein, any discrimination on the grounds of nationality shall hereby be prohibited.

The Council may, acting by means of a qualified majority vote on a proposal of the Commission and after the Assembly has been consulted, lay down rules in regard to the prohibition of any such discrimination.

PART 2. BASES OF THE COMMUNITY

Title 1. Free movement of goods

Chapter 2. The Elimination of Quantitative Restrictions as Between Member States

Article 30

Quantitative restrictions on importation and all measures with equivalent effect shall, without prejudice to the following provisions, hereby be prohibited between Member States.

Article 31

Member States shall refrain from introducing as between themselves any new quantitative restrictions or measures with equivalent effect.

This obligation shall, however, only apply to the level of liberalisation attained in application of the decisions of the Council of the Organisation for European Economic Co-operation of 14 January 1955. Member States shall communicate to the Commission, not later than six months after the date of the entry into force of this treaty, the lists of the products liberalised by them in application of these decisions. The lists thus communicated shall be consolidated between Member States.

Article 32

Member States shall, in their mutual trade, refrain from making more restrictive the quotas or measures with equivalent effect in existence at the date of the entry into force of this treaty.

Such quotas shall be abolished not later than at the date of the expiry of the transitional period. In the course of this period, they shall be progressively abolished under the conditions specified below.

Article 33

1. Each of the Member States shall, at the end of one year after the entry into force of this Treaty, convert any bilateral quotas granted to other Member States into global quotas open, without discrimination, to all other Member States.

On the same date, Member States shall enlarge the whole of the global quotas so established in such a way as to attain an increase of not less than 20 per cent in their total value as compared with the preceding year. Each global quota for each product shall, however, be increased by not less than 10 per cent.

The quotas shall be increased annually in accordance with the same rules and in the same proportions in relation to the preceding year.

The fourth increase shall take place at the end of the fourth year after the date of the entry into force of this treaty, the fifth increase shall take place at the end of a period of one year after the beginning of the second stage.

2. Where, in the case of a product which has not been liberalised, the global quota does not amount to 3 per cent of the national output of the State concerned, a quota equal to not less than 3 per cent of such output shall be established not later than one year after the date of the entry into force of this Treaty. At the end of the second year, this quota shall be raised to 4 per cent and at the end of the third year to 5 per cent. There-

after, the Member State concerned shall increase the quota by not less than 15 per cent annually.

In the case where there is no such national output, the Commission shall fix an appropriate quota by means of a decision.

3. At the end of the tenth year, each quota shall be equal to not less than 20 per cent of the national output.

4. Where the Commission, acting by means of a decision, finds that in the course of two successive years the imports of any product have been below the level of the quota granted, this global quota may not be taken into consideration for the purpose of calculating the total value of the global quotas. In such case, the Member State shall abolish the quota for the product concerned.

5. In the case of quotas representing more than 20 per cent of the national output of the product concerned, the Council, acting by means of a qualified majority vote on a proposal of the Commission, may reduce the minimum percentage of 10 per cent laid down in paragraph 1. This modification shall not, however, affect the obligation annually to increase the total value of global quotas by 20 per cent.

6. Member States which have gone beyond their obligations concerning the level of liberalisation attained in implementation of the decisions of the Council of the Organisation for European Economic Co-operation of 14 January 1955 shall, when calculating the annual total increase of 20 per cent provided for in paragraph 1, be entitled to take into account the amount of imports liberalised by autonomous measures. Such calculation shall be submitted to the Commission for its prior approval.

7. Directives issued by the Commission shall lay down the procedure and the timing according to which Member States shall abolish as between themselves any measures which exist at the date of the entry into force of this treaty and which have an effect equivalent to quotas.

8. If the Commission finds that the application of the provisions of this Article and, in particular, of the provisions concerning percentages does not make it possible to ensure the progressive nature of the abolition of quotas provided for in Article 32, second paragraph, the Council, acting during the first stage by means of a unanimous vote and subsequently by means of a qualified majority vote on a proposal of the Commission, may amend the procedures referred to in this article and may, in particular, raise the percentages fixed.

Article 34

1. Quantitative restrictions on exportation and any measures with equivalent effect shall hereby be prohibited as between Member States.

2. Member States shall abolish, not later than at the end of the first stage, all quantitative restrictions on exportation and any measures with equivalent effect in existence at the date of the entry into force of this Treaty.

Article 35

Member States hereby declare their willingness to abolish, in relation to other Member States, their quantitative restrictions on importation and exportation more rapidly than is provided for in the preceding Articles, if their general economic situation and the situation of the sector concerned so permit.

The Commission shall make recommendations for this purpose to the States concerned.

Article 36

The provisions of Articles 30 to 34 inclusive shall not be an obstacle to prohibitions or restrictions in respect of importation, exportation or transit which are justified on grounds of public morality, public order, public safety, the protection of human or

animal life or health, the preservation of plant life, the protection of national treasures of artistic, historical or archeological value or the protection of industrial and commercial property. Such prohibitions or restrictions shall not, however, constitute either a means of arbitrary discrimination or a disguised restriction on trade between Member States.

Article 37

1. Member States shall progressively adjust any State monopolies of a commercial character in such a manner as will ensure the exclusion, at the date of the expiry of the transitional period, of all discrimination between the nationals of Member States in regard to conditions of supply or marketing of goods.

The provisions of this Article shall apply to any body by means of which a Member State shall de jure or de facto either directly or indirectly control direct or appreciably influence importation or exportation between Member States. These provisions shall apply also to monopolies assigned by the State.

2. Member States shall abstain from any new measure which is contrary to the principles laid down in paragraph 1 or which may limit the scope of the articles relating to the abolition, as between Member States, of customs duties and quantitative restrictions.

3. The timing of the measures referred to in paragraph 1 shall be adapted to the abolition, as provided for in Articles 30 to 34 inclusive, of the quantitative restrictions on the same products.

Title III. The free movement of persons, services and capital

Chapter 2. The Right of Establishment

Article 52

Within the framework of the provisions set out below, restrictions on the freedom of establishment of nationals of a Member State in the territory of another Member State shall be progressively abolished in the course of the transitional period. Such progressive abolition shall also extend to restrictions on the setting up of agencies, branches or subsidiaries by nationals of any Member State established in the territory of any Member State.

Freedom of establishment shall include the right to engage in and carry on non-wage-earning activities, and also to set up and manage enterprises and, in particular, companies within the meaning of Article 58, second paragraph, under the conditions laid down by the law of the country of establishment for its own nationals, subject to the provisions of the Chapter relating to capital.

Article 53

Member States shall not, subject to the provisions of this Treaty, introduce any new restrictions on the establishment in their territories of nationals of other Member States.

Article 54

1. Before the expiry of the first stage, the Council, acting by means of a unanimous vote on a proposal of the Commission and after the Economic and Social Committee and the Assembly have been consulted shall lay down a general programme for the abolition of restrictions existing within the Community on freedom of establishment. The Commission shall submit such proposal to the Council in the course of the first two years of the first stage.

The programme shall, in respect of each category of activities, fix the general conditions for achieving freedom of establishment and, in particular, the stages by which it shall be attained.

2. In order to implement the general programme or, if no such programme exists, to complete one stage towards the achievement of freedom of establishment for a specific

activity, the Council, on a proposal of the Commission and after the Economic and Social Committee and the Assembly have been consulted, shall, until the end of the first stage by means of a unanimous vote and subsequently by means of a qualified majority vote, act by issuing directives.

3. The Council and the Commission shall exercise the functions entrusted to them by the above provisions, in particular:

(a) by according, as a general rule, priority treatment to activities in regard to which freedom of establishment constitutes a specially valuable contribution to the development of production and trade;

(b) by ensuring close collaboration between the competent national authorities with a view to ascertaining the special situation within the Community of the various activities concerned;

(c) by abolishing any such administrative procedures and practice whether resulting from municipal law or from agreements previously concluded between Member States as would, if maintained, be an obstacle to freedom of establishment;

(d) by ensuring that wage-earning workers of one Member State employed in the territory of another Member State may remain in that territory for the purpose of undertaking a non-wage-earning activity there, provided that they satisfy the conditions which they would be required to satisfy if they came to that State at the time when they wished to engage in such activity;

(e) by enabling a national of one Member State to acquire and exploit real property situated in the territory of another Member State, to the extent that no infringement of the principles laid down in Article 39, paragraph 2 is thereby caused;

(f) by applying the progressive abolition of restrictions on freedom of establishment, in each branch of activity under consideration, both in respect of the conditions for setting up agencies, branches or subsidiaries in the territory of a Member State and in respect of the conditions governing the entry of personnel of the main establishment into the managerial or supervisory organs of such agencies, branches and subsidiaries;

(g) by co-ordinating, to the extent that is necessary and with a view to making them equivalent, the guarantees demanded in Member States from companies within the meaning of Article 58, second paragraph, for the purpose of protecting the interests both of the members of such companies and of third parties; and

(h) by satisfying themselves that conditions of establishment shall not be impaired by any aids granted by Member States.

Article 55

Activities which in any State include, even incidentally, the exercise of public authority shall, in so far as that State is concerned, be excluded from the application of the provisions of this Chapter.

The Council, acting by means of a qualified majority vote on a proposal of the Commission, may exclude certain activities from the application of the provisions of this Chapter.

Article 56

1. The provisions of this Chapter and the measures taken in pursuance thereof shall not prejudice the applicability of legislative and administrative provisions which lay down special treatment for foreign nationals and which are justified by reasons of public order, public safety and public health.

2. Before the expiry of the transitional period, the Council, acting by means of a unanimous vote on a proposal of the Commission and after the Assembly has been consulted, shall issue directives for the co-ordination of the above-mentioned legisla-

tive and administrative provisions. After the end of the second stage, however, the Council, acting by means of a qualified majority vote on a proposal of the Commission, shall issue directives for co-ordinating such provisions as, in each Member State, fall within the administrative field.

Article 57

1. In order to facilitate the engagement in and exercise of non-wage-earning activities, the Council, on a proposal of the Commission and after the Assembly has been consulted, shall, in the course of the first stage by means of a unanimous vote and subsequently by means of a qualified majority vote, act by issuing directives regarding mutual recognition of diplomas, certificates and other qualifications.

2. For the same purpose, the Council, acting on a proposal of the Commission and after the Assembly has been consulted, shall, before the expiry of the transitional period, issue directives regarding the co-ordination of legislative and administrative provisions of Member States concerning the engagement in and exercise of non-wage-earning activities. A unanimous vote shall be required on matters which, in at least one Member State, are subject to legislative provisions, and on measures concerning the protection of savings, in particular the allotment of credit and the banking profession, and concerning the conditions governing the exercise in the various Member States of the medical, paramedical and pharmaceutical professions. In all other cases, the Council shall act in the course of the first stage by means of a unanimous vote and subsequently by means of a qualified majority vote.

3. In the case of the medical, para-medical and pharmaceutical professions, the progressive removal of restrictions shall be subject to the co-ordination of conditions for their exercise in the various Member States.

Article 58

Companies constituted in accordance with the law of a Member State and having their registered office, central management or main establishment within the Community shall, for the purpose of applying the provisions of this Chapter, be assimilated to natural persons being nationals of Member States.

The term "companies" shall mean companies under civil or commercial law including co-operative companies and other legal persons under public or private law, with the exception of non-profit-making companies.

Chapter 3. Services

Article 59

Within the framework of the provisions set out below, restrictions on the free supply of services within the Community shall be progressively abolished in the course of the transitional period in respect of nationals of Member States who are established in a State of the Community other than that of the person to whom the services are supplied.

The Council, acting by means of a unanimous vote on a proposal of the Commission, may extend the benefit of the provisions of this Chapter to cover services supplied by nationals of any third country who are established within the Community.

Article 60

Services within the meaning of this Treaty shall be deemed to be services normally supplied for remuneration, to the extent that they are not governed by the provisions relating to the free movement of goods, capital and persons.

Services shall include in particular:

- (a) Activities of an industrial character;
- (b) Activities of a commercial character;
- (c) Partisan activities; and
- (d) Activities of the liberal professions.

Without prejudice to the provisions of the Chapter relating to the right of establish-

ment, a person supplying a service may, in order to carry out that service, temporarily exercise his activity in the State where the service is supplied, under the same conditions as are imposed by that State on its own nationals.

Article 61

1. The free movement of services in respect of transport shall be governed by the provision of the Title relating to transport.

2. The liberalisation of banking and insurance services connected with movements of capital shall be effected in harmony with the progressive liberalisation of the movement of capital.

Article 62

Except where otherwise provided for in this Treaty, Member States shall not introduce any new restrictions on the freedom which has been in fact achieved, in regard to the supply of services, at the date of the entry into force of this Treaty.

Article 63

1. Before the end of the first stage, the Council, acting by means of a unanimous vote on a proposal of the Commission and after the Economic and Social Committee and the Assembly have been consulted, shall lay down a general programme for the abolition of restrictions existing within the Community on the free supply of services. The Commission shall submit such proposal to the Council in the course of the first two years of the first stage.

The program shall, for each category of services, fix the general conditions and the stages of such liberalization.

2. In order to implement the general program or, if no such program exists, to complete one stage in the liberalization of a specific service, the Council, on a proposal of the Commission and after the Economic and Social Committee and the Assembly have been consulted, shall, before the end of the first stage by means of a unanimous vote and subsequently by means of a qualified majority vote, act by issuing directives.

3. The proposals and decisions referred to in paragraphs 1 and 2 shall, as a general rule, accord priority to services which directly affect production costs or the liberalization of which contributes to facilitating the exchange of goods.

Article 64

Member States hereby declare their willingness to undertake the liberalization of services beyond the extent required by the directives issued in application of Article 63, paragraph 2, if their general economic situation and the situation of the sector concerned so permit.

The Commission shall make recommendations to this effect to the Member States concerned.

Article 65

As long as the abolition of restrictions on the free supply of services has not been effected, each Member State shall apply such restrictions without distinction on grounds of nationality or residence to all persons within the meaning of Article 59, first paragraph, who supply services.

Article 66

The provisions of Articles 55 to 58 inclusive shall apply to the matters governed by this Chapter.

PART 3. POLICY OF THE COMMUNITY

Title I. Common rules

Chapter 3. Approximation of Laws

Article 100

The Council, acting by means of a unanimous vote on a proposal of the Commission, shall issue directives for the approximation of such legislative and administrative provisions of the Member States as have a direct

incidence on the establishment or functioning of the Common Market.

The Assembly and the Economic and Social Committee shall be consulted concerning any directives whose implementation in one or more of the Member States would involve amendment of legislative provisions.

PART 4. THE ASSOCIATION OF OVERSEAS COUNTRIES AND TERRITORIES

Article 131

The Member States hereby agree to bring into association with the Community the non-European countries and territories which have special relations with Belgium, France, Italy and the Netherlands. These countries and territories, hereinafter referred to as "the countries and territories", are listed in Annex IV to this Treaty.

The purpose of this association shall be to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Community as a whole.

In conformity with the principles stated in the Preamble to this Treaty, this association shall in the first place permit the furthering of the interests and prosperity of the inhabitants of these countries and territories in such a manner as to lead them to the economic, social and cultural development which they expect.

Article 132

Such association shall have the following objects:

1. Member States shall, in their commercial exchanges with the countries and territories, apply the same rules which they apply among themselves pursuant to this Treaty.

2. Each country or territory shall apply to its commercial exchanges with Member States and with the other countries and territories the same rules which it applies in respect of the European State with which it has special relations.

3. Member States shall contribute to the investments required by the progressive development of these countries and territories.

4. As regards investments financed by the Community, participation in tenders and supplies shall be open, on equal terms, to all natural and legal persons being nationals of Member States or of the countries and territories.

5. In relations between Member States and the countries and territories, the right of establishment of nationals and companies shall be regulated in accordance with the provisions and by application of the procedures referred to in the Chapter relating to the right of establishment and on a non-discriminatory basis, subject to the special provisions made pursuant to Article 136.

Article 133

1. Imports originating in the countries or territories shall, on their entry into Member States, benefit by the total abolition of customs duties which shall take place progressively between Member States in conformity with the provisions of this Treaty.

2. Customs duties imposed on imports from Member States and from countries and territories shall, on the entry of such imports into any of the other countries or territories, be progressively abolished in conformity with the provisions of Articles 12, 13, 14, 15 and 17.

3. The countries and territories may, however, levy customs duties which correspond to the needs of their development and to the requirements of their industrialisation or which, being of a fiscal nature, have the object of contributing to their budgets.

The duties referred to in the preceding sub-paragraph shall be progressively reduced to the level of those imposed on imports of products coming from the Member State with which each country or territory has spe-

cial relations. The percentages and the timing of the reductions provided for under this Treaty shall apply to the difference between the duty imposed, on entry into the importing country or territory, on a product coming from the Member State which has special relations with the country or territory concerned and the duty imposed on the same product coming from the Community.

4. Paragraph 2 shall not apply to countries and territories which, by reason of the special international obligations by which they are bound, already apply a non-discriminatory customs tariff at the date of the entry into force of this Treaty.

5. The establishment or amendment of customs duties imposed on goods imported into the countries and territories shall not, either de jure or de facto, give rise to any direct or indirect discrimination between imports coming from the various Member States.

Article 134

If the level of the duties applicable to goods coming from a third country on entry into a country or territory is likely, having regard to the application of the provisions of Article 133, paragraph 1, to cause diversions of commercial traffic to the detriment of any Member State, the latter may request the Commission to propose to the other Member States the measures necessary to remedy the situation.

Article 135

Subject to the provisions relating to public health, public safety and public order, the freedom of movement in Member States of workers from the countries and territories, and in the countries and territories of workers from Member States shall be governed by subsequent conventions which shall require unanimous agreement of Member States.

Article 136

For a first period of five years as from the date of entry into force of this Treaty, an Implementating Convention annexed to this Treaty shall determine the particulars and procedure concerning the association of the countries and territories with the Community.

Before expiry of the Convention provided for in the preceding sub-paragraph, the Council, acting by means of a unanimous vote, shall, proceeding from the results achieved and on the basis of the principles set out in this Treaty, determine the provisions to be made for a further period.

PART 6. GENERAL AND FINAL PROVISIONS

Article 237

Any European State may apply to become a member of the Community. It shall address its application to the Council which, after obtaining the opinion of the Commission, shall act by means of a unanimous vote.

The conditions of admission and the amendments to this Treaty necessitated thereby shall be the subject of an agreement between the Member States and the applicant State. Such agreement shall be submitted to all the contracting States for ratification in accordance with their respective constitutional rules.

Article 238

The Community may conclude with a third country, a union of States or an international organisation agreements creating an association embodying reciprocal rights and obligations, joint actions and special procedures.

Such agreements shall be concluded by the Council acting by means of a unanimous vote and after consulting the Assembly.

Where such agreements involve amendments to this Treaty, such amendments shall be subject to prior adoption in accordance with the procedure laid down in Article 236.

SCHEDULE B. EUROPEAN ECONOMIC COMMUNITY (Unofficial translation from German)

(First directive of the Council concerning participation of entrepreneurs in the placement and execution of building projects for account of the state, the territorial subdivisions as well as other public law juridical persons submitted by the Commission to the Council)

The Council of the European Economic Community—

In view of the Treaty establishing the European Economic Community, and in particular its Articles 54, Section 2, and 63, Section 2,

In view of the General Program for the Elimination of Restrictions on the Freedom of Establishment, in particular, Chapter IV, Letter B, Item 1,

In view of the General Program for the Elimination of Restrictions on the Free Exchange of Services, in particular, Section V, Letter C(e), Item 1,

In view of the amendments to the General Programs by Council Decision dated —, upon the proposal of the Commission, after consultation of the European Parliament, after consultation of the Economic and Social Committee, and, in consideration of the following:

The above-mentioned General Programs provide for a first step with simultaneous elimination of the restrictions on the freedom of establishment and the free exchange of services in connection with the placement of public works contracts. These public construction works may, unless executed by the State itself, be placed in the form of a construction contract or a concession. This Directive must, therefore, include the grant of concessions, which represent a large part of those construction works. Otherwise, the import of the Directive would be severely limited.

The elimination of the restrictions must be tied in with a regulation which will make it possible, during the transition period, to temper the effects of an elimination of the restrictions in the individual Member States.

Each Member State must thus have the possibility to exclude temporarily nationals of the other Member States from the placement of public works contracts where contracts already placed with such nationals have reached or exceeded a quota to be established annually and where certain other prerequisites exist.

Recourse to this exclusion measure must, however, be tied to guarantees for the protection of the interests of the entrepreneurs.

Such right of temporary exclusion from the placement of orders must, in particular, be provided for contracts in an amount exceeding 600,000 Units of Accounts,¹ since an elimination of restrictions can be expected to have the most drastic effects on that category of public contracts.

For a realization step by step of the complete elimination of restrictions, computation of the first quota must be based on a 15 per cent rate, since the Directive, measured against the transition period, will become effective at a relatively early time.

When fixing the quotas for the consecutive years, factors will have to be taken into consideration which are unknown at the present time; for that reason, it seems appropriate to entrust to the Commission the task of establishing such quotas with the help of a simple and expedient procedure.

The simultaneous realization of freedom of establishment and free exchange of services in the realm of public works contracts which are placed in the Member States for account of the State, of the territorial subdivisions as well as other public law juridical persons must go hand in hand with the

coordination of national procedures concerning the placement of public works contracts. That coordination forms the subject of a separate directive.

For the purpose of assisting the Commission in the examination of the numerous problems which may result from the implementation of this directive, as well as with a view to preparing the way for future Community regulations in the realm of public works, it is appropriate to create an Advisory Committee within the framework of Article 54, Section 3, Letter b—

Has decreed the following directive:

Chapter I. Elimination of the Restrictions on Taking Up and Exercising Entrepreneur Activities

Article 1

1. As of January 1, 1965, the Member States shall eliminate the restrictions on taking up and exercising the independent activities of entrepreneurs of the Member States in the execution of construction works for account of the State, its territorial bodies corporate as well as the public law juridical persons listed in this Directive, in accordance with the terms and conditions stipulated below.

As construction works for account of the State shall be deemed also construction works which are executed for enterprises which, regardless of their juridical nature, operate the national railroads in the six Member States.

2. The restrictions to be eliminated are those listed in Chapter III of the General Programs for the Elimination of Restrictions on the Freedom of Establishment and on the Free Exchange of Services (hereinafter called the General Programs).

As incompatible with the freedom of establishment and a free exchange of services shall be deemed, in particular, any statutory, legislative or administrative provisions as well as administrative practices which prevent or limit participation by entrepreneurs of other Member States in the placement and execution of construction works for account of the State, its territorial subdivisions and the persons listed in this Directive. This shall apply also to technical standards which, if only indirectly, obstruct the activities of entrepreneurs of other Member States.

Article 2

For the application of this Directive, the following definitions shall govern:

(a) Activities: The activities listed under General Group 40, Group 400, of Annex I to the General Program for the Elimination of Restrictions on Freedom of Establishment. Those activities comprise the execution of all works performed for account of the contract awarding entities listed in Article 3 which relate to the erection, repair, maintenance or demolition of construction works.

(b) Construction works: all above and below surface construction as well as parts of such construction, as e.g.: all kinds of buildings, below-surface construction, technical construction, tunnel construction, marine construction, port installations, installations for ocean, river and inland navigation, streets, railroad construction (substructure and superstructure), pipe lines, buildings for telecommunication purposes and cable laying for telecommunication purposes.

The following shall be deemed construction works or parts of construction works:

Construction completion such as painting, glazing, insulations, electric installations, installation of heating, ventilation and air conditioning equipment in the rooms;

Installation of elevators for persons and freight with a capacity not exceeding 500 kilos.

Not to be deemed construction works shall be any works performed in connection with the installation of mechanical, electrical or energy-producing industrial facilities; exempted from this provision shall be such

¹ NOTE.—One Unit of Account is equivalent to one United States dollar.]

parts of those facilities which can be considered as above or below surface construction.

Insofar as the classification of construction works does not result from the foregoing provisions, each Member State shall apply its internal legal provisions until a common nomenclature has been developed.

Article 3

The elimination of restrictions pursuant to Article 1 shall be carried out in favor of the beneficiaries listed under Section I of the General Programs.

This includes:

(a) All physical and juridical persons acting as entrepreneurs who become active as bidders, principal entrepreneurs or concession-holding entrepreneurs or who—insofar as possible under the legal provisions of individual States—have undertaken the performance of defined construction works on behalf of the principal entrepreneur in the capacity of sub-contractors;

(b) Companies and associations of persons without juridical personality whose members are capable, pursuant to the legal provisions of the individual State, of jointly entering into contracts.

Chapter II. Quotas

Article 4

1. For the application of this Chapter, the following definitions shall govern:

(a) Nationals and companies of the other Member States: the entrepreneurs of the Member States with the exception of entrepreneurs of the State where the contract is placed, regardless of whether they received the contract directly from the State or through agencies or branch offices established by them in that State;

(b) Public works contract: the contract in writing which is entered into between the entrepreneur on the one hand and the State, a territorial subdivision or one of the remaining juridical persons listed in this Directive, on the other hand, the subject of which is the erection, repair, maintenance or demolition of a construction work from among those listed in Article 2, paragraph (b);

(c) Amount of a construction contract: the originally agreed price at which the entrepreneur has undertaken to perform the construction work, regardless of whether a lump sum price is involved or whether the price has been determined with the help of a basic price contained in a table or price list.

When determining the amount of a contract for purposes of computing the quotas, the price of all building materials and supplies required for the erection and completion of the construction works must also be taken into consideration; in this connection, the form in which those building materials and supplies are procured is of no concern.

(d) Unit of Account: the Unit of Account established in Article 4 of the Charter of the European Investment Bank.

2. For the application of this Chapter, concessions granted to private law persons the subject of which is the execution of the works listed in Article 2, paragraph (b), and contracts entered into between the beneficiaries of those concessions and the entrepreneurs shall be considered as public works contracts.

Since, pursuant to this Chapter, the amount of a contract must be taken into consideration, the estimate of the works at the time of completion of the building plans shall be controlling for purposes of the above-mentioned concessions.

Article 5

1. Any Member State may temporarily, but for not longer than to the end of the respective current year, exclude nationals

or companies of the other Member States from the placing of contract, regardless of the amount of the individual contract, provided that one of the following three prerequisites exists on one of the days fixed by Article 8, Section 1:

(a) If the amount of the public works contracts which the State itself, its territorial subdivisions as well as the remaining juridical persons listed for purposes of this Directive have placed since January 1 with the above-mentioned nationals and companies exceeds the quota set for the respective year for the aggregate amount of such contracts and the amount of the public works contracts which its nationals and companies residing within its sovereign territory have received since January 1 in the other Member States does not amount to more than one-half of the above-named amount;

(b) If the amount of the public works contracts exceeding 600,000 Units of Account which the State itself, its territorial subdivisions as well as the remaining juridical persons listed for purposes of this Directive have placed since January 1 with the above-named nationals and companies exceeds the quota for the aggregate amount of contracts exceeding 600,000 Units of Account established for the respective year, and the amount of the public works contracts exceeding 600,000 Units of Account which its nationals and companies residing within its sovereign territory have received since January 1 in the other Member States does not amount to more than one-half of the above-mentioned amount;

(c) If the amount of the public works contracts of up to and including 600,000 Units of Account which the State itself, its territorial subdivisions as well as the remaining juridical persons listed for purposes of this Directive have placed since January 1 with the above-named nationals and companies exceeds the quota for the aggregate size of contracts of up to and including 600,000 Units of Account established for the respective year, and the amount of the public works contracts of up to and including 600,000 Units of Account which its nationals and companies residing within its sovereign territory have received since January 1 in the other Member States does not amount to more than one half of the above-mentioned amount.

2. Independently from the provisions contained in Article 1, any Member State may temporarily, but for not longer than to the end of the current year, exclude nationals and companies of the other Member States from the placing of public works contracts exceeding 600,000 Units of Account if the amount of contracts of that kind placed with said nationals and companies attains double the quota for the aggregate amount of contracts exceeding 600,000 Units of Account established for the respective year.

3. If the requirements listed in Section 1 exist and special circumstances justify it, the Grand Duchy of Luxembourg may be authorized by the Commission of the European Economic Community to exclude temporarily from the placement of public works contracts nationals and companies of the other Member States without regard to the aggregate amount of construction contracts which nationals and companies residing within its sovereign territory have received since January 1 in the other Member States.

Article 6

1. The first quota shall become effective on January 1, 1965; the last quota shall be effective until December 31, 1969.

2. The quota related to the aggregate amount of public works contracts for the year 1965 shall be established by each Member State at 15 percent of the annual

average of the amount of public works contracts which it has placed during the period from January 1, 1963, through December 31, 1964.

3. The quota related to the aggregate amount of public works contracts exceeding 600,000 Units of Account for the year 1965 shall be established by each Member State at 15 percent of the annual average of the amount of public works contracts exceeding 600,000 Units of account which it has placed during the period from January 1, 1963, through December 31, 1964.

4. The quota related to the aggregate amount of public works contracts of up to and including 600,000 Units of Account for the year 1965 shall be established by each Member State at 15 per cent of the annual average of the amount of public works contracts of up to and including 600,000 Units of Account which it has placed during the period from January 1, 1963, through December 31, 1964.

5. The rate applicable to each of the kinds of quotas named in the foregoing Sections 2 through 4 during the two subsequent two-year periods shall be fixed by the Commission of the European Economic Community after hearing the Member States, in each case at a rate exceeding the preceding rate.

6. In deviation from Article 4, Section 2, the annual average referred to in Sections 2 through 4 shall not apply to concessions granted prior to January 1, 1965.

Article 7

1. Not later than by March 31 of the respective current year, each Member State shall pass on to the Commission of the European Economic Community the following information:

(a) The amount of the public works contracts placed during the preceding year, subdivided into contracts exceeding 600,000 Units of Account and contracts of up to and including 600,000 Units of Account.

(b) The quota in effect for the respective current year with respect to each of the kinds of quotas listed in Article 6, Sections 2 through 4.

For purposes of application of the first quota, however, the information shall relate to the annual average of values of contracts entered into during the two preceding calendar years, in consideration of the subdivision provided for in paragraph (a) above, and to the quota pursuant to paragraph (b) above.

All contracts must be stated in the national currency and must be converted into Units of Account.

2. The Commission of the European Economic Community shall see to it that all fixed quotas are published for general information in the Official Gazette of the European Communities.

Article 8

1. Each Member State shall determine, as of April 30, June 30 and October 31, and, for statistical purposes, as of December 31 of each year, the amount of contracts which were placed with the nationals and companies of each one of the other Member States as well as to the nationals and companies of the other Member States as a group. The amounts must be stated in the national currency and must be converted into Units of Account; they must be subdivided into contracts exceeding 600,000 and contracts of up to and including 600,000 Units of Account.

Each Member State shall make those figures known to each of the other Member States as well as to the Commission of the European Economic Community prior to May 31, July 31, November 30 and March 31, respectively, of each year.

2. For purposes of determining the amount of contracts granted to nationals

and companies of the other Member States: Contracts given to subsidiaries which clearly are not in a position to exercise their activities without substantial cooperation from the parent company shall be considered as placed with the parent company;

Contracts with respect to which, in conformity with the national provisions, the principal entrepreneur transfers the execution of a part of the performances forming the subject of the contract to one or several authorized sub-contractor shall be considered, up to the amount of works to be executed by such sub-contractor or sub-contractors, as concluded with such sub-contractor or sub-contractors, and for the remaining amount, as concluded with the principal entrepreneur;

Contracts given to an association of entrepreneurs the members of which do not reside within the sovereign territory of one and the same Member State shall be considered, up to the amount of payments to which individual entrepreneurs are entitled—insofar as such amounts are stated separately—as placed with the individual entrepreneurs. In the case of contracts for which the aggregate amount of the works is not subdivided into individual entrepreneurs, the Member States may take appropriate measures to oblige said associations of entrepreneurs, upon conclusion of the contract, to subdivide the aggregate amount of the works among the individual entrepreneurs and to publicize such subdivision.

If the subdivision into individual entrepreneurs is not stated in the contract, and if it cannot be determined after conclusion of the contract, the contract shall be considered as entered into with the entrepreneur to which payment will have to be made.

Article 9

1. If a Member State asserts its right, pursuant to Article 5, of temporarily excluding nationals and companies of other Member States from the placement of public works contracts, it must immediately so advise the Commission of the European Economic Community.

The Commission of the European Economic Community shall see to it that such a decision is published in the Official Gazette of the European Communities.

2. Temporary exclusion from the placement of contracts by a Member State shall be effective until the end of the respective current year, unless one prerequisite listed under Article 5, Section 1, no longer exists, i.e., the amount of contracts placed by the other Member States with nationals and companies of the respective Member State residing within its sovereign territory as of June 30 or October 31 of the respective current year no longer exceeded one-half of the corresponding amount of contracts placed with nationals and companies of the other Member States. In that case, the Member State which temporarily excluded the nationals and companies of the other Member States from the placement of public works contracts must include them again and advise the Commission of the European Economic Community of that fact without delay.

3. On the basis of a suspension decision by a Member State, nationals and companies of the other Member States cannot be excluded from participation in the placement and awarding of those contracts for which an invitation for bids had been issued prior to the publication of such suspension decision.

4. The Commission of the European Economic Community shall inform the other Member States, by a notice to be published in the Official Gazette of the European Communities, of the resumption of the placement of public works contracts in the respective Member State with nationals and companies of the other Member States.

Chapter III. The Role of the Commission—Advisory Committee for Public Works Contracts

Article 10

When examining disputes and problems which arise from the implementation of measures which the Member States will take by virtue of the Directives on the elimination of restrictions on the freedom of business establishment and the free exchanges of services in the realm of public works as well as for the coordination of procedures relating to the placement of public works contracts, the Commission of the European Economic Community shall be assisted by a committee. That committee shall, in particular, have the following task:

(a) To prepare opinions for the Commission on individual cases which the Commission or one of the members of the committee submitted to it in connection with the implementation of the Directives as well as the application of the provisions concerning the placement of public works contracts by the public administrations and public law juridical persons of one Member State to the nationals and companies of the other Member States;

(b) To examine in connection with the application of these Directives whether supplemental provisions or possibly amendments would be appropriate.

Article 11

The Member States shall be obliged, upon request by the Chairman, to supply to the advisory committee any information required to carry out its tasks.

Article 12

The members of the committee shall be appointed by the Member States; each Member State shall supply one regular and one substitute member. The substitute member may attend meetings at any time.

The members of the committee may ask for assistance from officials in an expert capacity.

If the Committee considers it necessary when examining special cases, it may ask for assistance from additional persons.

The Commission shall bear the travel and lodging expenses of regular and substitute members.

The Member States shall bear the travel and lodging expenses for the experts and other persons whose advice had been sought.

Article 13

The chairmanship of the advisory committee shall be held by an official of the Commission of the European Economic Community.

The Chairman shall not participate in the voting. He may ask for assistance from technical advisers.

The secretarial duties of the committee shall be performed by the services of the Commission.

Article 14

Notwithstanding Article 214 of the Treaty, the members of the committee and the technical advisers shall be obliged to observe secrecy.

Article 15

Meetings of the committee shall be called by the chairman, when he so desires, or upon motion by one of the Member States.

Article 16

The committee shall have a quorum when two-thirds of the members are present. Each member or, respectively, his substitute, in his absence, shall have one vote.

The opinions of the committee must be reasoned opinions; they shall be adopted with absolute majority of votes. Upon request of the minority, a memorandum containing the opinions held by the minority must be attached to the opinions.

Article 17

If necessary, the committee shall adopt internal regulations.

Chapter IV. Final Provisions

Article 18

The Member States shall take the necessary measures to safeguard implementation of this Directive at the times set forth in the preceding Articles; they shall advise the Commission without delay of such measures.

Article 19

The Member States shall see to it that the Commission of the European Economic Community is informed of all future proposals for legal and administrative provisions which they intend to enact in the field of taking up and exercising the activities governed by this Directive.

Article 20

The text of the Annex shall be an integral part of this Directive.

Article 21

This Directive is addressed to all Member States.

Brussels, this — day of — 196 —

On behalf of the Council,

The President.

ANNEX

To the first directive concerning the participation of entrepreneurs in the placement and execution of building projects for the account of the State, its territorial subdivisions as well as other public law juridical persons.

List of public law juridical persons referred to in the first article

In addition to the State (and organs on the same footing referred to in the first article, paragraph 1, sentence 2, of the Directive) and its territorial subdivisions such as Länder, regions, departments and communes, there are subject beginning with January 1, 1965, to the regime instituted for the participation of the entrepreneurs of all the Member States in public works contracts, the following specific public law juridical persons, with regard to:

I. All the Member States: The public law associations organized by the territorial subdivisions, as for example, "Gemeindeverbände", "Zweckverbände", etc.

II. In the Federal Republic of Germany: The "bundesunmittelbaren Körperschaften, Anstalten und Stiftungen des öffentlichen Rechts" [direct federal corporate bodies, institutions and establishments of the public law].

III. In the Kingdom of Belgium: The Highway Funds 1955-1969, The Airway Administration, The Public Assistance Commission, The Church Vestries, The Office Regulating Internal Navigation, The Refrigerating Services Administration of the Belgian State.

IV. In the Republic of France: The other public establishments of an administrative character, at the national, departmental and local levels.

V. In the Republic of Italy: The State universities and university institutes, the consortiums for the construction of universities, the higher scientific and cultural institutes, the astronomical, astrophysical, geophysical and volcanological observatories, the "Enti di riforma fondiaria," the welfare and benevolent institutions of all kinds.

VI. In the Grand Duchy of Luxembourg: The Social Insurance Offices.

VII. In the Kingdom of The Netherlands: The "Waterschappen" [The Boards of Dikes Surveyors],

The "Rijksuniversiteiten" [the Royal Universities],

The "Acadmische Ziekenhuizen van de Rijksuniversiteiten" [the Academic Hospitals of the Royal Universities], and the "De Gemeentelijke Universiteit van Amsterdam" [the Municipal University of Amsterdam],

The "Technische Hogescholen" [the Technical High Schools],

The "Nederlandse Centrale Organisatie

voor toegepast natuurwetenschappelijk Onderzoek (T.N.O.)" [the Central Netherlands Organization for Applied Natural Science Research] and the organizations which are attached to it.

SCHEDULE C. EUROPEAN ECONOMIC COMMUNITY—FIRST DIRECTIVE CONCERNING THE COORDINATION OF PROCEDURES FOR THE PLACEMENT OF PUBLIC WORKS CONTRACTS

(Submitted to the Council by the Commission)

(Unofficial Translation From German)

The Council of the European Economic Community—

In view of the Treaty establishing the European Economic Community, in particular, Articles 7, 54, 63, 100 and 223,

In view of the General Program for the Elimination of Restrictions on the Freedom of Establishment, in particular, Title IV, Section B, Paragraph 1,

In view of the General Program for the Elimination of Restrictions on the Free Exchange of Services, in particular, Title V, Section C(e), Paragraph 1,

Upon proposal of the Commission,

After consultation of the European Parliament,

After consultation of the Economic and Social Committee,

Whereas the simultaneous realization of the freedom to establish a business and of a free exchange of services in the field of public works contracts placed in the Member States for account of the State, the territorial subdivisions as well as other public law juridical persons requires, in addition to an elimination of restrictions, a coordination of national procedures governing the placement of public works contracts;

Whereas such coordination must, however, take into consideration the procedures and administrative practices existing in each Member State;

Whereas the Council, in its statement relating to the above-mentioned General Programs, has stressed that the coordination must be based on certain principles which relate to prohibition to describe technical characteristics with discriminatory effect; sufficient publication of proposed awards; preparation of objective criteria for participation; and introduction of a procedure which will offer a guaranty that such principles are observed;

Whereas it must be avoided that different systems are applied to construction contracts of railroad administrations because of their differing juridical personalities and, thus, railroads which are juridical persons under public law must be excluded from the sphere of application of this Directive and it is expected that that area will be covered by a separate directive;

Whereas, while it is necessary to make provision for exceptional cases to which the measures for coordination of the procedures will not be applied, it is likewise necessary to limit such cases explicitly;

Whereas construction contracts of a size below 60,000 Units of Account do not appear liable to affect [adversely] competition at the level of the Common Market and, therefore, such contracts must be excluded from the application of the coordination measures;

Whereas, for technical reasons, publication in the Community cannot extend to all proposed awards subject to the coordination measures and, therefore, during the transitional period, decreasing thresholds of 1,000,000, 600,000 and 300,000 Units of Account must be distinguished;

Whereas it is appropriate to create an Advisory Committee within the framework of Article 54, Section 3, Paragraph (b), for the purpose of assisting the Commission in the

examination of problems which might arise in the implementation of this Directive; with a view to preparing the future joint regulations in the field of public works contracts; as well as to comply with one of the provisions contained in the above-mentioned statement by the Council—

Has enacted the following Directive:

Title I. General provisions

Article 1

1. (a) As public works contracts shall be deemed agreements in writing which are concluded between an entrepreneur on the one hand and the public contracting authorities as they are named in greater detail under paragraph (b) of this Article, on the other, and which relate to the construction, maintenance or demolition of one of the construction works listed in Article 2, Item (b), of the first Directive concerning Participation of Entrepreneurs in the Placement and Execution of Building Projects for Account of the State, the Territorial Subdivisions as Well as Other Public Law Juridical Persons.

(b) As public contracting authorities in the six Member States shall be deemed the State, the territorial subdivisions and the bodies corporate which are listed in the annex to the Directive mentioned above under (a).

(c) Unless otherwise provided for in this Directive, the public contracting authorities shall apply their national procedures to public construction works.

(d) Application of the placement procedures to public construction contracts shall be compulsory, except for cases in which the counter-performance for the Work to be done consists not only of the payment of a price, but of the grant of a right to use the construction project for a certain period. In this case, the public contracting authority may avail itself of the system for grants of concessions. If the owner of the concession is a public contracting authority within the meaning of paragraph (b), such authority must apply to the award of construction services to be rendered by third parties the national procedures concerning awards of public construction contracts as adjusted on the basis of this Directive.

(e) These provisions shall not apply to the public construction contracts of the railroad administrations. The prerequisites under which construction contracts of railroad administrations in the six Member States are to be placed will be governed by a separate coordination directive.

2. Within the meaning of this Directive,

(a) The word "entrepreneur" shall be taken in its broadest meaning; it shall include without differentiation "entrepreneur" in the proper meaning as well as "enterprise", "tradesman" and "company" within the meaning of Article 58 of the Treaty;

(b) The entrepreneur who has submitted a bid shall be designated by the word "bidder"; the entrepreneur who has applied for an invitation to participate in a restricted procedure on the basis of the publication as it is provided for in Article 8, Section 2, shall be designated as "applicant".

Article 2

1. The common provisions of this Directive concerning open procedures (Articles 5 through 10, 13, 14, 18, 20 through 26, 28 and 29) within the meaning of this Directive shall apply to the individual State procedures under which all interested entrepreneurs may bid.

2. The common provisions concerning restricted procedures (Articles 6 through 9, 11 through 13, 15, 16, 18 through 29) within the meaning of this Directive shall apply to the individual State procedures under which only

entrepreneurs invited by the public contracting authority may bid.

3. To a placement of contracts in the cases stated in Article 5, only the common provisions of Articles 6, 7 and 17 shall apply; this does not affect contracts placed pursuant to Article 5, paragraph (j), to which all common provisions of this Directive shall apply, with the exception of the provisions contained in Title III.

4. To the contracts named in paragraphs 1, 2 and 3 above, the provisions of Articles 30 through 37 concerning the Advisory Committee for Public Works Contracts shall apply in addition.

Article 3

The common provisions contained in this Directive and the provisions of Article 5 shall be applied, subject to the prerequisites of Article 2, to all public works contracts the estimated amount of which attains or exceeds 60,000 Units of Account (EEC).

The common provisions on publication contained in Articles 8 through 17 shall not apply to construction contracts of an estimated amount not exceeding 1,000,000 Units of Account (EEC) for the period from January 1, 1965, to December 31, 1965; 600,000 Units of Account (EEC) for the period from January 1, 1966, to December 31, 1967; 300,000 Units of Account (EEC) from January 1, 1968.

Exclusion from the award of contracts as provided for in Article 5 of the Directive mentioned in Article 1, Section 1, paragraph (a), shall not entitle the Member States to suspend publication pursuant to Title III.

The amounts which result from conversion of values stated in Units of Account into the respective national currencies can be found in the annex.

Article 4

When computing the amount pursuant to Articles 3, 5 and 28, the cost of deliveries made simultaneously with the construction works, but forming the subject of a separate public contract, must also be taken into consideration.

Article 5

The public contracting authorities may award construction contracts without applying for common provisions of this Directive, with the exception of Article 6, 7 and 17:

(a) If, after applying one of the procedures provided for in the Directive, no bids, or no proper bids, were received or if bids received were unacceptable, in accordance with Chapter IV, pursuant to national provisions regulating the placement of contracts, because of some provision contained therein;

(b) If the only entrepreneur to be considered for the respective performance is the one who owns the patents or improvement patents or licenses therefor, or the exclusive right to import or use granted by the manufacturer with respect to the technical know-how or supplies related thereto, or if the performance can be rendered by only one entrepreneur or supplier, regardless of whether or not he is domiciled within the territory of the Community;

(c) If a performance, in the absence of a legal or factual monopoly, can, because of compelling technical reasons, obviously be rendered only by a particular entrepreneur, regardless of whether or not he is domiciled within the territory of the Community;

(d) If, because of its artistic nature, the repair or maintenance of a construction work can only be done by experienced artists or experts, regardless of whether or not they are domiciled within the territory of the Community;

(e) If the performance is rendered only for purposes of research, testing, exploration, or improvements;

(f) To the extent that it is unavoidably necessary, because the time-limits provided for in the other procedures cannot be kept

for compelling reasons of urgency which could not be foreseen by the respective person or entity placing the public contracts;

(g) If the construction work is of a secret nature;

(h) In the case of additional construction works which were not foreseen in the original proposal submitted for bids and the first contract entered into, but which are required, because of an unforeseen event, in order to execute the construction works described therein, provided the work is placed with the entrepreneur who executes such contract;

Provided that such works cannot, in technical and economic respects, be separated from the main contract without substantial disadvantage to the person or entity placing the public contract;

Or provided such work may be separated from the first contract, but is inevitably necessary for its improvement;

The aggregate amount of contracts which are placed in application of the provisions contained in the first or second paragraph may, however, not exceed 50% of the original amount of the first contract;

(i) In exceptional cases, if works are involved which, because of their nature or the risks attaching thereto, do not admit of sound price formation at the outset and which, therefore, must be executed at cost; the public contracting authorities shall advise the Advisory Committee of all cases to which this provision was applied;

(j) During the transition period, if the price formation is withdrawn from the normal effects of competition in the Community and if the number of entrepreneurs from other Member States invited to bid is not less than one-third of the aggregate number of invited entrepreneurs. However, in that case, entrepreneurs invited to bid must fulfill the criteria for acceptability contained in Title IV, Chapter 1 of this Directive; the adjudication shall be made pursuant to the provisions contained in Title IV, Chapter 2. The Member States shall advise the Advisory Committee of all cases to which this provision has been applied.

The Member States shall send to the Advisory Committee, before the end of the month of March of each year, a statement concerning the number and amount of orders placed in the preceding year on the basis of items (a) through (i). If possible, they shall subdivide contracts placed by each separate item.

This obligation relates to contracts the amount of which exceeds 1,000,000 Units of Account (EEC) during the period from January 1 to December 31, 1965; 600,000 Units of Account (EEC), during the period from January 1, 1966, to December 31, 1967; and 300,000 Units of Account (EEC), from January 1, 1968.

Title II. Common provisions concerning the description of technical characteristics

Article 6

The description of technical characteristics in the realm of public works contracts shall comprise, pursuant to this Directive, all technical prescriptions, and in particular those contained in the general and specific contract specifications, with the help of which a work, building material, product or supply (in particular quality; performance) is objectively outlined so that the work, building material, product or supply will fit the purpose which the public contracting authority has in mind.

Included in such description of technical characteristics shall be the mechanical, physical and chemical properties; classifications and standards; requirements for testing, supervision and acceptance of the construction work, construction components or building materials; it shall further include the techniques and construction methods as well as all other requirements of a technical na-

ture to which the public contracting authority will subject the building materials, the construction components and the finished construction by way of general or specific rules.

If a project prepared under provisions concerning the computation of prices for construction work which are different from those customary in the country where the contract is placed, but which can be reconciled with the requirements contained in the contract specifications, belongs to those projects which can be taken into consideration, the public contracting authority shall be obliged to examine the project with special care with respect to the justifications, and explanations submitted by the bidder.

Article 7

The description of technical characteristics pursuant to Article 6 may not have any discriminatory effect or consequence.

The prohibition contained in the preceding paragraph shall relate to all discriminatory provisions in legal and administrative regulations which represent restrictions on the free exchange of services within the meaning of Article 60, Section 1, of the Treaty and Title III of the General Program for the Elimination of Restrictions on the Free Exchange of Services, as well as any discrimination in connection with the award of an individual contract which may be contained, in particular, in the special contract specifications for that individual contract. Applicability of Articles 31, 32, Section 1, and 33, Section 7, to discriminatory provisions in legal and administrative provisions through which the importation of merchandise is restricted shall be reserved.

As discriminatory within the meaning of this Directive shall be considered, in particular, any technical requirement which directly or indirectly results in preferential treatment of one or several enterprises to the disadvantage of enterprises in the remaining countries of the Community or the exclusion of the latter enterprises.

As discriminatory shall be deemed, in particular, descriptions which, without any justification by the particular construction work, have the following content:

1. A mention of the trademark of a designated product, appliance or building material or of the firm which produces or distributes such merchandise, even where the trademark is followed by words such as " * * * or of a similar kind", " * * * or of another kind of equal quality", etc., or if the corresponding inference is made by mere reference to price lists or leaflets;

2. A reference to patents, types, generic names, models, procedures or to objects already used in constructions, or to price lists, or any defining reference to an object of particular manufacture or origin;

3. Indication of the place of origin, exploitation, extraction, fabrication, or production;

4. Indication of particular technical or other characteristic if worded in such a manner that a priori objects of a particular manufacture or origin are preferred or excluded.

If Community standards or clear rules of equal value exist, these must be used as the basis for contract specifications. If that is not the case, the description of technical characteristics as well as of methods of testing, control, acceptance and price computation shall be established in the contract specification, with the exclusion of exceptional cases for which such action can be justified by the peculiarity of the construction project.

If national standards are prescribed for a description of technical characteristics, this does not represent discrimination, unless Community standards or provisions of equal value, as they are described in the preceding paragraph, exist.

Title III. Common rules for publication

Article 8

The publication provided for in this Directive is intended to produce the largest possible competition in open as well as in restricted proceedings. For that purpose, entrepreneurs who are nationals of the Member States shall be notified of construction contracts which the public contracting authorities of the Member States intend to award.

In the case of restricted proceedings, the publication is intended particularly to make it possible for entrepreneurs of the Member States to evidence their interest in the contracts by applying to the public contracting authority for an invitation to submit a bid in accordance with the prescribed requirements.

Article 9

The public contracting authorities which intend to award a construction contract by way of a public or a restricted proceeding, shall declare their intent through a notice.

That notice shall be forwarded to the EEC Commission and published in the Official Gazette of the European Communities in full in the official languages of the Community, the original language representing the only authentic text.

In an expedited proceeding, the notice shall be published in the original language only in the four editions of the Official Gazette of the European Community.

The notice shall be published in the Official Gazette of the European Community not later than 10 days after its mailing; in the case of the expedited proceeding provided for in Article 12, not later than six days after mailing.

In the Official Gazette or, where it does not exist, in specially designated organs of the press of the awarding State, the notice may not be published prior to the above-mentioned mailing date, and that date must be shown in such notices.

The public contracting authority must be able to prove the time of mailing.

Article 10

In the case of open proceedings, the time-limit for offers to be fixed by the public contracting authority must be at least 35 days, counted from the day of mailing of the notice. The public contracting authority must furnish additional information, if any, not later than six days before expiration of the time-limit for offers.

If offers can only be submitted after the inspection of the site or examination of publicly displayed adjudication procedures or if they require complicated computations, the time-limit for offers shall be at least 49 days, counted from the day of mailing the notice.

Article 11

In the case of restricted proceedings, the time-limit for the application to participate to be set by the public contracting authorities must be at least 21 days, counting from the day of mailing the notice.

The public contracting authorities must give additional information, if any, until not later than six days prior to the expiration of the time-limit for offers.

If the offers can only be submitted after an inspection of the site or examination of publicly displayed contract specifications or if they require complicated computations, the time-limit for offers must be at least 35 days.

Article 12

If the time-limits provided for in Article 11 cannot be kept for reasons of urgency, the public contracting authorities shall be authorized to shorten the time-limits as follows:

—the time-limit for application to participate, to not less than 12 days from the day of mailing the notice;

—the time-limit for the offer, to not less than eight days from the day of mailing the notice.

The public contracting authority must give any additional information which may be requested until not later than four days prior to the expiration of the time-limit for offers.

The time-limit for inviting bids shall be established by the public contracting authorities in their own discretion.

The application to participate as well as the invitation to bid may be transmitted in writing, by telegram, by telephone or by telex.

Article 13

All details which enable the entrepreneur to form a sufficient idea of the construction work to be executed and requirements to be complied with in that connection must appear from the notices in the Official Gazette of the European Community.

A notice of the national official gazettes or, in their absence, in the press organs designated for that purpose may not contain any other information than that contained in the notice in the Official Gazette of the European Community.

Article 14

In the case of open proceedings, the notice shall at least contain the following information:

- (a) The date of its mailing to the Official Gazette of the Communities;
- (b) The type of proceeding;
- (c) The place of execution, the type and size of the performances to be rendered as well as the essential characteristics of the works;
- if the order consists of several lots: the size range of the individual lots and the possibility to submit a bid for one lot, several lots or for the entire project;
- in the case of announcements relating to contracts which, in addition to the possible execution of construction works, require the preparation of draft projects, only such information as will make it possible for the entrepreneurs to recognize the objective of the contracts and submit corresponding proposals;
- (d) Where applicable, the time-limit for execution;
- (e) The address of the office submitting the invitation for bids;
- (f) The address of the office from which contract specifications may be requested, as well as the day until which they must be requested; there must be indicated furthermore the amount payable in order to obtain said specifications, as well as the manner of payment of such amount.
- (g) The address of the office which will supply additional information on the adjudication particulars or on the work to be performed, as well as the times at which such information can be obtained;
- (h) The day until which bids must be submitted, and the records to be attached which relate to the technical description of the bid; the address of the office to which they are to be submitted, as well as the language in which they must be drafted;
- (i) The records to be attached to the bid which facilitate an evaluation of the technical and economic capacities of the bidder pursuant to the provisions contained in Articles 20 through 26.
- (j) Who may be present when the bids are opened, as well as the day, hour and place for the opening of the bids;
- (k) If applicable, indication of deposits and other sureties which the person or entity placing the public contract may require in some form;
- (l) The terms for financing and payment and/or reference to the regulations in which they are set forth;
- (m) The formal requirements for admis-

sion of the bid or reference to the regulations in which they are set forth;

(n) Whether associations of entrepreneurs must have a designated juridical form in order to be admitted to submit bids;

(o) The criteria for adjudication pursuant to Article 28;

(p) The period for which bidders shall remain bound by their bids.

Article 15

In the case of restricted proceedings, the notice shall contain at least the following information:

- (a) The information under Article 14, Items (a), (b), (c), (d), (e), (n), and (o);
- (b) The day until which applications to participate must be submitted, the address of the office to which they must be submitted as well as the language in which they are to be drafted;
- (c) The day until which invitations to submit bids will be mailed out by the office inviting the bids;
- (d) Description of information which will facilitate an evaluation of the technical and economic capacities of the competitor under the provisions contained in Articles 20 through 27, and which must be attached to the application for participation in the form of statements which may later be examined and verified.

Article 16

In the case of restricted proceedings, the invitation to submit bids shall contain at least the following information:

- (a) The information listed under Article 14, Items (f), (g), (h), (j), (k), (l), (m) and (p);
- (b) A reference to the notice described in Article 15;
- (c) A request for records which, if the case should arise, may serve to prove the correctness of the statements to be made by the competitor pursuant to Article 15, Item (d).

Article 17

It is left to the discretion of the public contracting authorities to call attention by public notice to an award of public works contracts which are not subject to the publication duty under this Directive, provided that the amount of such orders is not below 60,000 Units of Account.

Title IV. Common participation provisions

Article 18

1. The criteria for participation comprise aptitude criteria and adjudication criteria.
2. The public contracting authorities shall examine the technical aptitude of entrepreneurs who are not eliminated on the basis of Article 20, pursuant to uniform criteria of economic, financial and technical capacities as stated in Articles 23 through 26, while adjudication shall be made on the basis of the adjudication criteria stated in Chapter 2 of this Title.

Article 19

In the case of restricted proceedings within the meaning of Article 2, Item 2, the public contracting authorities shall select from among the competitors who fulfill the capacity requirements provided for in Articles 20 through 26 those competitors who will be invited to submit a bid.

When the Advisory Committee examines individual cases, it shall be assumed that discrimination by reasons of nationality does not exist if the number of competitors from other Member States who are invited to submit a bid amounts to at least one-third of the aggregate number of invited competitors.

Should the number of competitors from the other Member States who fulfill the capacity requirements provided for in Articles 20 through 26 not be sufficient, that assumption can be made only if the public contracting authority invited all competitors to submit a bid.

Chapter I. Capacity Criteria

Article 20

It shall be possible to exclude from participation in adjudication proceedings entrepreneurs:

(a) With regard to whom a bankruptcy proceeding or a settlement proceeding has been instituted or who are in liquidation, who have ceased to exercise their professional activity or who are in a corresponding status because of a similar proceeding instituted pursuant to national legal provisions;

(b) Against whom institution of a bankruptcy proceeding or a proceeding for court settlement has been requested or against whom other similar proceedings have been requested on the basis of national legal provisions; who have been condemned under a legally effective decision for reasons which place their professional reliability in question;

(c) Who have committed, within the scope of their professional activities, a violation of the law, a grave offense or a violation of trust and good faith which can be proven to have been ascertained by the public contracting authority;

(d) Who, at the time of adjudication, have obviously not complied with their obligation to pay social welfare contributions under the law of the country in which they are domiciled or under the law of the country in which the public adjudication takes place;

(e) Who have been guilty of false statements when giving such information as can be requested pursuant to this Chapter.

The entrepreneur shall submit a certificate issued by the competent authority and, in cases where this is not possible in accordance with national legislation, a declaration, from which appears that the conditions listed under Items (a), (b), (c), (d) and (e) do not exist in his case.

If the conditions listed under Items (a) and (b) exist with regard to an entrepreneur, possible participation in the adjudication procedure may be made subject to a declaration from which his financial situation as well as the facilities at his disposal for regular execution of the works clearly appear.

Article 21

The public contracting authority who excludes an entrepreneur on the basis of Article 20 shall inform the Advisory Committee to that effect.

The public contracting authority shall inform the entrepreneur concerned upon his request of the reasons for exclusion if he is excluded by reason of the provisions contained in Items (a), (b) or (c) of Article 20.

Article 22

Entrepreneurs who desire to participate in public works contracts may be invited to submit proof of entry into the professional register of the particular country of the Community in which they have their establishment: for Belgium, the "Registre de Commerce" or "Handelsregister"; for Germany, the "Handelsregister" or the "Handwerksrolle"; for France, the "Registre de Commerce"; for Italy, the "Registro della Camera di Commercio, Industria e Agricoltura"; for Luxembourg, the "Registre de Commerce"; and the "Rôle de la Chambre des Métiers"; for the Netherlands, the "Handelsregister".

Article 23

The proof of financial and economic capacities of the entrepreneur may be made:

- (a) By appropriate bank references;
- (b) By submitting balance statements or excerpts from balance statements of the enterprise, if publication thereof is required under the corporate law of the country in which the entrepreneur has his business seat;

(c) By a statement concerning the aggregate turnover and the turnover in execution of construction works of the enterprise during the last three business years.

The public contracting authorities shall indicate in the notice or in the invitation to submit bids the kind of proof that should be submitted to them.

If the above means of proof are not available to the entrepreneur, he may submit evidence of his financial and technical capacities by submission of other documents.

Article 24

Proof concerning the technical capacity of the entrepreneur and of the persons and installations listed under Item (e) may be made as follows:

(a) By documents evidencing the technical training and professional experience or ranking employees of the enterprise, in particular of the person(s) responsible for the execution of the work in technical respects;

(b) By certificates showing what types of work were executed and/or directed during the last five years; in this connection, the amount of the construction size as well as time and place of construction execution must be indicated; furthermore, the certificates must show whether the works satisfied the recognized rules of technical science and whether they were executed in good order;

Where construction works were involved which had been performed or directed for public contracting authorities, the certificate must be issued by the authority having jurisdiction or be fixed by it; it shall be granted to an entrepreneur or, if the authority having jurisdiction does not deem it possible to deliver it to an entrepreneur, it shall be sent by it to the public contracting authorities in the other Member States upon request of the entrepreneur;

If, on the other hand, construction works are involved which were performed or directed for persons or entities placing private orders, the certificate must, if possible, be issued by such person or entity or by the person in charge of construction, where appropriate, and in that case, ratified by the person or entity placing the order;

(c) By a declaration stating the type of the facilities, building apparatus and technical equipment which the entrepreneur has at his disposal for the execution of the works;

(d) By a declaration setting forth the average number of persons employed by the entrepreneur during the last three years;

(e) By a declaration concerning the technical management, planning or building direction offices, regardless of whether or not they are attached to the enterprise, if the public contracting authorities require their intervention or if the entrepreneur intends to avail himself of their intervention.

The public contracting authorities shall indicate in the notice or in the invitation for bids the type of documentation that must be submitted to them in each case.

Article 25

1. The Member States which keep official lists of entrepreneurs admitted for public construction works must reexamine such lists upon effectiveness of this Guideline, on the basis of Article 20, Items (a) through (d) and (f), and Articles 20 through 24.

2. Entrepreneurs who are entered in such lists may submit to the public contracting authority a certificate from the competent authority concerning such entry whenever an order is awarded.

3. The entries in such lists as certified by the competent authorities shall represent as against the person or entity of the other Member States who places public orders an assumption of recognition of that particular entrepreneur, within the meaning of Articles 20, Items (a) through (e) and (f), and Ar-

ticles 20 through 24, for the type of work resulting from his classification.

Information to be gathered from the list shall not be placed in doubt. However, with respect to payment of social security contributions, an additional certificate may be requested from each entrepreneur entered in the lists whenever an order is awarded.

The preceding provisions shall apply as against public contracting authorities of the other Member States in favor of such entrepreneurs who have a business establishment in the country in which an official list is kept.

4. For acceptance of foreign entrepreneurs for entry into such a list, only those proofs and declarations can be required which apply in the case of national entrepreneurs, and in any event, only those which are listed in Articles 20 and 22 through 24.

5. Those Member States which keep official lists shall communicate to the other Member States the office, and the address thereof, at which the applications for listing may be filed.

Article 26

The public contracting authorities shall determine the certificates which the entrepreneur will have to submit in accordance with Article 20, last paragraph, and Articles 22 through 25, and the nature, importance and size of the works to be executed as well as the financing and payment terms in accordance with Articles 14 through 16 will have to be taken into consideration in such determination.

Article 27

At the first stage of restricted procedures, the competitors must comply with the requirements of Articles 20 and 22 through 25 by simple statements.

Records required to prove such statements may be requested by the public contracting authority only when an invitation to bid is made, with the exception of the case provided for in Article 20, paragraph 2.

Chapter II. Adjudication Criteria

Article 28

When adjudicating a contract, the public contracting authority shall apply the following criteria:

Either the criteria of lowest price exclusively;

Or various criteria changing with the contract, such as price, transportation costs, period of execution, operating expenses, profitability and, in the case of adjudication proceedings which relate to a competition of ideas or provide for, or require, presentation of alternative proposals, the technical value.

If several adjudication criteria are used, they shall, so far as possible, be stated in all cases in the published notice in the order of importance attributed to them by the public contracting authorities. They may, furthermore, be provided with a coefficient which permits the exact evaluation in figures of such importance.

During the transition period, public contracting authorities can select the criterion of the price to be computed under the national provisions then in effect; this shall be applicable, during the period from January 1, 1965, through December 31, 1965, for orders of an estimated size not exceeding 1,000,000 Units of Account (EEC); during the period of January 1, 1966, through December 31, 1967, for contracts of a size not exceeding 600,000 Units of Account (EEC); and from January 1, 1968, to the end of the transitional period, for contracts of a size not exceeding 300,000 Units of Account (EEC).

Article 29

1. The financial terms and conditions, e.g., payments in advance, payments on account, payment terms, shall be indicated for each contract pursuant to Article 14, Item (1), and Article 16, Item (a). The public con-

tracting authority shall be strictly bound by these provisions and cannot consider any other financing terms when making the awards.

2. If the works comprise deliveries by the entrepreneur, the adjudication particulars or the special cost estimates shall establish whether the price shall include transportation costs or not.

3. If the period of execution published in the notice will be used as one of the adjudication criteria, the contract specifications or the special cost estimates shall determine the terms of application of such criterion.

The contract specifications or the special cost estimates shall determine the extent of contractual penalties or premiums arising in the case of delays or accelerated completion of the construction work, to be related to the execution term established in the contract.

4. The contract specifications or the special cost estimates shall determine the specific requirements under which the technical value of the contract subject will be judged, to the extent that that criterion can be applied pursuant to Article 28, paragraph 1, second hyphenated paragraph.

Title V. Task of the Commission—Advisory Committee for Public Construction Orders

Article 30

When examining disputes and problems which may arise through application of the measures which Member States have taken pursuant to the Directives on Elimination of Restrictions on the Freedom of Establishments and on the Free Exchange of Services in the area of public contracts, as well as for the Coordination of Procedures for the Placement of Public Works Contracts, the Commission of the European Economic Community will be assisted by an Advisory Committee. That Committee shall have, in particular, the duty:

(a) To prepare opinions for the Commission on individual cases which the Commission or one of the members of the Committee submitted to it in connection with the implementation of the directives as well as the application of the provisions concerning the placement of public works contracts by the public administrations and public law juridical persons of one Member State to the nationals and companies of the other Member States;

(b) To examine in connection with the application of these directives whether supplemental provisions or possibly amendments would be appropriate.

Article 31

The Member States shall be obliged upon request by the Chairman to supply to the Advisory Committee any information required to carry out its tasks.

Article 32

The members of the Committee shall be appointed by the Member States; each Member State shall supply one regular and one substitute member. The substitute member may attend meetings at any time.

The members of the Committee may ask for assistance from other officials in an expert capacity.

If the Committee considers it necessary when examining special cases, it may ask for assistance from additional persons.

The Commission shall bear the travel and lodging expenses of regular and substitute members.

The Member States shall bear the travel and lodging expenses for the experts and other persons whose advice has been sought.

Article 33

The chairmanship of the Advisory Committee shall be held by an official of the Commission of the European Economic Community.

The Chairman shall not participate in the voting. He may ask for assistance from technical advisers.

The secretarial duties of the Committee shall be performed by the services of the Commission.

Article 34

Notwithstanding Article 214 of the Treaty, the members of the Committee, the experts, the officials of the Commission and the technical advisers shall be bound by secrecy.

Article 35

Meetings of the Committee shall be called by the Chairman when he so desires, or upon motion by one of the Member States.

Article 36

The Committee shall have a quorum when two-thirds of the members are present. Each member or, respectively, his substitute, in his absence, shall have one vote.

The opinions of the Committee must be reasoned opinions; they shall be adopted with absolute majority of votes. Upon request of the minority, a memorandum containing the opinions held by the minority must be attached to the opinion.

Article 37

If necessary, the Committee shall adopt internal regulations.

Title VI. Final provisions

Article 38

The thresholds provided for in Article 3, paragraph 2, for application of the common provisions on publications during the two last sub-periods preceding the end of the transitional period may be amended within six months prior to their effectiveness.

The time-limits provided for in Articles 10, 11 and 12 may be amended beginning with July 1, 1965.

The provisions contained in Article 5, Item (j), and in the last paragraph of Article 28 will be amended at the end of the transitional period.

Article 39

For purposes of assimilating the national procedures to the provisions contained in this Directive, the Member States shall enact the necessary legal and administrative provisions within a period of six months after publication; they shall immediately advise the Commission of such measures.

Article 40

The Member States shall see to it that the Commission of the European Economic Community is informed of all drafts of legal and administrative provisions which they intend to enact in the area of procedures relating to the adjudication of public works contracts in the future.

Article 41

The text of the Annex shall be an integral part of this guideline.

Article 42

This Directive is addressed to all Member States.

BENELUX ECONOMIC UNION

Unlike the Treaty of Rome establishing the European Economic Community, the treaty establishing the Economic Union between Belgium, the Netherlands, and Luxembourg (commonly referred to as Benelux) contains specific provisions recognizing that each of the contracting parties has legislative and administrative provisions, policies, and practices which discriminate against foreigners and products of foreign origin in the field of public contracts and providing for their elimination in a manner much more complete than any action heretofore taken or which will be taken in the foreseeable future under the provisions of the Treaty of Rome.

The treaty was signed on February 3, 1958, and entered into force on November 1, 1960. It is accompanied by (1) a convention of

transitional provisions which acknowledges "that circumstances require temporary derogations from certain provisions of the treaty" and provides for the progressive abolition of such derogations by joint action, to the end that the full economic union may become effective, and (2) an implementing protocol, which provides for the methods by which certain provisions of the treaty and the convention will be executed. The official texts of the treaty, the convention and the protocol are published in Benelux, Bulletin Trimestriel, annex to No. 4, March 1958.

The treaty was preceded by a number of agreements looking toward full economic union. Moreover, Belgium and Luxembourg had constituted an economic union since 1921 under the provisions of the convention of July 25, 1921. Article 233 of the treaty establishing the European Economic Community and article 202 of the treaty establishing the European Atomic Energy Community permit the creation of the Benelux Union insofar as its objects are not attained by the application of those two treaties.

The purpose of the Union is declared to be the free movement of persons and the free exchange of goods, services, and capital. Internal and external economic, financial, and social policies of the three contracting parties are to be coordinated and imports and exports are subject to a common tariff.

The provisions of the treaty with regard to the elimination of discrimination in the field of public contracts are contained in articles 62 and 63, which are as follows (unofficial translation furnished by the Secretary General of Benelux):

"Article 62: In the field of public contracts and tenders, the authorities of a high contracting party may not discriminate in any way whatsoever in favor of national products or of their nationals and to the detriment of products or nationals of other high contracting parties.

"Article 63: The following are to be considered, for the application of article 62 of the present treaty:

"(A) As public contracts and tenders: All public contracts and tenders for the execution of works or the purchase of goods by the authorities for their own requirements, irrespective of the way the order is given.

"(B) As public institutions:

"(a) all organs of the State;

"(b) all regional and local organs in Belgium and in the Grand Duchy of Luxembourg as well as subordinate authorities of public law in the Netherlands;

"(c) inasmuch as the states effectively influence their public contracts: the 'parastatal' institutions in Belgium and in the Grand Duchy of Luxembourg and the semi-public institutions in the Netherlands."

By reason of the provisions of articles 4, 5, and 37 of the transitory convention, the provisions of articles 62 and 63 of the treaty will not become fully effective until November 1, 1965, the transitory period of 3 years after the entering into force of the treaty foreseen by articles 4 and 5 of the transitory convention having been extended for an additional period of 2 years by the Committee of Ministers pursuant to article 37. Articles 4, 5, and 37 provide as follows (unofficial translation furnished by the Secretary General of Benelux):

"Article 4:

"1. During a period not exceeding 3 years, measures may be taken derogating from the provisions of article 62 of the treaty for the Union in accordance with the terms of conventions concluded between the high contracting parties, if an important disparity exists between public contracts awarded by the public authorities of one high contracting party to nationals of another high contracting party and public contracts awarded by the public authorities of the latter party to the nationals of the former party.

"2. In the case referred to in the first paragraph of the present article the college of arbitrators, referred to in article 15 of the treaty for the Union, shall decide exclusively *ex aequo et bono*.

"Article 5: During a period not exceeding 3 years, article 62 of the treaty for the Union shall only be applied to public contracts by public authorities, referred to in article 63, subparagraph B(b) thereof, insofar as the State effectively influences the award of these contracts.

"Article 37: If necessary, the Committee of Ministers may prolong by 2 years the periods of time provided for in the present convention."

Article 2 of the implementing protocol provides that the protocol concerning the national treatment in matters of tenders for works and purchases of goods signed at Brussels on July 6, 1956 (Moniteur Belge, Sept. 4, 1958), shall determine the terms of implementation of articles 62 and 63 of the treaty as well as the safeguarding clause provided for by article 4 of the transitory convention.

Under the provisions of a decision of the Council of Ministers of the Union dated November 3, 1960, the Special Commission for Tenders, which was instituted under the provisions of the 1956 protocol and the existence of which was confirmed by article 29 of the treaty, has responsibility for the application of the safeguarding clause of article 4 of the transitory convention and also serves as an appeal body for firms injured by discriminatory acts of national administrations.

PRINCIPAL SOURCE

Hainaut and Joliet, "Les Contrats de Travaux et de Fournitures de l'Administration dans le Marché Commun" (Public Works and Supply Contracts in the Common Market), volume 2 (Brussels, 1963).

BELGIUM (MEMBER OF BENELUX, EEC, GATT, OECD)

All government contracts are governed (effective January 1, 1965), by the law relating to contracts entered into on behalf of the state of March 4, 1963 (Moniteur Belge, Apr. 3, 1963), as implemented and regulated by the royal decree of October 14, 1964, and by a ministerial decree of the same date which prescribes the general contract conditions (Moniteur Belge, Oct. 17, 1964).

The 1963 law provides for the following methods for the award of government contracts:

1. General public tendering (adjudication publique)—publication of an invitation for competitive bidding in the bulletin published for that purpose and the opening of bids in public.

2. Restricted public tendering (adjudication restreinte)—invitation for competitive bidding (without publication) limited to those entrepreneurs or suppliers whom the Minister concerned decides to consult. Those entrepreneurs and suppliers are the only ones permitted to submit bids and to attend the opening thereof.

3. General invitation for offers (appel d'offres général)—publication of an invitation for competitive bidding in the bulletin published for that purpose.

4. Restricted invitation for offers (appel d'offres, restreint)—invitation for competitive bidding (without publication) limited to only those entrepreneurs or suppliers with whom the Minister concerned decides to consult.

5. Negotiated contract (marché de gré à gré)—negotiation of a contract by the Minister concerned with, and assignment of the contract to, the entrepreneur or supplier whom the Minister selects.

The Minister concerned has complete discretion to designate the method to be used

in any case, except that the negotiated contract method may be used only in the 12 cases specified in the law, which include contracts that must be concluded abroad by reason of their nature or their special conditions.

In the case of general or restricted public tendering the Minister concerned is bound to accept the lowest bid (if he accepts any). In the case, however, of general or restricted invitations for offers the Minister concerned has complete discretion to accept the bid which he deems the most advantageous (la plus intéressante) according to objective criteria set out in the law. Moreover, in either case the Minister concerned may decide not to conclude a contract and may order that the procedure be repeated, even in a different manner, if necessary.

The law thus affords ample basis for the exercise of administrative discretion in favor of Belgian nationals and Belgian firms.

Outright discrimination in favor of Belgians and Belgian products is permitted, and in fact encouraged, by Royal Decree No. 204 of October 1, 1935 (Moniteur Belge, Oct. 3, 1935), as implemented and regulated by a second royal decree of the same date (Moniteur Belge, Oct. 3, 1935), which created a Permanent Consultative Commission on Matters of Contracts or Awards. All organs of the Government are required to submit to the Commission contracts for supplies or services "if they involve either the designation of a successful bidder, contractor or subcontractor of foreign nationality or recourse to personnel of foreign nationality or the furnishing or use of products or materials other than products or materials of Belgian origin." Copies of unofficial English translations from French of the two royal decrees are attached hereto as schedules A and B, respectively.

The Commission automatically increases offers by foreign bidders by a certain percentage, normally 10 percent. It recommends the granting of the contract to the Belgian bidder whose offer is lower than or the same as the thus increased offer by the foreign bidder. The Minister concerned is, however, not required to accept the recommendation of the Commission.

The Commission is made up of senior civil servants from the various ministries and is presided over by a "Directeur Général." According to Belgian counsel, the role of the Commission is to protect Belgian interests from unfair foreign competition, such as dumping, lack of reciprocity, etc. The factors which the Commission is said to take into account in making its recommendations include: (a) the level of unemployment in Belgium; (b) the interests of the Belgian Treasury; (c) encouragement to those countries which import substantial amounts of Belgian manufactured products; and (d) the interests of the Belgian Customs as to import duties on materials or equipment which it is proposed to import.

Under the provisions of the Decree No. 204 persons of Luxembourg nationality are placed on the same level with Belgians. Products and materials of Luxembourg origin are likewise placed on the same level with products and materials of Belgian origin.

Article 1 of the second royal decree requires that the producer, supplier, and the subcontractors, if any, be of Belgian or Luxembourg nationality and the "Belgian or Luxembourg preponderance of interests they represent must be proven." According to a report from the U.S. Embassy in Brussels, based on a discussion with an official of the Belgian Ministry of Economic Affairs (which is charged with the execution of the decree), companies with more than 30 percent foreign ownership are in effect not considered Belgian (or Luxembourg) nationals. According to the same report, the various Belgian ministries in fact have a tacit understanding

that only bona fide Belgian (or Luxembourg) firms with less than 30 percent Foreign ownership will be consulted with regard to procurement.

Decree No. 204 has broad application to all Government departments, the provinces, the communes, state corporations, and companies operating under license or concession.

A second statutory discrimination exists in the field of public works contracts. Article 1 of the decree-law of February 3, 1947 (Moniteur Belge, Feb. 12, 1947), as implemented and regulated by the decree of the regent of March 29, 1947, and the ministerial decree of the same date (Moniteur Belge, Mar. 30-31, 1947), expressly limits to Belgian nationals and to companies at least two-thirds of the capital of which is Belgian participation in public works contracts of the state and those which are financed or subsidized by it. A copy of an unofficial English translation from French of the decree-law of February 3, 1947, is attached hereto as schedule C.

The decree-law provides for the creation of an Approval Commission in the Ministry of Public Works with which contractors are listed after approval of their applications. The decree-law requires approval only at the time of the letting of public works contracts; hence, any company, whether Belgian or foreign, may bid on public works projects. Article 8 provides that a ministerial decree, stating the reasons on which it is based, issued upon receipt of an opinion by the Approval Commission, may dispense with any of the requirements of articles 1 through 7, including the nationality requirement. According to reports from the U.S. Embassy in Brussels, the nationality requirement will be thus dispensed with and the contract awarded to a foreign company only if no Belgian contractor is able to execute the proposed work or if the bid of the foreign company is more than 10 percent below that of the nearest domestic competitor.

The decree of the regent provides for the classification by the Approval Commission of contractors according to work categories and the cost of works. The ministerial decree lists the documents which must be attached to requests to the Approval Commission for approval.

By virtue of the convention dated July 25, 1921, between Belgium and Luxembourg, Luxembourg contractors are placed in the same position as Belgian contractors.

Articles 15, 16, and 17 of the royal decree of October 14, 1964, a copy of an unofficial English translation from French of which is attached hereto as schedule D, contains provisions which are designed to facilitate the enforcement of the 1947 decree-law and the 1935 decree and which further evidence the discriminatory nature of Belgian Government procurement. Thus, under section 15, the bidder must state his nationality and, if the bid relates to supplies or materials originating in a foreign country and to which the 1935 decree applies, the bid must state the merchandise of foreign origin which is involved in the bid, the country of origin of the products to be furnished, and the materials to be used and the nationality of subcontractors, if any, and the numbers of personnel employed by the bidder. Moreover, under article 17, the contracting authority can require a foreign bidder to elect a domicile in Belgium and also to furnish security or the guarantee of a Belgian bank.

PRINCIPAL SOURCES

1. Letters dated July 9 and October 27, 1964, from Maître Etienne Gutt, Avocat à la Cour d'Appel, Brussels, to Cravath, Swaine & Moore, Paris.

2. Letter dated December 6, 1963, from the U.S. Embassy in Brussels to Cravath, Swaine & Moore, Paris.

3. de Grand Ry, "L'Harmonisation des Législations au sein du Marché Commun en Matière de Marchés Publics" (The Harmonization of Laws concerning Public Contracts in the Common Market), *Revue de Marché Commun* (No. 37) pages 247 to 251, (No. 38) pages 282 to 292 (1961).

4. Hainaut and Joliet, "Les Contrats de Travaux et de Fournitures de l'Administration dans le Marché Commun" (Public Works and Supply Contracts in the Common Market), volume 1 (Brussels, 1962), volume 2 (1963).

5. Foreign Service despatch No. 8 dated July 5, 1961, from the U.S. Embassy in Brussels, entitled "Export—Reporting on Construction Projects in Belgium."

6. Foreign Service despatch No. 23 dated July 6, 1961, from the U.S. Embassy in Brussels, entitled "Belgian Government Procurement Policy."

7. U.S. Department of Commerce, "Market for U.S. Products in Belgium" (1963).

SCHEDULE A: BELGIUM

ROYAL DECREE NO. 204 OF OCTOBER 1, 1935, ORGANIZING THE PERMANENT CONSULTATIVE COMMISSION ON CONTRACTS OR AWARDS (MONITEUR BELGE, OCT. 3, 1935)

Leopold III, King of Belgians, to all, present and future, greetings:

In view of the law of July 31, 1934, extended and supplemented by the law of December 7 of the same year, as well as by the laws of March 15 and 30, 1935, which confers upon the King certain powers for the purpose of economic and financial reconstruction and the lowering of public burdens;

In view, in particular, of subparagraphs d and h of item III of the first article of the above-mentioned law;

In view of the law of March 5, 1922, which approves the convention entered into between Belgium and the Grand Duchy of Luxembourg, concluded at Brussels on July 25, 1921, for the establishment of an economic union between the two countries;

In view of the protocol of May 23, 1935, dealing with the subject of the system of public awards in the Belgo-Luxembourg economic union;

Upon review of the royal decree of February 28, 1935, which established for the heads of provinces, communes, establishments which are subordinated to them and intercommunal associations certain obligations concerning calls for competitive bidding and acts of awards;

Whereas there is reason to extend, while supplementing them, the provisions of the last decree cited above to all public administrations as well as to the institutions or organizations subordinated to them or in favor of which the public powers intervene financially;

Upon proposal by our Council of Ministers, we have decreed and are decreeing as follows:

Article 1. The following are subject to the provisions of this decree:

1. State administrations, the provinces, the communes, the groupings of provinces and communes, the institutions or organizations subordinated to the public powers.

2. The State corporations ["régies"] and companies operating under license where contracts subjected to the control of a public power are involved.

3. Organizations or institutions in favor of which the public powers intervene in one of the following forms:

(a) Where the public powers have a direct interest in the management and in particular where they have financially participated in the creation of the organization or the institution, where they share in the profits or cover possible losses, or further where they have, or may have, a responsibility for interests in the form of dividends or amortization [sic].

(b) Where, through subsidies or in other forms, the public powers intervene continuously in the business costs of the organization or institution.

(c) Where the public powers grant subsidies or grants for a fixed purpose as long as contracts concerning the objects or services to which the subsidies or grants relate are involved.

Article 2. Where the administrations, organizations, or institutions, State corporations or companies operating under license which are subject to the terms and provisions of article 1, in application of this decree, enter into contracts for the rental of services or for work, contractor's services or deliveries, either privately or after a call for competitive bidding, the cocontractor or bidder shall be held to state in the contract or in the bid:

(a) The nationality and actual residence of the cocontractor or bidder and of subcontractors, if any;

(b) The nationality of the staff members employed;

(c) The origin of the products to be furnished or materials to be used.

This article shall, however, not be applicable to contracts for the delivery of objects exclusively intended for education, studies, or scientific research.

Article 3. There shall be established with the Ministry of Economic Affairs a Permanent Consultative Commission on Contracts and Awards.

Its composition, the manner in which its president and its members are appointed, the remunerations to which they may be entitled, and its functioning shall be decreed by the king.

Article 4. The contracts referred to in article 2 and entered into by administrations, organizations, institutions, State corporations, and companies operating under license which are subject to the terms and conditions of article 1 in application of this decree must be notified, within 10 days of their date, to the president of the Permanent Consultative Commission by registered mail if they involve either the designation of a successful bidder, cocontractor, or subcontractor of foreign nationality or recourse to personnel of foreign nationality or the furnishing or use of products or materials other than products or materials of Belgian origin.

Article 5. The president of the Commission shall immediately forward the contract with an opinion by the Commission to the Minister having jurisdiction or to the Minister for Economic Affairs, in accordance with the rules to be established by royal decree.

Article 6. Apart from the application of other legal or regulatory provisions, the contract can only be executed if, within 30 days of mailing by registered mail, as provided in article 4, the Minister, after an opinion was rendered by the Commission, has not raised any objection to such execution.

The time limit of 30 days may be extended to no more than 50 days by decree of the Minister, notified to the contracting parties by registered mail within a period of 30 days.

Article 7. In case delay would imperil the matter, the Minister of Economic Affairs can suspend application of articles 4, 5 and 6.

Article 8. Unless so provided in a new contract drawn up in conformity with the prescriptions of this decree, it is prohibited to the cocontractors or successful bidders to call upon subcontractors or foreign personnel of a nationality other than that indicated, to furnish or use products or materials of foreign origin other than that provided for, or to take any measure which would be of a nature to enlarge the size of foreign factors of the contract.

Article 9. Where information furnished by virtue of article 2 is incorrect or in case of violation of the provisions of articles 6 or 8, the state is entitled to damages and interest

equivalent to the value of the faulty delivery or to the amount of salaries paid to improperly employed personnel.

The action shall be instituted and pursued on behalf of the state by the Minister for Economic Affairs.

Article 10. For purposes of application of this decree, persons of Luxembourg nationality are given equal treatment with Belgians.

Article 11. A royal decree shall regulate the execution of this decree.

It shall determine in particular:

1. The terms and conditions on the basis of which products and materials shall be considered, for purposes of the application of this decree, as products and materials of Belgian origin.

2. The terms and conditions on the basis of which products and materials of Luxembourg origin shall be given equal treatment with products and materials of Belgian origin.

3. The effective date of this decree.

Article 12. The royal decree of February 28, 1935, is hereby repealed.

Article 13. Our Ministers are charged, each one as to what concerns him with the execution of this decree.

Done at Brussels, this 1st of October 1935.

LEOPOLD.

(Here follow the signatures of all the Ministers.)

SCHEDULE B: BELGIUM

ROYAL DECREE NO. 658 OF OCTOBER 1, 1935, REGULATING THE IMPLEMENTATION OF THE ROYAL DECREE OF THE SAME DATE ORGANIZING THE PERMANENT CONSULTATIVE COMMISSION ON MATTERS OF CONTRACTS OR AWARDS (MONITEUR BELGE, OCT. 3, 1935)

Leopold III, King of the Belgians to all, present and future, greetings:

In view of the royal decree dated of the same date and organizing the Permanent Consultative Commission on Matters of Contracts or Awards and establishing for the heads of public administrations and institutions or organisms which are subordinated to them or in favor of which the public powers intervene financially, certain obligations concerning contracts;

In view of the law of March 5, 1922, which approves the convention concluded at Brussels on July 25, 1921, between Belgium and the Grand Duchy of Luxembourg and establishing an economic union between the two countries;

In view of the protocol of May 23, 1935, dealing with the questions of the system of public awards in the Belgo-Luxembourg Economic Union;

Upon proposal by our Minister for Economic Affairs, we have decreed and are decreeing:

Article 1. With a view to applying the royal decree of this date mentioned above, products or materials shall be considered as of Belgian origin—and the products or materials of Luxembourg origin shall be given equal treatment with them—where they fulfill the following requirements listed below:

1. The producer, supplier and the subcontractors, if any, must be of Belgian or Luxembourg nationality, and the Belgian or Luxembourg preponderance of interests they represent must be proven;

2. The management and working personnel of the producer, supplier and the subcontractors, if any, must be, to the largest extent possible, of Belgian or Luxembourg nationality.

3. The raw materials, products and materials used must be of Belgian, Congolese or Luxembourg origin, except in cases where such raw materials are not found, and such products or materials not manufactured or prepared, in the territory of the Belgo-Luxembourg Union or in the Colony.

Article 2. The interested parties are entitled to file with the Permanent Consultative Commission on Matters of Contracts or Awards requests for information concerning

the provisions of article 1 of this decree and subparagraphs (a), (b), and (c) of article 1 of the royal decree of this date mentioned above.

Article 3. The Commission shall render its decision within 15 days from receipt of the files by the President.

The President may decide, where the necessity is felt, that the procedure is urgent; in that case, the Commission shall issue its decision within 8 days.

Article 4. With a view to applying article 5 of the royal decree mentioned above, jurisdiction shall rest with the following:

(a) For contracts entered into by state administrations, the institutions or organizations subordinated to them, the state corporations and companies operating under license controlled by such administrations: the Minister under whose direction those administrations stand.

(b) For contracts entered into by the provinces, the communes, the institutions or organizations which are subordinated to them, the state corporations or companies operating under license controlled by those public powers, the groupings of provinces and of communes: the Minister of the Interior, within the limits of his competence.

(c) For contracts concluded by the public aid commissions: the Minister of Justice.

(d) For contracts concluded by organizations or institutions for the benefit of which public powers intervene financially in one of the forms listed under item 3 of article 1 of the above-mentioned royal decree: the Minister of the Department of the Budget in which the expenses appear, or the Minister under whose direction the public powers which have intervened financially stand.

(e) If one of the rules established in items (a), (b), and (c) applies simultaneously with that of item (d): the Minister having jurisdiction by virtue of items (a), (b), and (c).

(f) Where, by virtue of the rules established above, several Ministers have jurisdiction or where said rules do not apply: the Minister for Economic Affairs.

Article 5. The Minister for Economic Affairs may constitute within the Commission subcommissions with jurisdiction to examine contracts whose value does not exceed 1 million francs.

Article 6. The internal administrative rules of the Commission and the subcommissions shall be established by decree of the Minister of Economic Affairs.

Article 7. The Permanent Consultative Commission on Matters of Contracts or Awards shall have at least 15 members; it shall have a quorum only if at least 9 members are present.

The subcommissions, which shall have at least seven members, will not have a quorum unless a majority of members is present.

Article 8. The Commission may hear, with respect to each matter that is submitted to it, a delegate of the public powers or organizations concerned.

It may likewise hear experts or especially competent persons.

Voting may not take place in the presence of persons not belonging to the Commission.

Article 9. Our Minister for Economic Affairs shall be in charge of the execution of this decree, which shall become effective on the date on which the above-mentioned royal decree of today's date becomes effective.

Done at Brussels, October 1, 1935.

LEOPOLD.

For the King:

Ph. VAN ISACKER,
The Minister for Economic Affairs.

SCHEDULE C: BELGIUM

DECREE-LAW OF FEBRUARY 3, 1947, ORGANIZING THE APPROVAL OF ENTREPRENEURS (MONITEUR BELGE, FEB. 12, 1947)

Charles, etc., in view of articles 1, 3, of the coordinated laws of September 7, 1939,

and December 14, 1944, investing the King with extraordinary powers;

Whereas the absence of any limitations for participation in public tenders presents serious problems;

Whereas the needs of the administration of the country, its reconstruction and its reequipment make it imperative not to entrust the execution of public enterprises and enterprises of public utility to persons other than those who are considered able to execute them well;

Whereas to the effect it is necessary and urgent to substitute new provisions for those maintained in effect, until December 31, 1946, by the decree of the regent dated February 14, 1946, with respect to the approval of entrepreneurs charged with the execution of works offered by the state or financed by it in whatever form it may be;

Whereas such approval must be regulated with all desirable guarantees and through a collaboration of the representatives of the state, the entrepreneurs and union representatives concerned;

In view of the law dated May 15, 1846, on accounting of the state;

Upon suggestion of the Minister of Public Works and of the opinion of the Ministers who have deliberated it in council, we have decreed and are decreeing:

Article 1A. Without prejudice to the law dated May 15, 1846, concerning accounting of the state, the execution of works offered by the state, or financed or subsidized by it, under whatever form it may be, can only be entrusted to entrepreneurs who satisfy the following conditions:

They must:

1. Be entered in the commercial register;
2. Be of Belgian nationality. If companies are involved, it is necessary that at least two-thirds of the capital be Belgian;

3(a) Not have been sentenced for a crime or offense against the external safety of the state;

(b) Not have been entered by the military auditor on the list prepared by virtue of article 4 of the decree-law dated September 19, 1945, on civil purification;

(c) Not have been excluded from contracts and bids of the state and not be so excluded in application of the provisions of article 6 of this decree-law.

(B) Furthermore, a special and previous approval shall be required:

1. If, at the time the contract is terminated or in the course of the execution, the total amount of all the works, public or public utility as well as private, executed simultaneously by the entrepreneur exceed a maximum which will be established by royal decree;

2. If the monetary value of the work to be awarded exceeds an amount established by royal decree.

The rules for classification of approved entrepreneurs in various categories of works and in classes by monetary value shall be established by royal decree.

The Minister of Public Works shall determine for each category of works the classes of entrepreneurs authorized to execute them.

Article 2. A commission established in the Ministry of Public Works and composed as specified in article 3 shall be charged with giving its opinion on requests for approval.

The commission shall examine the requests and establish by categories of specialties and by classes of monetary value of the enterprise, the list of entrepreneurs which it shall recommend to the Minister of Public Works for approval. The latter shall prepare the list of approved entrepreneurs and publish it for purposes of the administrative services and the para-state organizations.

In order to arrive at its recommendation, the commission shall take into consideration the technical and financial capacities of the applicant, his organizational means of execution in qualified material and personnel,

the volume and monetary value of works previously executed by him, their quality of execution as well as his commercial probity.

Article 3. The approval commission shall be composed:

1. Of a president, as "magistrat," and
2. Of an equal number of:

(a) Representatives of the various ministerial departments concerned in the execution of the works under consideration;

(b) Representatives of the professional entrepreneur organizations which are most representative (at least 5);

Representatives from labor union organizations of the construction industry which are the most representative (at least 3):

There shall be for the president, as well as for each incumbent, a substitute who may be seated only in case of the absence of the first.

The President, the incumbent members, the substitute president, and the substitute members shall be appointed and dismissed by royal decree.

A royal decree shall establish the scope of administrative personnel attached to the Commission.

Article 4. The Commission shall establish its internal regulation which shall enter into effect after having been approved by the Minister of Public Works.

Article 5. The Minister of Public Works shall send to every approved entrepreneur a certificate with the number of his entry in the list as to category and class of approval.

The approved entrepreneurs shall be held to indicate to the Commission any changes which may be of a nature to cause it to review its previous recommendations (amendments to the bylaws, the capital, the board of directors, its organic means of execution, etc.).

When bidding on works offered by the State, or financed or subsidized by it, entrepreneurs, whether or not they are approved, affirm implicitly that the total amount of the works, public or of public utility as well as private, simultaneously executed by them does not exceed, or will not exceed in the course of the execution, the maximum established by the royal decree referred to in article 1, (B) (1), and the next to last subparagraph of said article.

Article 6. Declassification, suspension and withdrawal of approval, temporary or final exclusion from contracts offered by the State or financed or subsidized by it may be ordered for the following reasons:

(a) Failure to comply with the terms and conditions of the awarded contracts;

(b) Diminishing of financial or technical guarantees;

(c) Serious mistake in the execution of the works;

(d) Lack of commercial probity;

(e) Failure, false statement or fraud relating to compliance with the obligations deriving from the two last subparagraphs of articles 5 and 7 of this decree law;

(f) Moral unworthiness, particularly in matters of citizenship.

The approval Commission shall be charged with giving its advice on all records submitted to it by the administrations concerned, the public establishments and para-state organizations in general, which concern approved or nonapproved entrepreneurs who are accused of anything which may justify the application of an administrative penalty to them.

After an entrepreneur has been heard on his grounds for defense, the Commission shall propose to the Minister of Public Works, by reasoned opinion, the penalty to be applied. The Minister shall decide either on declassification, suspension, withdrawal of approval, temporary exclusion for a duration which he may determine or definitive exclusion from contracts or bids for account

of the State, the subordinated administrations, public establishments and parastate organizations in general.

These decisions shall be published by the Minister for Public Works for the information of ministerial departments, subordinated administrations, public establishments and parastate organizations in general.

Article 7. Temporary associations of entrepreneurs may be admitted to the execution of works as long as at least one of the associates is approved for the works of the speciality and monetary value of those placed in tender and as long as the others satisfy the general conditions referred to in article 1, section A.

At the time the bid is deposited, details to that effect must be given by the nonapproved associates.

That information shall not weaken and shall not eliminate the liability of the various entrepreneurs concerning the choice of their associates.

Article 8. The Ministers charged with the execution of a budgetary law or who have under their jurisdiction the control of public establishments or parastate organizations to which the works placed in tender relate may, for the latter, after an opinion from the commission and by reasoned decree, decide to waive all or part of the requirements provided in articles 1 and 7.

Article 9. The Minister for Public Works shall be charged with the execution of this decree law which shall enter into effect on January 1, 1947, with the exception of article 1, which shall not become effective until April 1, 1947. In this respect and as a transitory measure, the provisions of article 1 of the decree dated February 22, 1941, shall be maintained in effect until March 31, 1947, inclusive.

Consequently, any decisions taken before January 1, 1947, concerning requests for approval submitted before that date shall remain valid until March 31, 1947, inclusive.

SCHEDULE D: BELGIUM

ROYAL DECREE OF OCTOBER 14, 1964, RELATING TO CONTRACTS ENTERED INTO IN THE NAME OF THE STATE (MONITEUR BELGE, OCT. 17, 1964)

Article 15, section 1. The bid must indicate:

1. The name, first names, capacity or profession, nationality, and domicile of the bidder or, where the bidder is a company, the firm name or designation, its form, nationality, and business seat;

2. The name and designation of the account of the bidder with the postal checking office;

3. The entry relating to the registration of the bidder in the list of approved enterprises where the work offered in tender requires such approval.

Section 2. If the bid relates to supplies or materials which originate in a foreign country and to which Royal Decree No. 204, dated October 1, 1935, is applicable, it must furthermore indicate:

1. The goods of foreign origin which are involved in the bid, as well as the amount in which they figure therein, reduced by customs duties;

2. The country of origin of the products to be furnished and materials to be used;

3. The nationality of subcontractors, if any, and of members of personnel employed by the bidder;

4. Where products or materials to be finished or worked up in Belgium are involved, the value of the materials and work which will be incorporated into them in Belgium.

Section 3. The documents, models, and samples required by the special order specifications must be attached to the bid, except where said specifications provide otherwise.

Section 4, 1. The bidder who employs personnel subject to the decree law dated December 28, 1944, concerning the social security of workers, must attach to his bid, or produce for the administration before bids are opened, an attestation from the National Office of Social Security stating his standing with respect to that office concerning contributions of social security and of subsistence security as of a date not earlier than 3 months prior to the date of the session at which bids are opened.

2. A bid shall be regarded as irregular and discarded in the following cases:

(a) If the attestation mentioned under section 1 is not furnished within the required time, unless the bidder proves, before the administration allocates the contract, that the delay was not his fault;

(b) If it results from the attestation mentioned under section 1:

Either that the bidder has not sent to the National Office of Social Security all declarations are required up to and including those relating to the last but one quarter elapsed counting from the day of the session at which bids will be opened;

Or that he owes a total amount of contributions exceeding 50,000 francs;

Unless he has been granted term payments for that debt and strictly observes the terms; or

Unless he proves, before the contract is awarded, that he has one or several certain and due credits, with respect to the State or the public services listed in article 9, section 1, last but one subparagraph, of the decree by the regent dated January 16, 1945, concerning the functioning of the National Office of Social Security, for an amount which is at least equivalent to that by which he is in arrears on payment of contributions.

3. The provisions of this section 4 shall not be applicable where the amount of the bid does not exceed 300,000 francs.

It may likewise be waived if none of the bidders fulfill them and the contract has become of urgency.

Article 16. Where a bid relating to a works enterprise is deposited by a company having juridical personality, it shall mention all the information relating to what is prescribed by article 1(A), 2, of the decree-law dated February 3, 1947, organizing approval of entrepreneurs and relating to capital ownership of the company.

Article 17. Section 1. The administration can demand, for a certain date prior to the award of the contract:

1. From any Belgian bidder, a physical person: exhibition of a certificate of good conduct, life and morals.

2. From any Belgian bidder, a juridical person: exhibition of its bylaws or company charter and its latest balance statements as well as all information relating to its directors, commissioners or managers.

3. From any bidder of foreign nationality, whether a physical or juridical person:

(a) the election of domicile in Belgium;

(b) exhibition of an attestation by competent authority certifying that the party concerned is in good standing under the provisions of the social laws of his country.

4. From any foreign bidding company: exhibition of a copy of its bylaws, possibly accompanied by a translation thereof into the language used in the bid, and information on the latest balance statements, approved in accordance with the provisions of those bylaws and the legal provisions in effect.

5. From any bidder in general: all information concerning his manufacturers, suppliers or subcontractors.

Section 2. If the administration so requests, the foreign bidder must, before the opening of the bids, furnish either security in cash or in Government bonds or the guaranty of a Belgian bank.

LUXEMBOURG (MEMBER OF BENELUX, EEC, GATT AND OECD)

The only statutory provision relating to public contracts is article 36 of the law of July 27, 1936, on the accountability of the state (*Loi sur la Comptabilité de l'Etat*) (*Memorial du Grand-Duché de Luxembourg*, 1936, p. 1333) which lays down the general principle of closed competitive bidding with public advertisement. That method is employed much more by Luxembourg than by any other member of the European Economic Community. Article 36 provides as follows (unofficial translation from French):

"All works or supplies for the account of the state form the subject of contracts entered into with competition and publicity, except in one or the other of the following cases:

"1. When the necessity therefor is established by a 'motivated' resolution of the Council of Government;

"2. When the expenses to be incurred do not exceed 30,000 francs [\$600];

"3. When in a second invitation for tenders there are no bidders or only unacceptable prices have been offered."

That principle was spelled out and placed in effect by the ministerial decree of December 29, 1956 (*Memorial*, Jan. 14, 1957), which fixes the terms and conditions generally applicable to the award of public works and supply contracts the effectuation of which calls for public credits. The decree provides for the following methods of awarding contracts:

1. Public invitation for tenders (*soumission publique*)—public invitation for tenders made by means of the press to an unlimited number of bidders.

2. Restricted invitation for tenders (*soumission restreinte*)—invitation for tenders made to a restricted number of entrepreneurs (generally between three and seven) selected by the contracting authority.

3. Direct negotiation (*marché de gré à gré*)—the granting of the execution of a contract in the discretion of the contracting authority and without recourse to publicity.

Article 6 of the 1956 decree provides that the second method may be used only if contracts are concerned the special character or urgency of which requires bidders with particular technical or commercial abilities, or if a public invitation for tenders has not given a satisfactory result. Under the provisions of article 7 the third method may be used only in the cases provided for by article 36 of the 1936 law, *supra*. Nevertheless, article 7 goes on to provide for six situations in which the approval of the Council will be assumed, thereby leaving the way open for the exercise of considerable discretion by the contracting authorities.

Moreover, article 35 of the decree provides that price alone will not determine the choice of the successful bidder. The selected bidder must possess an establishment permit and be registered in the registry of firms and with the chamber of commerce and must satisfy a number of other prerequisites, including competence, experience, and technical and commercial capability. Accordingly, the way is again left open for the exercise of considerable administrative discretion. Some measure of control is provided, however, by the Tender Commission established by chapter XII of the decree, which exercises broad authority over all aspects of public contracts.

The fifth paragraph of article 3 provides that, except as otherwise provided in international agreements (of which there appear to be none), foreign bidders must satisfy the same requirements as domestic bidders or fulfill conditions deemed to be equivalent by the competent Luxembourg authorities.

Although the municipalities are not governed by any specific statutory provision,

they in general follow the principle of closed competitive bidding with public advertisement laid down by article 36 of the 1936 law.

The sixth paragraph of article 3 provides that (unofficial translation from French): "Bidders under the jurisdiction of a country which has not concluded a treaty of reciprocity in matters of public bidding with Luxembourg can be excluded from bidding."

The Treaty of Friendship, Establishment of Navigation between the United States and Luxembourg of February 23, 1962, which entered into force on March 28, 1963 (14 UST 251), does not contain any provisions with respect to public contracts. Accordingly, Luxembourg authorities are free in their discretion to exclude U.S. bidders in any invitation for offers. The quoted provision clearly favors, on the other hand, nationals of Belgium and the Netherlands, since article 3 of the Convention of Economic Union between Belgium and Luxembourg of July 25, 1921, and article 62 of the treaty of February 3, 1958, establishing the Benelux Economic Union both provide for a system of reciprocity.

Article 19 of the 1956 decree also discriminates against U.S. firms and products by providing, in the second paragraph, that (unofficial translation from French): "As a matter of principle products of foreign origin shall not be used if producers of the Netherlands-Belgium-Luxembourg Customs Union are in a position to furnish the same quality at essentially equal prices."

In practice, products of Benelux origin benefit from a preferential margin of 10 percent as against foreign products. The preference is purely a matter of administrative practice which is left to the judgment of the procurement authorities. There appears to be no provision in the treaty between the United States and Luxembourg which precludes the granting of such a preference.

Another obstacle faced by foreign (as well as domestic) bidders is the requirement that public works and supply contracts cannot be awarded to those who do not possess establishment permits, which under the provisions of the law of June 2, 1962 (*Memorial*, June 19, 1962), are issued by the Minister of Economic Affairs. Article 19 of the 1962 law provides that only those under the jurisdiction of countries which accord reciprocal rights to Luxembourgers may obtain such a permit. Article VI of the treaty between the United States and Luxembourg appears, however, to guarantee such rights to Luxembourgers.

PRINCIPAL SOURCES

1. Letter dated December 5, 1963, from the U.S. Embassy in Luxembourg to Cravath, Swaine & Moore, Paris.

2. de Grand Ry, *L'Harmonisation des Législations au sein du Marché Commun en Matière de Marchés Publics* (The Harmonization of Laws concerning Public Contracts in the Common Market), *Revue du Marché Commun* (No. 37) pages 247-251 (No. 38), pages 282-292 (1961).

3. Hainaut and Joliet, *Les Contrats de Travaux et de Fournitures de l'Administration dans le Marché Commun* (Public Works and Supply Contracts in the Common Market), volume 2 (Brussels, 1963).

NETHERLANDS (MEMBER OF BENELUX, EEC, GATT AND OECD)

Among the six member states of the European Economic Community the Netherlands public contract system is undoubtedly the least organized, the least codified and the one in which the discretionary power of the contracting authorities is the greatest. In fact, the Commission of the Community in its explanatory statement accompanying the draft directive presented to the Council in

July 1964 (Document IV/COM (64) 233 final) on the coordination of procedures in awarding public works contracts stated (p. 6) that "in the Netherlands the contracting authority negotiates under the same conditions as a private person." As a result, and because of the total absence of any guarantees of impartiality, there is in principle broad administrative discretion to discriminate against foreign bidders and foreign materials.

The sole legal provision governing public procurement is article 33 of the *Comptabiliteitswet* (Civil Accountability Act) of July 21, 1927, which lays down the basic rule of public tendering (*openbare aanbesteding*) in the following terms (unofficial translation from Dutch):

"1. All the works which are not executed by the administration and all supplies entailing an anticipated expenditure of 2,500 guilders [about \$650] shall be the subject of public tendering.

"2. Nevertheless, by motivated decree a copy of which is sent to the General Audit Chamber, we may grant deviations from this rule for various cases of the same kind or for each special case.

"3. Contracts amounting to more than 1,000 guilders shall be entered into in writing.

"4. Notice shall be given to the General Audit Chamber of all awards of contracts by public tendering and of all private contracts concluded in writing."

In effect, there are only two methods of letting contracts—public tendering as prescribed by the 1927 law and private contract (*rechtstreekse opdracht*), although under a variation of the latter termed "*onderhandse aanbesteding*," which does not have any legal sanction, the letting of the contract is preceded by what amounts to a limited invitation for offers to selected suppliers or contractors on the private list of the particular contracting authority.

Almost all Government departments and agencies have been authorized to use the private contract method in a number of situations very broadly worded. Consequently, public tendering has been almost completely abandoned in the field of public supply contracts. In the field of public works contracts, it is still used, although it does not constitute the dominant method. Contracting authorities prefer, especially in important works, to use the variation of the private contract method (*onderhandse aanbesteding*) referred to above. According to reports from the U.S. Embassy in The Hague, public works contracts are rarely awarded to foreigners.

In the case of public tendering the law does not define the procedure to be followed or the rules for the awarding of contracts. Those rules have been prescribed for the "*Rijkswaterstaat*," which is concerned with the construction of highways, bridges, dikes and other hydraulic works, by the "*Reglement op de door of vanwege het Departement van Waterstaat te houden openbare aanbestedingen van werken en leveringen*" (regulations for inviting public tenders for works and supplies by or on behalf of the Department of Waterstaat) approved by royal decree of August 30, 1932. Most of the other departments do not have similar regulations and they follow, or incorporate by reference in their own regulations, the rules applied by the "*Rijkswaterstaat*."

Under the Waterstaat Regulations requests for public tenders are to be announced by a notice inserted in the *Staatscourant* and, if necessary, by any other method prescribed by the competent minister. In principle all interested parties can submit tenders. Nevertheless, the unlimited character of the competition is counterbalanced by the freedom which the contracting authority has as to the choice of contractor, since at the time of the awarding of the contract, the con-

tracting authority can assess the professional and financial qualifications of each of the bidders and eliminate doubtful ones.

Moreover, the following provisions of article 11, paragraph 1, of the waterstaat regulations make it clear that there is no obligation either to make any award or to award the contract to the lowest bidder (unofficial translation from Dutch):

"Unless there appear to our Minister reasons for not awarding the contract, the contract is awarded to the bidder whose offer seems the most acceptable [*het meest aanemelijk*], without any obligation to give any reason for such choice."

The same principle is applied by all other contracting authorities.

As an example of the royal decrees which dispense with the legal requirement of public tendering, the "*Rijkswaterstaat*" is authorized by Royal Decree No. 15 of December 17, 1949, to conclude contracts by the private contract method under the following circumstances (unofficial translation from Dutch):

"1. When the works or supplies are ordered through the intermediary of the '*Rijksinkoopbureau*' [Government Purchasing Office] or by State Enterprises;

"2. If the work or the supply cannot be determined in advance in a manner permitting an exact description;

"3. If the works to be executed or the goods to be furnished are of a nature so special that only one or a few bidders can be expected;

"4. If public tendering has not yielded an acceptable bid and a better result cannot be expected in a second public tendering;

"5. If the urgent character of the contract is incompatible with the time required for public tendering;

"6. If, by reason of special circumstances, it is improbable that an acceptable bid can be obtained by means of public tendering;

"7. If there are valid reasons for assuming that public tendering will be contrary to the financial interest of the kingdom;

"8. If a work or a supply is so related to a work or a supply already ordered that a separation is not possible or desirable;

"9. If the special requirements connected with the work or the supply cannot be sufficiently taken into consideration in case of public tendering;

"10. If the scantiness of the construction area does not permit simultaneous work by several contractors (or suppliers) or does not permit the profitable use of material already installed;

"11. If the expenditures involved in the contract are so small that they do not justify the work and expense of public tendering."

The "*Rijksinkoopbureau*" is authorized complete to dispense with the rule of public tendering by royal decree No. 43 of September 16, 1929. That organization is the central purchasing office for the Netherlands Government and all ministries make their purchases of supply through it, except the Ministry of Defense. It is also authorized to do the purchasing for all institutions, etc., which receive a government subsidy and, in addition, the 11 Dutch Provinces and most of the larger municipalities avail themselves of its services.

In addition to the broad administrative discretion which the contracting authorities have to discriminate against foreign bidders and foreign materials, there are also a number of written discriminatory provisions. For example, paragraph 7 of article 7 of the Waterstaat Regulations provides as follows (unofficial translation from Dutch):

"7. If the bidder resides abroad, then domestic [i.e., Netherlands] domicile must be elected and a statement to this effect must be made in the tender."

Almost all government purchasing organizations impose the same requirement, in-

cluding the "*Rijksgebouwendienst*" (Government Building Service), the General Contract Specifications¹ of which specifically incorporate the Waterstaat Regulations with exceptions not here pertinent, and the "*Rijksinkoopbureau*" (Government Purchasing Office).

It should be noted that the Dutch Government and some commentators take the position that the above-quoted provision merely means that, in order to obtain the contract, the bidder must have an address in the Netherlands where he can be reached, more particularly if any difficulties arise at the time of the execution of the contract.

In addition, paragraph 4 of article 4 of the general contract specifications of the "*Rijksgebouwendienst*" provides as follows (unofficial translation from Dutch):

"4. The contractor is obliged to declare to the administration ('directie') his intention as to the use of building materials or construction components which have their source in foreign countries.

"The administration is empowered to require a certificate of origin concerning the declared materials or construction components.

"If in the judgment of the administration such materials or construction components of domestic manufacture of equally good quality and at a not higher price can be substituted, then the contractor is obliged to do so.

"If on the other hand Netherlands manufacture is prescribed in the specifications, there may be no deviation therefrom."

Prior to 1963, works and supply contracts for the Ministry of Defense were reserved to Netherlands nationals and corporations or partnerships in which the members of the management, or the partners were Dutch nationals. In 1963, however, the Ministry took account of the provisions of the Treaty of Rome and of the treaty establishing the Benelux Economic Union to which reference has already been made, and amended section 9, paragraph 1, of its General Conditions² to read as follows (unofficial translation from Dutch):

"1. As contractors are permitted:

"a. Netherlands according to the law and corporations or partnerships of which, respectively, the members of the management and any 'delegated supervising director' [*gedelegeerde Commissaris*, that is a supervising director with management powers] or the partners of which, are Netherlands according to the law concerning whose capacity and sufficiency of means to execute the work [which word is defined in a footnote to section 1 to include supplies] and concerning whose dependability no doubt exists to the Minister of Defense.

"b. Foreign contractors which are established in 'partner nations' that have acceded to:

"1. Benelux.

"2. The European Economic Community (for works contracted for after December 31, 1963); provided that with regard to persons specified under (a) or (b) no doubt exists to the Minister of Defense as to their capacity and sufficiency of means to execute the work and their dependability.

Before an order can be issued to any foreign bidder as to the carrying out of the work in the Netherlands, the interested party must elect domicile in the Netherlands upon a

¹ "Algemeene Bepalingen van de bestekken voor werken, welke onder directie van den Rijksgebouwendienst worden uitgevoerd" approved by Decision of the Minister of Finance dated Nov. 22, 1933, No. 68.

² "Algemene Voorwaarden voor de uitvoering van werken voor de Dienst de Genie" approved by decision of the Minister of Defense dated Oct. 11, 1930, as last amended by like decision on June 27, 1963.

request to that effect of or in the name of the official who invites the tender.

"During the execution of the work the statutory and administrative regulations applicable in the Netherlands with regard to special rules, established for foreigners, remain in full force."

Finally the *Vestigingsbesluit Bouwnijverheidsbedrijven* 1958 (decree concerning the Establishment of Construction Industry Enterprises) requires that every civil and profit-making construction enterprise obtain an establishment permit under the provisions of the *Vestigingswet Bedrijven*, 1954 (law concerning the establishment of businesses). The permit is issued by the Chamber of Commerce and Industry, an official organization, in its discretion and may be withdrawn by it after issuance. In order to obtain a permit, it is necessary to satisfy a large number of formalities.

Insofar as the provinces are concerned, there is no legal provision requiring public tendering, although internal regulations apparently require recourse to that procedure. The municipalities are required by the *Gemeentewet* (municipality law) of June 29, 1851, to resort to public tendering, unless it appears preferable in the interest of the municipality to negotiate a private contract. Such a decision must be approved by the municipal council in public session and approved by the executive committee of the provincial council. In practice, the latter approval is a formality for the larger municipalities.

PRINCIPAL SOURCES

1. Letter dated October 14, 1964, from Jhr. Mr. P. J. W. de Brauw, advocaat (attorney) of the Hague, the Netherlands, to Cravath, Swaine & Moore, New York.

2. Letter dated December 5, 1963, from the U.S. Embassy in The Hague to Cravath, Swaine & More, Paris.

3. Foreign Service despatch No. 641 dated February 29, 1960, from the U.S. Embassy in The Hague, entitled "Procurement Policies and Practices of Netherlands Government."

4. Foreign Service despatch No. 246 dated September 15, 1954, from the U.S. Embassy in The Hague.

5. de Grand Ry, "L'Harmonisation des Législations au sein du Marché Commun en Matière de Marchés Publics" (The Harmonization of Laws Concerning Public Contracts in the Common Market), *Revue du Marché Commun* (No. 37) pages 247-251, (No. 38) pages 282-292 (1961).

6. Hainaut and Joliet, "Les Contrats de Travaux et de Fournitures de l'Administration dans le Marché Commun (Public Works and Supply Contracts in the Common Market)", volume 2 (Brussels 1963).

FRANCE

(Member of EEC, GATT, and OECD)

French Government contracts are generally governed by the Public Contracts Code established by Decree No. 64-729 of July 17, 1964 (*Journal Officiel*, July 21, 1964, p. 6438), which is for the most part a codification of a large number of earlier decrees and other regulatory provisions.

The Code provides for the following principal methods of letting contracts:

1. Open public tendering (adjudication ouverte): bidding is open to all interested persons.

2. Restricted public tendering (adjudication restreinte): Only persons approved by the contracting authority may submit bids.

3. Open invitation for bids (*appel d'offres ouvert*): Bidding is open to all interested persons.

4. Restricted invitation for bids (*appel d'offres restreint*): Only persons approved by the contracting authority may submit bids.

5. Private contract (*marché de gré à gré*): The contract may be negotiated with a supplier or contractor selected by the contracting authority.

The Code also provides for a special type of competitive invitation for bids (*appel d'offres avec concours*), which is authorized when technical, aesthetic or financial considerations justify special research, such as a proposal for a new public building of modern design. The competition takes place on the basis of a program drawn up by the contracting authority.

Both types of public tendering and the open invitation for bids must be preceded by advertisement in the official bulletin published for that purpose and in other media, such as trade and technical journals. Most government departments maintain lists of approved suppliers and contractors and written application must be made to each department for inclusion on its list. The lists are used in the selection of suppliers and contractors who are to be contacted in the case of restricted invitations for bids as well as the negotiation of private contracts. An unofficial translation from French of the application form of the PTT (Posts, Telegraphs and Telephones administration) is attached hereto.

In the case of public tendering the contracting authority must award the contract to the lowest bidder, provided the price does not exceed the stipulated maximum and subject, in the case of open public tendering, to the right of the contracting authority to exclude bidders whom it regards as presenting insufficient moral, financial or technical qualifications.

In the case of invitations for offers the contracting authority need not accept the lowest bid and may accept the bid which it deems the most advantageous (*la plus intéressante*) according to objective criteria set forth in the Code.

Except for the private contract method, the contracting authority has complete discretion to select the method by which the contract is to be let. Theoretically, the use of the private contract method is limited to the special cases specified in the Code.

In any case the contracting authority always retains the right to reject every bid and to order the bidding procedure repeated. In the case of invitations for bids, the contracting authority may elect to negotiate a private contract.

Under the provisions of article 104 of the code that method of awarding contracts may be used for items of exclusive manufacture, for negotiating with owners of patents or inventors, or persons with exclusive rights to patents or inventions; in cases for which the technical problems and investments require the use of direct agreement, for products which must be bought at the place of production or at the stockpile, for work and services carried out at research centers in places of experimentation, etc.; whenever bidding by other methods has proved unacceptable to the contracting authority; for products and supplies as to which, on account of the shortage of material it is impossible to employ competitive bidding; when the enterprises and persons who were previously awarded contracts failed to carry them out and they are awarded to others at their risk and peril; in cases of shipping by public transportation services; and for all work, supplies and services which, due to urgency, are motivated by unforeseeable circumstances; for all those which, in the interest of the nation, must be kept secret or for any similar work, supply or service concerning national defense.

As the result of the broad interpretation given by the administrative authorities to the special cases permitting the use of the private contract method, which the code and previous statutory and other provisions on which it is based regard as the exceptional method, it is in fact the one most frequently used. According to the December 1964 issue of "Marchés Publics" [public contracts] published by the French Ministry of Finance and

Economic Affairs, during the calendar year 1963 contracts concluded by open or restricted public tendering represented 1 percent., of the total value of all contracts, contracts concluded by open invitations for bids 6.4 percent., contracts concluded by restricted invitations for bids 33 percent. and private contracts 53.8 percent. During that year the military contracting authorities continued to use the private contract and restricted procedures in preference to open procedures much more frequently than the civilian contracting authorities.

In practice, therefore, there is ample opportunity for discrimination against foreign bidders.

Under the provisions of decree No. 60-724 of July 25, 1960 (*Journal Officiel*, July 27, 1960), contracts of the departments, communes, departmental and communal public establishments, urban districts and other local and municipal entities, including the City of Paris, are governed in general by the same rules as French government contracts. The 1960 Decree does not, however, suppress the supremacy of public tendering, as does the Public Contracts Code, and grants much less discretion to use the invitation for offers method and the private contract method.

The 1964 code is not applicable to nationalized industries or state monopolies or to corporations wholly or partly owned by the state. Their procurement practices are essentially the same as those of private enterprises, although the provisions of the Code naturally have considerable influence.

In many cases, government contracts may be reserved for French nationals by the terms of the request for tenders or the invitation for offers. That situation is expressly recognized in the "Guide de Fournisseur de L'Etat" (Guide for the State Contractor) published in 1964 by the Commission Centrale des Marchés (Central Contracts Commission). The Guide states (page 12) that foreign suppliers can submit bids subject to having satisfied, if necessary, the conditions prevailing for importations of goods, but that in certain cases the French citizenship of the contractors is required. The French Council of State has held, however, that the contracting authority does not have the power to reject a bidder by reason of his foreign nationality, if the exclusion of foreigners was not expressly provided for by a provision of the law or of the General Contract Specifications. An example of such a provision is Section 2 of Article 6 of the General Administrative Clauses applicable to contracts for current supplies (*fournitures courantes*) approved by Decree No. 62-1510 of December 14, 1962 (*Journal Officiel*, December 16, 1962), which provides that, subject to not contravening the stipulations of international agreements, the Minister can decide that the bidders must be of French nationality. The decision must be mentioned in the notice of public tendering or invitation for bids. The notice must also specify the nature of the documents to be furnished by way of proof of nationality. According to the treatise by Hainaut and Joliet cited *infra* (volume 1, section 104 bis), similar provisions are contained in the General Contract Specifications of the Ministry of War (article 11) and the Ministry of the Navy (article 2), the General Contract Specifications for Military Supplies (article 21), the General Contract Specifications for Public Works of the P.T.T. (Posts, Telegraph and Telephones Administration) (Article 2) and the General Contract Specifications for Public Works of the City of Paris (Article 2).

In the field of military procurement and works contracts, specific regulatory provisions have the effect of reserving orders (except on very rare occasions) to purely French companies. Section 2 of Article 30 of the *Arrêté* (Order) of the Minister of National Defense and Armed Forces of May 7, 1958

(Journal Officiel, May 29, 1958, p. 5111), approving the General Administrative Clauses applicable to industrial contract of the Departments of National Defense, provides as follows (unofficial translation from French):

"2. Unless authorized by the Minister [of National Defense] and subject to the supplemental provisions of Article 33 relating to war materiel, allocation of orders can only be obtained by:

"Physical persons who are nationals of the French Union;

"Corporate bodies which are not, in law or in fact, subject to foreign influences which the contracting authority would consider incompatible with the requirements of national defense."

The provisions of Article 33 of the same Ministerial Order relating to orders for "war materiel" imply that enterprises manufacturing such equipment must be French or at least must manufacture in France. The provisions of that Article are as follows (unofficial translation from French):

"1. In addition to the obligations provided for in Art. 30, every candidate for a 'war materiel' contract must fulfill the special legal and regulatory obligations concerning such materiel, and in particular:

"Special nationality requirements;

"Obtaining a manufacturing license or a sales authorization;

"Control of the management;

"Maintenance of net price accounting in compliance with the provisions of Article 34 below;

"These provisions apply to concession holders, to sub-contractors as well as to sub-suppliers ["souscommandiers"] who are themselves manufacturing components classified as war materiel.

"2. If, in an exceptional case, the State should give formal notice of a war contract to an enterprise which does not hold a manufacturing license or sales authorization for the materiel concerned, such notice shall take the place, for such enterprise and for the materiel under consideration, of a manufacturing license or sales authorization.

"During the entire duration of the execution of the contract, the enterprise shall remain subject to all legally enacted regulations which apply to license holders.

"Not later than one month after the giving of formal notice of such contract, the enterprise must deposit with the competent authority a file containing the documents laid down for all requests for a manufacturing license or sales authorization for the materiel which forms the subject of the contract.

"In case of non-compliance with this time-limit, the holder is liable to fines which, in the absence of respective regulation in the contract, shall be computed at the rate of ½ per mil of the amount of the contract per day of delay."

Under the provisions of Article 1 of the Decree-Law of April 18, 1939 (Journal Officiel, June 13, 1939, p. 1589) the term "war materiel" is defined as firearms and ammunition conceived or intended for land, naval or aerial war and materiel intended to carry or employ such firearms in combat.

Article 2 of the same Decree-Law provides that enterprises manufacturing or engaging in the purchase and sale of "war materiel" cannot operate without the previous authorization of the State and under its control, pursuant to the conditions prescribed by decree. Article 5 of the Decree of August 14, 1939, for the implementation of such Article 2 and following Articles (Journal Officiel, August 19, 1939, p. 10438) provides that, in order to receive a manufacturing license, a corporation (société par actions) must be of French nationality, must be managed and directed by French citizens and the majority of its capital must be held by French citizens.

In the field of public works, article 21 of the General Administrative Clauses applicable to public works contracts entered into in the name of the State established by Decree No. 61-529 of May 8, 1961 (Journal Officiel, May 31, 1961, p. 4915), provides for preferences for materials, etc., of French origin in the following terms (unofficial translation from French):

"5. With the exception of provisions arising from international treaties or agreements, where applicable, all materials, materiel, machines, apparatus, tools and appliances used for the execution of the works must be of French origin.

"6. With the same exception, special deviations may be provided for in the special contract specifications or may be granted in the course of the contract by ministerial decision."

The reference to international treaties and agreements is obviously intended to take into account the provisions of the Treaty of Rome, particularly those relating to the right of establishment and the free provision of services.

Article 3 of the same decree requires the submission with bids of proof of the nationality of the bidder and its personnel as required by the tender notice or the invitation for offers, if the contract is entered into for defense requirements.

The opportunities for preference in favor of French contractors and French materials in practice and under the applicable regulatory provisions are described in the following statement contained (pages 8-9) in the letter dated December 10, 1963, from Maître Jean L. Sarrut and Maître Bernard Siegler, cited infra.

"(b) Our public authorities have various possibilities, to put aside foreign suppliers:

In connection with national defense they may invoke the above referred regulations; They may raise the import duties;

In connection with adjudications they may put aside the foreign tenderers, in the same manner as French tenderers who, in their opinion, do not fulfill the required conditions, without any recourse being possible;

In connection with the "appels d'offres" and the "marchés de gré à gré" they may choose French suppliers without contacting foreign suppliers.

Another means may consist, in connection with contracts concerning equipment of materiel, for example, in requiring such characteristics concerning the materiel that only French equipment can comply with.

"(c) In fact, certain of these means are indisputably used in some cases in France. In connection with national defense, for example, it might happen that French suppliers be selected, although their prices are much higher than those of foreign suppliers.

"But according to the information that we have gathered, the preference in favor of French suppliers has certain limits:

"The preference for French suppliers will not play if French prices are fairly higher than foreign ones. If, for example, foreign equipment costs, say 10 percent less than French equipment, our public authorities will hesitate to order French equipment as such decision might be criticized by the public control accountants.

"Also there are cases when, by reason of economic policy, for example when the French prices are going up, our public authorities buy abroad deliberately.

"All this is not theoretical, and we know, for example that our public authorities in charge of the manufacturing of French coins made abroad substantial orders which might have been passed in France. Also certain employers' federations complain about the fact that our public authorities pass too often contracts abroad."

The situation in the field of civilian government procurement is succinctly and

accurately summarized in a publication entitled "France's Fifth Republic and the Business World" published in 1963 by Business International S.A., as follows (at page 31):

"Foreign companies can sell to civilian state 'markets' whether they manufacture in France or import, provided they abide by import regulations. There is no equivalent of the 'Buy American Act' in France. But in the absence of written regulations and presuming equal prices and services, the 'love-rate' (cote d'amour) is applied in favor of national suppliers, a reaction that the Commission Centrale [des Marchés] calls 'visceral.'"

The situation in France was confirmed by a conversation which two members of the United States Embassy in Paris had in April 1960 with Mr. Paul Gros, then Chief Purchasing Officer of the French State Railways and at the same time President of the French Association of Purchasing Agents, and a Mr. Dumas, of the Government Procurement Committee. The conversation is reported in Foreign Service Despatch No. 1585 (unclassified) dated April 12, 1960, from the United States Embassy in Paris to the Department of State. Messrs. Gros and Dumas were reported as stating that, while there are no legislative or administrative regulations corresponding to the Federal Buy American Act in France, preference would generally be given to the French suppliers without any official requirement to do so. Mr. Gros is also reported as stating that for a non-French firm to be seriously considered as a potential supplier, its bid would have to be 20 percent to 30 percent below the lowest French bid.

PRINCIPAL SOURCES

(1) Letter dated December 10, 1963, from Maître Jean L. Sarrut and Maître Bernard Siegler, Avocats à la Cour d'Appel, Paris, letter dated May 28, 1964 from Maître Siegler and letter dated November 8, 1964, from Maître Sarrut, all to Cravath, Swaine & Moore, Paris.

(2) Foreign Service Despatch No. 1585 dated April 12, 1960, from the United States Embassy in Paris entitled "EXPORT: Public Procurement Methods in France".

(3) Business International, S.A., France's Fifth Republic and the Business World (Geneva, Switzerland, 1963).

(4) Commission Centrale des Marchés (France), Guide du Fournisseur de l'État [Guide for the State Contractor] (Paris, 1964).

(5) de Grand Ry, L'Harmonisation des Legislations au sein du Marché Commun en Matière de Marchés Publics [The Harmonization of Laws concerning Public Contracts in the Common Market], Revue de Marché Commun (No. 37) pp. 247-251 (No. 38), pp. 282-292 (1961).

(6) Hainaut and Joliet, Les Contrats de Travaux et de Fournitures de l'Administration dans le Marché Commun [Public Works and Supply Contracts in the Common Market], vol. 1 (Brussels, 1962), vol. 2 (1963).

Posts—Telegraphs—Telephones

FORM OF GENERAL INFORMATION FOR SUPPLY CONTRACTS [FRANCE]

(Unofficial translation from French)

I. Administrative and Legal Information

A. to be furnished by all candidates:

Correct name of enterprise.....
Address and telephone number:

(a) of business seat.....

(b) of plants, workshops or storage places where the supplies will be manufactured or kept.....

Manner of working: working owner.....; lessee-manager (state since what date) 1

1 Strike out one or the other, as applicable.

Posts—Telegraphs—Telephones—Continued
FORM OF GENERAL INFORMATION FOR SUPPLY
CONTRACTS [FRANCE]—Continued

(B) to be furnished by companies only:
 Juridical form (example: stock company, limited liability company, partnership limited by shares).....
 Business capital.....
 Date of information.....
 Persons authorized to bind the company in matters of contracts:

Name.....
 Office.....
 Nationality.....
 Authorizing documents.....
 (1) President-director general, manager, commercial director, etc.
 (2) As applicable: by-laws, board of directors' resolutions dated....., etc.

II. Technical Information

1. Activities of the enterprise:
 (a) List current manufactures:.....
 (b) Do you wish to be consulted on all these manufactures or only on certain among them? (In that case, list them):.....
 2. Area of plants, workshops, or storage spaces indicated on page 1 under 1-A, section b:.....
 3. Personnel force used: Total number:.....
 ----- of which ----- laborers.
 4. Energy used: Nature and power:.....
 5. Machines and installations comprising plant equipment (list with indication of power and maximum capacity of each):.....

GERMAN FEDERAL REPUBLIC

(Member of EEC, GATT and OECD)

The only statutory provision relating to public procurement in the Federal Republic of Germany is the Reich Public Budget Regulation (Reichshaushaltsordnung) adopted December 31, 1922, and now in effect as last revised on April 30, 1938. Section 46 of the Regulation provides as follows (unofficial translation from German):

"(1) Contracts made for the account of the Reich must be preceded by public tender, unless the nature of the transaction or special circumstances justify a deviation.

"(2) The Government of the Reich shall establish uniform principles for the making of contracts."

The public budget laws of the Länder (States) contain similar provisions.

The basic provisions which are applied by public procurement authorities are:

(1) Regulations for the Placing of Public Orders—Except those in the Construction Industry (Verdingungsordnung für Leistungen—ausgenommen Bauleistungen) (VOL); and

(2) Regulations for the Placing of Construction Contracts (Verdingungsordnung für Bauleistungen) (VOB).

The VOL and the VOB are not mandatory legal provisions but only general principles drafted by specialists and considered by them to constitute the best procedures. They have, however, been made binding on federal government departments and agencies and the Länder by means of administrative circulars.¹ The VOL applies to most government departments, including the Ministry of Defense, the Ministry of Posts and Telecommunications (PTT), the State Railways, the Ministry of the Interior and the Ministry for Economic Property. The VOB is applicable to all public works financed by means of federal credits. All nine Länder have also

adopted both the VOB and the VOL and they are also binding on the municipalities.

Section 3 of the VOL and Section 3 of the VOB prescribe the following methods for the letting of contracts:

(1) Public invitation for offers (öffentliche Ausschreibung)—invitations for offers are made to an unrestricted number of firms by publication in the Bundesausschreibungsblatt (Federal Bulletin for the Invitation of Offers) and in the Bundesanzeiger (Federal Bulletin) as well as in daily newspapers and trade journals.

(2) Restricted invitation for offers (beschränkte Ausschreibung)—limited invitation for offers addressed privately to selected firms.

(3) Direct procurement (freihändige Vergabe)—contracts are awarded without formal proceedings in the discretion of the contracting authorities, usually on the basis of informal offers by at least three firms.

The first method is the standard one, but is used principally for construction contracts and even then accounts for only about one-third of such contracts in value. The second method may be used, if the nature and extent of the order or work demands special reliability, capability, or competence. The third method may be used in the restricted cases specified in the VOL and the VOB. In practice, however, the applicable provisions of the VOL and VOB are liberally interpreted by the contracting authorities, with the result that the method to be used is largely in their complete discretion.

In any event, even in the case of a public invitation for offers, the contracting authority is under a duty to accept the offer which is the most economical (wirtschaftliche), taking into account all relevant factors; hence, there is no duty to accept the lowest offer price-wise. There is, accordingly, ample opportunity for discrimination in favor of domestic suppliers and contractors.

Both the VOB and the VOL regulate explicitly the utilization of products or materials of foreign origin but they do not contain any specific provision dealing with the treatment to be given to foreign bidders.

Section 10, No. 4, of the VOL contains the following discriminatory provision (unofficial translation from German):

"4. Specified places of origin or supply sources shall be prescribed only in a case where required because of important reasons. Foreign products may not be supplied if appropriate products are manufactured in the interior of the country at reasonable prices."

Section 9, No. 7, of the VOB provides that (unofficial translation from German):

"The use of materials or construction components of foreign origin must not be requested if appropriate national products exist on the same terms and conditions."

Section 8, No. 1, of the VOB provides that (unofficial translation from German):

"In case of public invitation for offers, the contract documents must be sent to all domestic applicants who undertake professionally to effect performance of the class for which tenders have been invited."

All the foregoing provisions are, however, temporarily suspended. On May 20, 1954, the Federal Finance Minister issued a Circular (Ministerialblatt das Bundesministers für Wirtschaft, No. 12, June 30, 1954) initially providing for their suspension in the following terms (unofficial translation from German):

"In trade exchanges with the country of origin, the principle of reciprocity must be granted in the case of public invitations for tenders, i.e., offers by foreign competitors and of foreign products will, in the evaluation of bids, be considered in application of the same handicaps which the country of

origin concerned will apply to West German bidders."

Moreover, for contracts valued at more than DM50,000 (\$12,500), which involved the designation of a foreigner as the contractor of the use of products of foreign origin, the authorization of the Federal Minister of Finance was required.

The 1954 Circular was superseded by a Circular of the Federal Minister for Economic Patrimony dated April 29, 1960, and still in effect, which, at least literally, placed foreign competitors and products on the same level with domestic competitors and products. An unofficial translation from German of the 1960 Circular is attached hereto. It should be noted that paragraph 3 of the Circular states that application of the principle of reciprocity will again be taken into consideration if difficulties should arise.

The 1960 Circular does not affect provisions for the award of contracts to the following privileged groups:

(a) Expelled people and refugees from the Soviet Zone of Germany, individuals and firms in areas classified as "distressed areas" (including West Berlin), evacuees and victims of National Socialist persecution.

(b) Suitably qualified German "medium-sized" firms (i.e., employing not more than 50 persons). The Ministry of Defense places a proportion of the total value of its contracts with such firms. The proportion varies according to the type of supplies required but in practice ranges between 30 and 40 percent.

In the case of the first mentioned group, the contract is to be placed with the privileged applicant provided he is otherwise qualified and his bid is as economical as (or even, subject to adequate budgetary funds being available, slightly above) the most economical bid submitted by a non-privileged applicant. The Länder and municipalities are required to apply the same preferences.

It will be noted that the provisions relating to privileged groups bear considerable resemblance to the provisions of Executive Order No. 10582 under the Federal Buy American Act relating to awards to small business concerns and to concerns located in economically distressed areas.

By virtue of agreements with the United States a great deal of German defense procurement is carried out in the United States, primarily to offset the cost of maintaining United States armed forces in the German Federal Republic.

PRINCIPAL SOURCES

(1) Airgram No. A-737 dated October 31, 1963, entitled "Orders Placed by the German Bundespost with 'Privileged Bidders'".

(2) Letters dated January 31, 1964, and October 15, 1964, from the United States Embassy in Bonn to Cravath, Swaine & Moore, Paris.

(3) de Grand Ry, L'Harmonisation des Législations au sein du Marché Commun en Matière de Marchés Publics [The Harmonization of Laws concerning Public Contracts in the Common Market], Revue du Marché Commun (No. 37) pp. 247-251, (No. 38) pp. 282-292 (1961).

(4) Hainaut and Joliet, Les Contrats de Travaux et de Fournitures de l'Administration dans le Marché Commun [Public Works and Supply Contracts in the Common Market], vol. 2 (Brussels, 1963).

(5) Marketing Conditions: Germany—III, Business International, February 5, 1965.

GERMAN FEDERAL REPUBLIC

(Joint Ministerial Circular dated April 29, 1960 (Ministerialblatt of the Federal Minister for Economy, No. 11, 1960, page 269)

(Unofficial translation from German)

Bonn, April 29, 1960.

The Federal Minister for Economic Property of the Federation: Ref.: III gen.—0 6060—2/60.

¹ The current (1960) edition of the VOL was confirmed in effect with amendments by a Circular dated May 11, 1960, of the Federal Ministers of Economic Property and Economy. The current (1952) edition of the VOB was promulgated by a Circular dated April 23, 1953, of the Federal Ministers of Finance, Trade and PTT.

The Federal Minister for Economy: Ref.: I B 9—4436/60.

Foreign Office: Ref.: 400—80.10 (21).

To:

- (a) The Federal Minister.
- (b) The Federal Minister for Atomic Energy and Water Administration.
- (c) The Federal Minister of the Interior.
- (d) The Federal Minister for Post and Telecommunications.
- (e) The Federal Minister for Transportation—with a copy to the Central Administration of the German Federal Railroads.
- (f) The Federal Minister for Defense.

For information to: (g) the Federal Minister for Housing Construction.

Subject: Procurement Matters: Consideration of Foreign Bidders and Foreign Products (VOL/A § 10, No. 4, second sentence; VOB/A § 8, No. 1, first sentence, § 9, No. 7).
Reference:—

Enclosures: One.

The rules provided for in the Regulations (VOL/A § 10, No. 4, second sentence; VOB/A § 8, No. 1, first sentence; § 9, No. 7), concerning:

- (a) the consideration of foreign bidders, and
- (b) the use of products of foreign origin (where domestic bidders perform services) in the case of public orders must be applied in keeping with the general economic development and, in particular, the progressive integration within the framework of the European Economic Community (EEC); in agreement with the Federal Finance Minister, it is requested that the following principles be observed in connection with all procurements within the Federal territory:

1. In view of the increasing liberalization, especially of the European Market, the German economic situation makes the purchase of foreign products and the consideration of foreign bidders desirable from the viewpoint of commercial and economic policies.

2. The advantages and disadvantages for the domestic employment situation which arise from the use of foreign products or ordering from foreign bidders must not be judged from the viewpoint of the individual economic section directly concerned. In the case of individual sectors of the economy for which special circumstances exist (e.g., mining), a need for protection might be justified from the point of view of national economy; in cases of doubt, it is recommended that an inquiry be addressed to the Federal Minister for Economy (Department I B 9; telephone Bonn 3 01 61).

3. The principle of reciprocity in the case of granting state orders to foreign bidders, as it had been set forth in the circular by the Federal Finance Minister dated May 20, 1954 (II D-O-6060-25/54), shall for the time being not be applicable. If in the future, in certain cases, particular difficulties should arise, the problem of reciprocity will be examined again. The circular of the Federal Finance Minister dated May 20, 1954 (II D-O-6060-25/54) shall in this respect become invalid.

4. When considering offers by foreign bidders, attention is to be given first of all to the following:

- (a) the principle for granting orders must be observed (VOL/A § 2, No. 1, VOB/A § 2), i.e., that the bidders are competent, efficient and reliable;
- (b) considering all circumstances, the offer must be the most economical ["das wirtschaftlichste"] (VOL/A—§ 24, VOB/A—§ 25), in which connection, particularly in the case of foreign bidders and foreign products, the sufficient securing of warranty rights, supplies of replacement parts and, where applicable, servicing of delivered equipment must, among other things, be carefully weighed.

Since the Federal Republic will, for the time being, no longer apply the principle of reciprocity in the case of public orders (No.

3), offers by foreign bidders shall be evaluated the same as all other offers, although the guiding principles for preferred bidders shall be observed.

5. The principles set forth in Nos. 3 and 4 shall apply mutatis mutandis in cases where domestic bidders intend to use foreign products in the execution of the work.

6. The participation of foreign bidders in public bids is promoted by the distribution abroad of the Federal Gazette publishing invitations to bid which the Foreign Office has originated. In connection with the nomination of suitable foreign bidders for limited invitations for offers and direct orders, to which special attention should be paid, it is recommended that inquiries be addressed to the representatives of foreign industrial organizations in the Federal Republic of Germany (see enclosure) or to the Consular offices.

The Economic Ministers (Economic Senators) and Finance Ministers (Finance Senators) of the States ["Länder"] as well as the municipal central organizations have today been informed correspondingly.

The Federal Minister for Economic Property of the Federation:

By order:

The Federal Minister for Economy:

By order:

Foreign Office:

By order:

Attested

[OFFICIAL SEAL]

ROSSIG.

Dr. LANGER.

Dr. HARKORT.

HOWALD.

(Howald)

Enclosure: to the joint circular from the Federal Minister for Economic Property of the Federation, the Federal Minister for Economy and the Foreign Office dated April 29, 1960 concerning: Defense Matters: Consideration of Foreign Bidders and Foreign Products (VOL/A § 10 No. 4 second sentence; VOB/A § 8 No. 1 first sentence, § 9 No. 7)

German-Belgian-Luxembourg Chamber of Commerce: (22c) Köln Cäcilienstr. 46.

United States Chamber of Commerce (16) Frankfurt (M) Rossmarkt 12.

Italian Chamber of Commerce for Germany (16) Frankfurt (M) Feldbergstr. 24.

Netherlands Chamber of Commerce for Germany (16) Frankfurt (M) Forsthausstr. 111.

French Commercial Service in Germany (22 c) Bad Godesberg Kappellenstr. 1 a.

Federation of British Industries (22 c) Köln—Marienburg Goltsteinstr. 219.

The Austrian Commercial Delegate in the Federal Republic of Germany (16) Frankfurt (M) Friedensstr. 5.

ITALY

(Member of EEC, GATT, and OECD)

The public works and public supply contracts of the State are governed by the provisions of Royal Decree No. 2440 of November 18, 1923, making new provisions regarding the administration of Government funds and the general accounting for Government services, as implemented and regulated by Royal Decree No. 827 of May 23, 1924, approving the rules for administration of Government funds and the general accounting for Government services.

Articles 3, 4, and 6 of the 1923 decree provide for the following four methods for the letting of contracts:

(1) Public tender (asta pubblica)—public invitations for tenders are issued to an unlimited number of bidders by notices in the press, and, in the case of larger contracts, in the Gazzetta Ufficiale (Official Gazette) of the Republic.

(2) Selective tender (liticazione privata)—private invitations to tender are issued to a

limited number of suppliers or contractors selected by the contracting authority.

(3) Competitive tender (appalto-concorso)—this method is essentially the same as selective tender but is used in special cases.

(4) Private contract (trattativa privata)—the contract is let after private negotiation with one or more selected suppliers or contractors.

The 1923 decree prescribes public tendering by means of advertising as the normal method. Under the provisions of the 1924 decree selective tendering may be adopted in specified cases, including cases of urgency. Competitive tendering is essentially the same, except that it is used only for special works or supplies requiring well established technical, artistic or scientific qualifications. Under the provisions of the 1924 decree the private contract method may be used in specified cases where special or exceptional circumstances prevail which do not conveniently permit the use of any of the other procedures.

Under the public tendering and selective tendering procedures, the contract is awarded to the bidder who offers the best terms (i.e., the lowest tender in price). The contracting authority does not have discretion to select the bid which appears to it to be the best or the most advantageous. Nevertheless, the contracting authority has the power to exclude any bidder, despite the regularity of the documents which he presents. The exclusion may not be appealed and no reason need be given therefor.

The bidding procedures described above are mandatory for the entire State administration, that is, not only for the Ministries and their subordinate departments, but also for the autonomous agencies and other governmental agencies. They are also mandatory on the local administration level but different rules obtain in the Regions. They are not, however, applicable to industrial enterprises owned by the State, which operate like private corporations.

The only express statutory provision discriminating in favor of Italian firms and Italian materials are contained in Law No. 429 of July 7, 1907, as amended, relating to the State Railways, Articles 33 and 34 of which provide as follows (unofficial translation from Italian):

"33. Supplies of fixed and moveable material and metal structures are, as a rule, contracted out to national industry, by the system of public bidding.

"The general management of the State Railways, upon appropriate resolution of the Board of Directors, may proceed by selective tendering or private contract, when the interest of the Administration so advises or for the purpose of assuring an equitable distribution of the equipment among similar establishments in the various parts of the Kingdom, the provisions of Art. 16 of the Law of July 8, 1904, No. 351, remaining in effect.

"If the result of the public bidding, selective tendering or private negotiations demonstrate that the conditions of national industry do not permit the obtaining of satisfactory prices, the general management of the State Railways, upon due deliberation of the Board of Directors, and following authorization of the Council of Ministers, may proceed with international tenders, to which national firms are also invited.

"The director general shall give a detailed accounting of the above-mentioned supplies in the annual report pursuant to Article 9.

"34. Under the same conditions, national industry must be preferred in international tenders.

"For supplying of materials pursuant to the preceding article, there will be granted by deliberation of the Board of Directors an adequate protection to national industry, which, however, may never exceed 5% of the offer of foreign industry, increased by the

expenses of customs and transport to the place of delivery.

"By offer of foreign industry is meant the average of the lowest offers which represent one-half of the number of foreign offers deemed valid. If these are in odd numbers, one-half is arrived at by the number itself increased by one.

"If the foreign offer consists of only one, the determination of equality of conditions will be submitted to the judgment of the Board of Directors.

"Whenever it may be necessary to provide promptly for the normal supply of materials for the operation of the State Railways, there may be specially authorized, upon resolution of the Council of Ministers, selective tendering or private negotiations with foreign firms.

In the case of public works, bids by foreign firms are effectively precluded by the fact that all contractors perform works pertaining to the State or to public entities in general in an amount exceeding 10,000,000 lire (about \$16,600) shall be registered in the national list of contractors established by Law No. 57 of February 10, 1962 (*Gazzetta Ufficiale*, March 2, 1962). Articles 13-15 of such Law, copies of an unofficial translation from Italian which are attached hereto, contain detailed prerequisites for inscription on the list. Most important, Article 13, read in conjunction with Article 15, requires, with respect to private firms, partnerships and corporations that the technical manager and all legally responsible directors be Italian nationals, or if they are foreigners, residents of Italy and nationals of countries which grant the same privilege to Italian citizens on a reciprocal basis. Exceptionally, Article 4 of 1962 Law provides that, when the works described required a very particular skill and no suitable contractor appears to exist among those registered on the list, the contract may be awarded to Italian contractors not registered on the List or even to foreign contractors, subject to prior notice setting forth the reasons therefor being given by the contracting authority to the Committee in charge of the List.

Nevertheless, the basic form of discrimination against foreign bidders is administrative in nature. Despite the fact that the basic laws and regulations prescribed public tendering as the standard and normal method of letting contracts, the contracting authorities have so interpreted the law and regulations as to relegate public tendering to second place in favor of selective tendering, with the result that that method is used in an estimated 70 to 80 percent of the cases.

In selective tendering the contracting authorities resort to companies included on lists of suppliers, the most important of which is that maintained by the *Provveditorato Generale dello Stato* (General State Purchasing Office).

In order to obtain registration on the List of that Office, an application must be submitted and the applicant's technical and commercial ability must be established. Other lists of suppliers, more or less governed by the same practice, are maintained by various autonomous and state agencies and by the three branches of the Ministry of Defense (Army, Navy, and Air Force). Other ministries and government offices normally use the first mentioned list. It is extremely difficult, although not impossible, for a foreign company to obtain inclusion on any particular list, unless it operates in Italy through its own organization or a permanent representative. Each agency maintaining a list has full and complete discretion, moreover, as to whether it will or will not inscribe a company on the list, even if it complies with all the requirements prescribed. The same discretion exists in the case of removal from a list.

Furthermore, a number of important agencies are expressly authorized to let contracts by private negotiations. Article 1 of Royal Decree No. 540 of March 11, 1923, prescribes that method as the normal one for the General State Purchasing Office, which purchases certain supplies for all central and local administrations, except the State Railways. Under the provisions of Article 1 of Royal Decree-Law No. 1718 of September 30, 1929, the Ministry of Defense (Air Force) has complete discretion in most cases to use either the selective tendering or private contract methods. Also, Article 31 of Royal Decree No. 728 of June 28, 1912, grants the State Railways complete discretion to use the private contract method. Numerous other agencies have similar statutory dispensation.

PRINCIPAL SOURCES

(1) Letter and memorandum dated May 4, 1964, from Avv. Nicola Troilo of Studio dell'Avv. Ercole Graziadei, attorneys of Rome, Italy, to Cravath, Swaine & Moore, Paris.

(2) Foreign Service Despatch No. 922 dated March 25, 1960, from the United States Embassy in Rome, entitled "EXPORT—Italian Procurement Regulations and Practices as they affect American Bidders and Suppliers".

(3) Airgram No. A-1241 dated March 5, 1963, from the United States Embassy in Rome, entitled "Foreign Government Procurement Practices".

(4) Letter dated December 6, 1963, from the United States Embassy in Rome to Cravath, Swaine & Moore, Paris.

(5) de Grand Ry, L'Harmonisation des Legislation au sein du Marché Commun en Matière de Marchés Publics [The Harmonization of Laws concerning Public Contracts in the Common Market], *Revue du Marché Commun* (No. 37) pp. 247-251, (No. 38) pp. 282-292 (1961).

(6) Hainaut and Joliet, Les Contrats de Travaux et de Fournitures de l'Administration dans le Marché Commun [Public Works and Supply Contracts in the Common Market], volume 1 (Brussels, 1962), volume 2 (1963).

ITALY

(Excerpts from law of February 10, 1962, concerning the institution of a national registry of contractors (*Gazzetta Ufficiale*, Mar. 2, 1962))

(Unofficial translation from Italian)

ARTICLE 13. GENERAL REQUIREMENTS FOR REGISTRATION

The general requirements and necessary certifications for registration in the Registry are:

(1) Italian citizenship, or residence in Italy with respect to foreigners, contractors or directors of legally constituted commercial companies, provided they belong to States which grant reciprocal treatment with respect to Italian citizens.

(2) absence of penal records or pending matters relating to crimes under No. 2 of article 21.

If the technical manager (*direttore*) of the undertaking is a different person from its owner, the requirements of Nos. 1 and 2 must apply to both;

(3) certificate of registration with the Chamber of Commerce, Industry and Agriculture with indication of the specific activity of the firm;

(4) certificate of direct taxes of the district office from which income under category B is realized, for which the applicant has been registered in the income tax rolls in the 3-year period preceding the registration application, with respect to the particular activity as a contractor developed by him. If the latter is not yet registered, he must produce an appropriate statement by such office;

(5) certificate (optional) of registration in a similar association.

ARTICLE 14. SPECIFIC REQUIREMENTS FOR REGISTRATION

(1) Technical qualification—Technical qualification is demonstrated by means of diplomas, certificates issued or confirmed by technical officials in service activities referring to work executed or directed by the applicant and by any other document.

The certificates under the preceding paragraph must specifically indicate the works executed or directed, their amount, the time and place of execution and state if they were carried out properly and successfully or whether there were disputes with the Administration by arbitration or judicially, with an indication of the results of the same.

If the works were executed on behalf of the State or public entities, the certificate is issued by an official in active service, with qualifications no less than those of the Chief Engineer of Civil Engineering or by an office director, under the immediate direction of whom or under the supervision of the office, of which the official himself is chief, the works were executed.

If the works were executed on behalf of private parties, the relative declaration to be issued by the contractor or, if there was one, by the director of the works, must be confirmed, subject to verification, by the Chief Engineer of Civil Engineering.

For works executed or directed abroad, there may be submitted certificates by the proper consul, which contain all data required above, with the explicit declaration that, before issuing them, the official by whom the documents are signed carried out accurate investigations and obtained information from the technical authorities of the location.

(2) Financial capacity—This is demonstrated by proper bank references or by documents which validly prove the economic and financial potential of the interested party.

Bank references are requested directly and reservedly by the competent Committee of the institutions indicated by the applicant in the registration of the request in question. The other documents must be of a date not earlier than one month from the date of the application for registration and, if of an earlier date, must be expressly confirmed under date no earlier than 1 month from that of the application.

(3) Technical equipment—The possession of technical equipment must appear in the declaration of the applicant, in which there must be listed and described means of operation, equipment, and materials in general at its disposal, reserving to the Administration facilities to execute controls and to provide for legal redress in case of false or inaccurate statements.

Whenever the owner of the undertaking is someone other than the technical manager, the documents under No. 1 must refer to the manager, those under Nos. 2 and 3 must refer to the owner.

ARTICLE 15. REQUIREMENTS FOR COMMERCIAL COMPANIES AND COOPERATIVES

For the registration of commercial companies, cooperatives and their branches:

(a) The requirements under Nos. 1 and 2 of article 13 are applicable: to the technical manager and all "components" if it is an unlimited partnership; to the technical manager and all partners, if it is a limited partnership; to the technical manager and the directors (administrators) furnished with powers of representation, for every other type of company.

(b) The documents under No. 1 of article 14 are applicable to the technical manager.

The companies must also exhibit an authentic copy of their certificate of incorporation and a certificate of the court issued not

more than two months prior to the application for registration, from which it may be ascertained that the company is not in a state of liquidation or bankruptcy and has not submitted an application for bankruptcy. It must also be ascertainable from the certificate whether bankruptcy proceedings or an application for bankruptcy have occurred within the 5-year period prior to the above date.

GREECE

(Associate member of EEC; member of GATT and OECD)

Under the provisions of Law No. 3215 of April 26, 1955, Greek industrial products are accorded preference in purchases (through public bidding or otherwise) by State or quasi-governmental agencies, municipalities and communities as well as private business organizations enjoying partial or total duty-free import privileges. An unofficial translation from Greek prepared by the U.S. Embassy in Athens is attached hereto as schedule A.

The preferences are applied as follows:

(a) The margin of preference for Greek products is 8 per cent of the landed cost of foreign products (i.e., c.i.f. invoice price plus all duties and taxes, other than turnover tax, payable upon importation). The maximum allowable margin of preference, calculated on the c.i.f. price of a similar foreign product, is 30 percent for domestic products in general and 35 percent for the products of the domestic iron and steel and metalworking industries. In determining the landed cost of imported products, the amount of import duty and taxes added as above to the c.i.f. invoice value may not be higher than 30 percent ad valorem generally and 35 percent ad valorem for metal products, exemption being granted for any duties and taxes in excess of those percentages.

(b) In lieu of the foregoing preferential treatment, Greek enterprises may apply for the duty and tax-free importation of the raw and auxiliary materials required for the production of the goods being procured, in which case the margin of preference accorded the domestic industry is 10 percent (instead of 30 percent or 35 percent) of the c.i.f. price of the foreign product.

(c) In comparing the prices of Greek provincial industrial and handicraft products with those of imported products, the price differentials in favor of Greek products indicated in paragraphs (a) and (b) above, are further increased by the margins of preference accorded provincial products in relation to products manufactured in the capital area, under the provision of Decree Law 2176 of 1952. The margin of preference accorded provincial products over those of the Athens area varies, according to the type of product involved from 2 percent to 5 percent and may in no case exceed 8 percent. By virtue of Law No. 3213 of 1955 those percentages are further increased by 50 percent for industrial enterprises operating on Greek islands (except the island of Euboea). Accordingly, provincial industrial and handicraft enterprises may be given a price preference of 11 percent to 20 percent of the landed cost of foreign products, depending on the location of the producing plant and the type of product involved.

The provisions of Law No. 3215 are not applicable to procurement contracts pertaining to industrial projects authorized under Greece's basic foreign investment law (Law No. 2687 of 1953) and under Law No. 4171 of 1961. For such projects, equipment and supplies may be purchased freely from any source at the discretion of the investor.

THE AGREEMENT OF ASSOCIATION WITH THE EUROPEAN ECONOMIC COMMUNITY

The Agreement was signed on July 9, 1961, and took effect on November 1, 1962 (Journal Officiel of the European Communities, Feb-

ruary 18, 1963). It provides for the association of Greece with the Community under the provisions of Article 238 of the Treaty of Rome on the basis of a customs union, with the prospect of full membership when the progress of the Greek economy allows Greece to assume fully the obligations imposed by the Treaty. The customs union is to become fully effective on November 1, 1974, except in the case of specified manufactured goods produced in Greece as to which the effective date will be November 1, 1984.

Article 3 of the Agreement provides for an institutional structure for its implementation. The Association Council, which is composed of representatives of Greece on the one hand and of the Member States and of the Community on the other hand, has the general function of taking all measures necessary to assure the realization of the aims of the Agreement and to conduct all examinations into the development of the cooperation between the Contracting Parties. All decisions adopted by the Council must be unanimous.

The Agreement in general follows the outline of the Treaty of Rome. In the field of public contracts the most important provisions are Article 5 relating to the elimination of discrimination on the basis of nationality, Articles 47 and 48 relating to establishment, Article 49 relating to services, Article 57 dealing vaguely with the approximation of laws and Protocols 1 and 9 limiting the application of the Agreement in the field of public contracts. A copy of an unofficial translation from French of those Articles and Protocols is attached hereto as Schedule B.

It seems obvious that the application of the provisions of the Agreement, as limited by the Protocols, is not likely to have much effect in the foreseeable future in the field of public contracts. Protocol 1 contains express limitations on the application of Article 5 of the Agreement insofar as public contracts are concerned; Protocol 9 contains an exception with regard to agreements for financial aid between the United States and Greece and exempts them, at least until the end of the first transitional period ending in 1974, from the application of the provisions of Article 5. Moreover, Articles 47 and 48 contain only vague provisions with regard to the right of establishment and leave the ultimate decisions in this field to be worked out by the Association Council. Also, under Article 49 the authority to regulate the furnishing of services between the Community and Greece is reserved to the Association Council.

PRINCIPAL SOURCES

(1) Industrial Development Corporation S.A. (Athens), Greece: Basic Incentives to Industrial Development and Foreign Investment (July 1963).

(2) United States Department of Commerce, Basic Data on the Economy of Greece, Overseas Business Reports, No. OBR 64-20 (February 1964).

(3) United States Department of Commerce, Establishing a Business in Greece, Overseas Business Reports, OBR No. 62-10 (November 1962).

SCHEDULE A. GREECE

(Law No. 3215 of 1955 providing preference for domestic industrial and handicraft products (Official Gazette, Apr. 30, 1955)) (Unofficial translation from Greek by U.S. Embassy in Athens)

PAUL, KING OF THE HELLENES

Having unanimously voted with Parliament, we decide and ordain:

Article 1

1. In connection with procurements effected by the State, or by Municipalities, or Communities, or any other legal entity of

public or private law enjoying total or partial exemption from import duties, either through competitive tender or otherwise, directly or through the State Procurement Service or any Committee, the products of domestic industry and handicraft are given preference as against the products of foreign origin even if the cost of the domestic products in question is higher up to 8 percent than that of the respective foreign products.

2. Procurements of domestic fertilizers are excepted, as coming under the application of law 760 of 1948 "re marketing of fertilizers" and as long as the law in question is valid.

3. Power production enterprises operating by virtue of contract privileges ratified by specific law, are excepted as well.

Article 2

To determine the comparative cost of a foreign product, we add to the offered CIF price the corresponding import duty—basic and additional—which is provided for each time by the duty tariff, as well as any other tax or due levied on importation, excepting the business turnover tax, which is not reckoned on the cost of the respective home product, and then we add the 8-percent rate provided for in the previous article to the price resulting in this way.

Article 3

1. A 30-percent rate on the respective CIF price of the foreign product is fixed as a maximum of the preference provided for in article 1 hereof in respect of home industry and handicraft products.

2. The maximum rate provided for in the previous paragraph is increased to 35 percent in respect of home metal industry products.

3. As places of delivery for such comparison of prices, according to the above, are determined: (a) the Customs House for the imported foreign products, and (b) the supplier's factory warehouse for the local products.

Article 4

1. At the request of a local industry or handicraft, in lieu of the protection provided for in articles 2 and 3 hereof, exemption from import duty is granted by joint decision of the Ministers of Finance and Industry in respect of the raw and auxiliary material required for the manufacturing of the products offered, in which instance the home product preference rate is fixed at 10 percent on the CIF price of the respective foreign items.

2. The terms and formalities for duty free importation of the raw and auxiliary material dealt with in the previous paragraph, as well as for control over the disposal of these for whatever purpose they have been imported, will be determined by joint decisions of the Ministers of Finance and Industry to be promulgated in the Government Gazette.

Article 5

In respect of monopoly items, as well as of industrial products, on which no direct or indirect duty is levied according to the duty tariff operating each time, the preference rate for the respective home industry and handicraft products is fixed either at 10 percent on the CIF cost of the foreign product, with duty free importation of the raw and auxiliary material required for the manufacturing of such home products, or up to 30 percent without duty free importation of the material in question. The above 10-percent preference rate can fluctuate between 10 and 20 percent in respect of certain monopoly items, following decision of the Ministerial Council.

Article 6

1. The terms of the procurements provided for in article 1 hereof are compulsorily formulated in such a way as to correspond to

the possibilities of the local industrial or handicraft production under the prerequisite that the relative products can meet the requirements for which they are intended.

2. The method of application in general of the previous paragraph will be specified each time by joint decisions of the Ministers of Finance and Industry to be promulgated in the Official Gazette.

3. After 3 months from effect hereof, the procurements provided for in article 1 of the present law shall be effected in accordance with the decisions provided for in the previous paragraph.

Article 7

1. In connection with procurements effected according to the provisions hereof, eventual preference for items of foreign origin as against the respective local ones, entails an obligation for payment of the relevant duties and other taxes whose total cannot, however, exceed 30 percent on the CIF cost of these, or 35 percent as regards iron or metal industry products. In respect of duties and taxes over this percentage, exemption is granted in accordance with the relevant provisions, paragraph 3 of article 2 of E.L. 896/37 having no effect in this connection.

2. Particularly as regards Municipalities and Communities, full exemption from duties and taxes can be granted—following decision of the Ministerial Council issued upon proposal of the Ministers of Finance and Industry—in respect of water pipes imported from abroad, as long as the price of those offered by the local industry exceeds the preference rate of the CIF cost of the former.

3. The previous paragraphs are applicable on procurements of State items as well.

Article 8

The preference rates in favor of local industry products which were determined by virtue of the relative R.D. of the 2nd September 1952 in application of the provisions of article 3 of L.D. 2176/52 re protective measures for provincial industry, as well as by virtue of para. 1 of article 2 of the Law "re amendment and supplementation of the provisions concerning protective measures for provincial industry", are valid collectively in every instance of application of the provisions of the present Law.

Article 9

The contribution on every kind of wax materials, either foreign or local, which is levied in favor of T.A.K.E. (Greek Clergy Insurance Fund) by virtue of E.L. 816/1937, as subsequently amended and supplemented by E.L. 2293/1940, Law 1017/1949 and E.L. 3092/1954, is hereby abolished, as long as the materials in question are utilized—in the opinion of a Committee to be set up by joint decision of the Ministers of Industry and Education—for industrial or handicraft purposes, except for the manufacturing of candles or tapers.

Article 10

Transgression of the provisions hereof constitutes a disciplinary offense, while any civil, municipal or communal servants, or any municipal or communal authorities, or any of the administrative councils or the competent officials of the other entities provided for in article 1, who would eventually approve, or suggest for approval, the minutes of an adjudicated competition, or otherwise carry out a procurement in transgression of the above provisions, shall receive a disciplinary punishment by the competent agents, irrespective of any other legal consequence of such transgression.

Article 11

The following provisions are abolished: (a) article 6 of Law 2948/1922 re promoting industry and handicraft, (b) article 2 of Law 4536/1930 re amendment and supplementation of Law 2948/22, the Decrees is-

sued in application of this article (1) of 14-5-31 re extending the preference limit for all kinds of stamps, (2) of 23-3-32 re extending the preference limit for military cartridges and ammunition from 20 to 30 percent, (3) of 25-10-35 re extending the preference limit up to 27 percent in respect of machinery and iron construction in general made by the Greek industry, (c) of article 8 para. 4 of E.L. 254/36 re amendment of the emergency laws of 19-10-35 and 28-12-35 re organization of a cotton institute, (d) of joint decision No. 6825/1263/22-1-37 of the Ministers of Finance and National Economy re fixing the preference limit for local cotton industry products at 35 percent, issued in application of para. 4 of article 8 of E.L. 254/36, and (e) of E.L. 477/37 re supplementation of article 16 of Law 2948/22 re promoting industry and handicraft, as amended by article 2 of Law 4536/30.

Article 12

Acts Nos. 261/3-3-1951 and 628/21-5-51 of the Ministerial Council are hereby ratified for the period they have operated, and are abolished by the present. Act No. 602/7-6-52 of the Ministerial Council is likewise abolished.

The acts in question read as follows:

[Note: Translation of Acts No. 261 and 628 of 1951 and Act No. 602 of 1952 omitted]

The present Law, having been passed by Parliament and ratified by Us today, shall be promulgated in the Official Gazette, and enforced as a Law of the State.

ATHENS, April 26, 1955.

PAUL R.

The Ministers of Industry:

A. PROTOPAPADAKIS.

Finance:

L. EFTAXIAS.

Ratified and sealed Athens, April 29, 1955.

The Minister of Justice:

CL. THEOPHANOPOULOS.

SCHEDULE B. GREECE

(Excerpts from agreement establishing an association between the European Economic Community and Greece and attached documents¹)

Article 5

1. In the area of implementation of the Agreement, and without prejudice of any special provisions which it contains, none of the Contracting Parties shall exercise or tolerate discriminations by reason of nationality or against physical persons who are nationals of another Contracting Party established in the territory of one of them.

2. For the implementation of the preceding paragraph, companies constituted pursuant to legislation of a Member State of the Community or of Greece which have their corporate business seat, their central administration or their principal establishment in the territory of one of the Contracting Parties shall be given equal standing with physical persons.

By companies, companies of the civil or commercial law shall be understood, including cooperatives, and other juridical persons under public or private law, with the exception of non-profit companies.

3. The Association Council shall, insofar as necessary, make the appropriate decisions for putting an end to the discriminations referred to in this article.

TITLE III. CIRCULATION OF PERSONS AND SERVICES

Article 47

The Contracting Parties shall facilitate, in a progressive and balanced manner, the

¹ Unofficial translation from French. The Agreement was executed in Dutch, French, German, Greek and Italian, each of which is equally authentic (Article 77). There is no official English translation.

establishment of nationals of the Member States in the territory of Greece and of nationals of Greece within the Community, in accordance with the principles of articles 52 to 56, inclusive, and 58 of the Treaty establishing the Community, with the exception of the provisions and articles relating to time-limits and to the procedure for the realization of a liberalization of establishment.

Article 48

The Association Council shall by decree set the tempo for this realization and establish the terms of implementation concerning the provisions of the preceding article for the different categories of activities; progressive implementation shall take place after the corresponding directives provided for in articles 52 to 56, inclusive, of the Treaty establishing the Community have become effective and in consideration of the special economic and social situation of Greece.

Article 49

The Association Council shall decide, during the transition period provided for in article 6 of the Agreement [1962-1974], on appropriate provisions to be taken in order to facilitate the rendering of services between the Community and Greece.

TITLE IV. PROVISIONS RELATING TO COMPETITION, TAXATION AND GRADUAL ELIMINATION OF DIFFERENCES BETWEEN LEGISLATION

Article 57

In the areas not covered by the provisions of this Agreement which have a direct influence on the functioning of the Association or in the areas covered by these provisions where they do not contain any specified procedure, the Association Council may make recommendations to the Contracting Parties inviting the latter to take measures which will serve to harmonize legislative, regulatory or administrative provisions.

PROTOCOL NO. 1—CONCERNING PUBLIC CONTRACTS

The contracting parties have agreed on the following provisions:

In deviation from the provisions of the Association Agreement, and in particular article 5, the Contracting Parties shall progressively adjust the terms and conditions for participation in contracts awarded by the administrations or public enterprises as well as private enterprises to which special or exclusive rights have been granted, in such a manner that, by the end of the transition period provided for in article 15 of the Agreement [1984], all discrimination between nationals of the Member States of the Community and those of Greece established within the territory of the Contracting Parties will be eliminated.

The terms and tempo under which the adaptation provided for in this Protocol must be realized shall be fixed by the Association Council taking its inspiration from the solutions which may be adopted in this field by the Member States of the Community.

This Protocol shall be attached to the Association Agreement.

PROTOCOL NO. 9—CONCERNING UTILIZATION OF AMERICAN AID BY GREECE

The contracting parties, in an endeavor not to interfere with the utilization of American aid by Greece, have agreed on the following provisions:

1. If the provisions of the Association Agreement form an obstacle to utilization by Greece of special assistance funds placed at the disposal of the Greek economy, either directly by the Government of the United States of America, or by intermediary of an organization designated by it, Greece shall have the power, after notification to the Association Council:

(a) To establish tariff quotas in observance of article 21, paragraph 2, of the Agree-

ment for the importation of merchandise originating in the United States the purchase of which is financed with the funds in question;

(b) To import duty-free merchandise which forms the substance of the gifts provided for by Title III of "Public Law 480";

(c) To restrict awards of contracts to suppliers of products originating in the United States only where the utilization of the funds in question involves the importation of merchandise originating in the United States and where a competitive bidding procedure is required under legislative provisions either of Greece or the United States.

2. At the end of the transition period provided for in article 6 of the Agreement [1974], the Association Council may decide whether the provisions of this Protocol should be abolished or amended.

In the meantime, if changes occur in the nature of the funds referred to in paragraph 1 of this Protocol or in the procedures for utilization, or if difficulties arise with respect to such utilization, the Association Council shall re-examine the situation with a view to taking appropriate measures.

This Protocol shall be annexed to the Association Agreement.

TURKEY

(Associate member of EEC; member of GATT and OECD)

The basic law concerning public procurement is Law No. 2490 of June 2, 1934 (Official Gazette, June 10, 1934), as subsequently amended. Under the provisions of that Law, sealed public tenders are the standard and, in practice, the usual procedure. Procurement authorities may resort to open public tenders or to direct negotiation only when an invitation for sealed public tenders has met with no response, the volume of the goods and services is small or the articles in question are available only from a single source.

The objective of the sealed-envelope bidding system was to eliminate bargaining and price cutting by requiring every bidder to state his lowest price at the outset of the adjudication. In practice, however, there is much bargaining after the bids are opened, since all of them must then be reviewed privately by the Adjudication Commission, which subsequently invites each bidder separately to explain or amplify his offer.

Foreign firms or individuals may tender in the same way as Turkish nationals, unless the contract is for less than LTL15,000 (about \$1,667). In that event foreign nationals may not tender unless they are registered with the Turkish Commercial Registry Office and have been established in Turkey for at least 10 years.

In principal no preferential treatment is given to tender from any one foreign country as compared to any other country, except in the case of "tied" external financing arrangements. Under the provisions of Decree No. 6/3083 dated June 1, 1964, however, the Ministry of Finance is authorized to designate the country from which imports of capital goods exceeding \$50,000 are to be made by departments, organizations and establishments in the State sector. The procurement authorities concerned are required to obtain information concerning foreign financing possibilities from the Ministry of Finance prior to their decision to purchase, or award of contracts for, imports exceeding \$50,000. The Ministry may require that the terms and conditions of available credits be taken into consideration by the procurement authority concerned before a contract award is made.

Preference for Turkish products is provided by the requirement that, if the Ministry of Industry determines that a product

is manufactured in Turkey in sufficient amounts to meet local demands, no similar product can be imported. On July 28, 1964, the Minister of Industry announced that a new list of products manufactured in Turkey was being compiled with a view to issuing new regulations precluding the importation of all such products.

AGREEMENT OF ASSOCIATION WITH THE EUROPEAN ECONOMIC COMMUNITY

The Agreement between Turkey and the European Economic Community was signed in Ankara on September 12, 1963, and entered into force on December 1, 1964 (Journal Official of the European Communities, December 29, 1964).

The Agreement provides for the association of Turkey with the Community under the provisions of Article 238 of the Treaty of Rome on the basis of a customs union, with the long-term possibility of full membership of Turkey in the Community.

The Agreement provides for a preparatory, a transitional and a final stage in the association. During the preparatory period of 5 years, possibly extended to 9 years, from the effective date, Turkey will continue its efforts to reorganize its economy and for that purpose the Community granted certain concessions in the form of tariff quotas for imports of particular importance to the Turkish economy as well as the granting through the European Investment Bank of financial assistance.

The Agreement provides only a general outline of the arrangements for the transitional stage, the details of which will be settled only towards the end of the preparatory stage. During the transitional stage, which may not exceed 12 years from the effective date, the Contracting Parties will gradually institute a customs union and bring into alignment the economic policies of Turkey and the Community.

The final stage is based on the customs union, which will cover all commodity trade except products of the European Coal and Steel Community.

Article 23 of the Agreement provides for an institutional structure for its implementation similar to that provided by the Agreement of Association with Greece. The Association Council, which is composed of representatives of Turkey on the one hand and of the Member States and of the Community on the other hand, has the general function of taking all measures necessary to assure the realization of the aims of the Agreement and to conduct all examinations into the development of the cooperation between the Contracting Parties. All decisions adopted by the Council must be unanimous.

The Agreement in general follows the outline of the Treaty of Rome. Unlike the Agreement of Association with Greece, there is no specific provision with regard to the elimination of discrimination on the basis of nationality in the field of public contracts. Articles 8 and 9, however, contain the following general provisions with regard to the elimination of discrimination on the basis of nationality during the transitional stage (unofficial translation from French by the American Society of International Law, 3 International Legal Materials 65 (1964)):

"Article 8

"In order to realize the objectives set forth in Article 4, the Association Council shall establish, prior to the start of the transitional phase, and in accordance with the procedure provided in Article 1 of the Provisional Protocol, the conditions, terms and rate of application of the provisions pertaining to the fields covered by the Treaty establishing the Community which will have to be considered, specifically those covered by the present Title, as well as any safeguard clause which might be considered useful.

"Article 9

"The Contracting Parties acknowledge that within the field of application of the Convention, and without prejudice to the specific provisions which might be established by virtue of Article 8, any discrimination on account of nationality is prohibited in accordance with the principle set forth in Article 7 of the Treaty establishing the Community."

Vague provisions relating to the right of establishment and the free rendering of services are contained in Articles 13 and 14, which provide as follows:

"Article 13

"The Contracting Parties agree to take inspiration from Articles 52 through 56 and 58 of the Treaty establishing the Community in order to eliminate the restrictions on the freedom of establishment among them.

"Article 14

"The Contracting Parties agree to take inspiration from Articles 55, 56, and 58 through 65 of the Treaty establishing the Community in order to abolish the restrictions on the free performance of services among them."

Similarly, vague provisions relating to the approximation of legislation are contained in Article 16, which provides as follows:

"Article 16

"The Contracting Parties recognize that the principles set forth in the provisions relating to competition, fiscality, and the approximation of legislation, contained in title I of the third part of the Treaty establishing the the [sic] Community, must be made applicable in their Association relations."

It seems obvious that the application of the provisions of the Agreement is not likely to have much effect in the foreseeable future in the field of public contracts.

PRINCIPAL SOURCES

- (1) Union of Chambers of Commerce, Industry and Commodity Exchanges of Turkey, Investment Guide to Turkey (Ankara, 1964).
- (2) United States Department of Commerce, Investment in Turkey: Basic Information for United States Businessmen (1956).
- (3) United States Department of Commerce, Selling in Turkey, Overseas Business Reports, OBR No. 64-97 (September 1964).

EUROPEAN FREE TRADE ASSOCIATION (EFTA)

Like the treaty establishing the Benelux Economic Union, and unlike the Treaty of Rome establishing the European Economic Community, the Stockholm Convention establishing the European Free Trade Association (EFTA) (HMSO, Cmnd. 906 (1959)) contains specific provisions recognizing the existence in the member states of legislative and administrative provisions, practices, and policies discriminating against foreigners and products of foreign origin in the field of public contracts and providing for their elimination.

The Stockholm Convention was signed on November 20, 1959, by Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the United Kingdom and entered into force on May 2, 1960. An Agreement of Association with Finland was signed on March 27, 1961, and entered into force on June 26, 1961 (HMSO, Cmnd. 1335 (1961)).

The Stockholm Convention is concerned primarily with the liberalization of trade through the elimination of tariffs and all other restrictions on the flow of trade between the member states. Unlike the Common Market and Benelux, each member state retains its own external tariffs and commercial policies.

The organization of EFTA is simple. The Council is the principal organ and can meet at either the ministerial or official (permanent resident) level. Each member state is

represented with one vote. The Council has responsibility for supervising the application of the Convention and exercising the powers of functions conferred upon it by the Convention. Its decisions are binding on member states but they must, with specified exceptions, be made by unanimous vote.

The provisions of the Convention with regard to purchases by public undertakings are contained in article 14, which reads as follows:

"1. Member states shall insure the progressive elimination, during the period from July 1, 1960, to December 31, 1969, in the practices of public undertakings, of—

"(a) measures the effect of which is to afford protection to domestic production which would be inconsistent with this Convention if achieved by means of a duty or charge with equivalent effect, quantitative restriction or Government aid, or

"(b) trade discrimination on grounds of nationality insofar as it frustrates the benefits expected from the removal or absence of duties and quantitative restrictions on trade between member states.

"2. Insofar as the provisions of article 15 (relating to restrictive business practices) are relevant to the activities of public undertakings, that article shall apply to them in the same way as it applies to other enterprises.

"3. Member states shall insure that new practices of the kind described in paragraph 1 of this article are not introduced.

"4. Where member states do not have the necessary legal powers to control the activities of regional or local government authorities or enterprises under their control in these matters, they shall nevertheless endeavor to insure that those authorities or enterprises comply with the provisions of this article.

"5. The Council shall keep the provisions of this article under review and may decide to amend them.

"6. For the purposes of this article, 'public undertakings' means central, regional, or local government authorities, public enterprises and any other organization by means of which a member state, by law or in practice, controls or appreciably influences imports from, or exports to, the territory of a member state."

Those provisions are explained as follows in an analysis of the provisions of the Convention entitled "Stockholm Convention Examined" published by the Secretariat of EFTA in January 1963 (pp. 37-38):

"It has long been recognized, for example in article XVII of the GATT, that state trading enterprises should act in commercial matters according to normal commercial principles insofar as this may affect international commerce. Because a trading concern is owned or controlled by the state, it should not behave in commercial matters as if it were above the 'law' as it is defined or established by international commercial agreements to which the state concerned is party.

"The governments of even the most rigorously free-enterprise economies indulge in extensive commercial activities, if only through the purchase and disposal of supplies and equipment. In the Europe we live in today, most governments go beyond this and operate railways and telephones, while many have established organizations to produce and trade in tobacco manufactures or alcoholic beverages; others mine coal and make steel. These activities may be undertaken by central, regional or local governments, and may be undertaken directly or through state corporations, state-owned or state-controlled companies, or other publicly controlled bodies.

"Article 14 provides that all these activities shall, by the end of the transitional period, be carried out according to normal commercial principles so far as this may be

necessary to insure that the obligations of the Convention are applied to them as to any purely private concern. In the first place member states must bring to an end measures the effect of which is to afford protection to domestic production, where that protection would be inconsistent with the Convention if it were achieved through tariffs, quotas, or subsidies. Secondly, they must cease to discriminate on grounds of nationality, insofar as this would frustrate the benefits to be expected from the freeing of trade; that is to say that governments or state enterprises should not give preference to their own national producers simply because they are of that nationality; if they buy national products this should be for normal commercial reasons, such as cheapness, quality, suitability, facility of production control, or earlier delivery. Thirdly, it is made clear that the provisions of the Convention relating to monopolies and restrictive business practices apply to state trading no less than to private trading organizations.

"The article requires that, during the transitional period while these provisions come gradually into full effect, no new practices inconsistent with those provisions shall be introduced. If the governments of the member states do not have complete control over regional or local authorities or public undertakings, they are required to use their influence to insure that those bodies comply with the article.

"The Council is empowered to amend the article. The provisions of paragraph 1 are so worded as to refer obliquely to the consultation and complaints procedure, through which control must ultimately be exercised. Paragraph 6 defines public undertakings in terms wide enough to insure that particular undertakings do not slip through the net by virtue of some special peculiarity of their constitutions or of their relationships with the central governments."

By decision of the Council No. 10 of 1963, adopted on May 10, 1963, the date of December 31, 1969, in paragraph 1 of article 14 of the Convention was replaced by the date of December 31, 1966.

Since the provisions of article 14 relate only to the elimination of practices which control or influence imports and exports, they are much more limited in effect in the field of public contracts than the broad provisions of articles 62 and 63 of the treaty establishing the Benelux Union.

Article 16 of the Stockholm Convention contains the following provisions with regard to the right of establishment:

"1. Member states recognize that restrictions on the establishment and operation of economic enterprises in their territories by nationals of other member states should not be applied, through accord to such nationals of treatment which is less favorable than that accorded to their own nationals in such matters, in such a way as to frustrate the benefits expected from the removal or the absence of duties and quantitative restrictions on trade between member states.

"2. Member states shall not apply new restrictions in such a way that they conflict with the principle set out in paragraph 1 of this article.

"3. Member states shall notify the Council, within such period as the Council may decide, of particulars of any restrictions which they apply in such a way that nationals of another member state are accorded in their territories less favorable treatment in respect of the matters set out in paragraph 1 of this article than is accorded to their own nationals.

"4. The Council shall consider not later than December 31, 1964, and may consider at any time thereafter, whether further or different provisions are necessary to give effect to the principles set out in paragraph

1 of this article, and may decide to make the necessary provisions.

"5. Nothing in this article shall prevent the adoption and enforcement by a member state of measures for the control of entry, residence, activity, and departure of aliens where such measures are justified by reasons of public order, public health or morality, or national security, or for the prevention of a serious imbalance in the social or demographic structure of that member state.

"6. For the purposes of this article:

"(a) 'Nationals' means, in relation to a member state, (i) physical persons who have the nationality of that member state and (ii) companies and other legal persons constituted in the territory of that member state in conformity with the law of that state and which that state regards as having its nationality, provided that they have been formed for gainful purposes and that they have their registered office and central administration, and carry on substantial activity, within the area of the association;

"(b) 'Economic enterprises' means any type of economic enterprise for production of or commerce in goods which are of area origin, whether conducted by physical persons or through agencies, branches, or companies or other legal persons."

It seems apparent that the provisions of article 16 are not of much importance in the field of public contracts. Moreover, particularly since the convention contains no provisions for the rendering of services which do not require establishment in the territory of a member state, articles 14 and 16 probably are not of much importance in the field of government public works contracts.

Principal sources

(1) EFTA Secretariat, "Stockholm Convention Examined" (Geneva, 1963).

(2) Hay, "Some Problems of Doing Business in the Regional Markets of Europe," 17 Rutgers Law Review, page 305 (1963).

(3) Jantzen, "The Operation of a Free Trade Area" (Geneva, 1964).

(4) Surrey and Shaw (editors), "A Lawyer's Guide to International Business Transactions" (Philadelphia, 1963).

AUSTRIA (MEMBER OF EFTA, GATT, AND OECD)

Procurement procedures for the ministries, affiliated agencies, and institutions of the Federal Government are laid down in ÖNorm A-2050, "Procurement Practices" (Vergebung von Leistungen) dated March 30, 1957.

ÖNorm A-2050 prescribes the following methods for the letting of contracts

(1) Public invitation for offers (öffentliche Ausschreibung)—invitations for offers are published in the official Wiener Zeitung or the Amtlicher Lieferanzeiger (official procurement gazette) and also in daily newspapers and trade journals.

(2) Restricted invitation for offers (beschränkte Ausschreibung)—limited invitations for offers are privately addressed to selected firms.

(3) Direct procurement (freihändige Vergabung)—contracts are awarded without formal proceedings in the discretion of the contracting authorities.

The first method is the standard one and is normally used for all contracts of more than 300,000 Austrian schillings (about \$11,700). The second method may be used in the restricted cases specified in article 1.432 of ÖNorm A-2050 and the third method in the even more restricted cases specified in article 1.433.

In any case the contracting authority is under a duty to accept the offer which best satisfies all technical and economic viewpoints and hence not necessarily the lowest one in price.

The following provisions of article 1.34 of ÖNorm A-2050 provide for an outright

preference for domestic firms and domestic products (unofficial translation from German): "Insofar as possible, only domestic products shall be used and only domestic enterprises shall be employed."

In compliance therewith most advertisements for offers specify that only Austrian firms may submit offers.

The standards set forth in ÖNorm A-2050 were drawn up and published by the quasi-official Austrian Standardization Association (Österreichischer Normenausschuss) but in 1963 the Austrian Cabinet approved the provisions thereof and Federal ministers were requested to, and did, issue internal service regulations making compliance with such provisions mandatory for the ministries, affiliated agencies, and institutions of the Federal Government. At the same time, provincial governments and municipal administrations were invited to issue similar instructions and by the end of 1964 most of them had complied with the Federal Government's bids.

Principal sources

- (1) Letter dated October 28, 1964, from the U.S. Embassy in Vienna to Cravath, Swaine & Moore, Paris.
- (2) Foreign Service Dispatch No. 1017 from the U.S. Embassy in Vienna entitled "Bidding in Award of Public Contracts."
- (3) Airgram No. A-78 from the U.S. Embassy in Vienna entitled "Procurement Practices of Austrian Government Agencies."
- (4) U.S. Department of Commerce, "Selling in Austria" (Oversea Business Rept. No. 64-70, June 1964).

DENMARK (MEMBER OF GATT, EFTA, AND OECD)

Procurement for public purposes in Denmark takes place under a variety of regulations, and there is no uniform law with regard to inviting tenders or the letting of contracts by the various official agencies.

Discrimination against foreign bidders and foreign materials exists by administrative practice and the discretion vested in the various procurement authorities.

Public tenders are invited infrequently, principally in connection with the procurement of engineering products. The general and usual procedure is one of selective tender under which estimates may be obtained from a number of suppliers, with complete discretion in the particular procurement authority as to whether estimates will be requested from foreigners. In considering the estimates the procurement authority takes into account not only the price but also quality, servicing, and other factors.

Consequently, contracts are generally awarded only to Danish firms.

Principal sources

The foregoing is based principally on information supplied by the Bureau of International Commerce of the U.S. Department of Commerce on the basis of reports from the U.S. Embassy in Copenhagen.

NORWAY (MEMBER OF EFTA, GATT, AND OECD)

Norwegian Government procurement is conducted under the provisions of the Government Regulations Concerning Tenders of July 4, 1927, as amended, which were promulgated by royal decree.

The normal procedure established by the regulations calls for general competition through the medium of public invitation for tenders by means of advertisement. The regulations themselves contain no provisions discriminating against foreign bidders or foreign materials. Nevertheless, discrimination does exist as a result of administrative practice, particularly the discretion which procurement authorities have in the tendering procedure.

In the first place, there is no requirement that foreign tenders be invited. In general, such tenders are invited where there is only

one Norwegian supplier of the procurement item or where the procurement authority finds that foreign competition is in the public interest.

Secondly, even if foreign tenders are invited, preference is given to a Norwegian tender and a foreign tender is accepted only in exceptional cases, such as where a substantial price differential (price offered plus tariff) exists or where no Norwegian bidder is deemed to be qualified to perform a contract for technical, financial, or other reasons the application of which is in the complete discretion of the procurement authority.

Finally, even if products manufactured in Norway are considered, the degree to which such products incorporate foreign raw materials or semimanufactured products enters into the determination as to which Norwegian product is chosen.

Special concessions with regard to the acquisition of waterfalls (in connection with hydroelectric plants) and the development of mining resources granted under the General Concessions Act (Lov om Ehvervelse av Vandfald, Bergverk og Anden Fast eiendom) of December 14, 1917, require that machinery, equipment, and other materials must be purchased in Norway if the price of the Norwegian product is not more than 10 percent above the cost of a similar foreign product.

Principal sources

The foregoing is based principally on information supplied by the Bureau of International Commerce of the U.S. Department of Commerce on the basis of reports from the U.S. Embassy in Oslo.

PORTUGAL (MEMBER OF EFTA, GATT, AND OECD)

Article 359 of the Portuguese Administrative Code establishes public tendering preceded by advertisement as the basic method of awarding contracts.

The basic law applicable to Government procurement is decree-law No. 41,375 of November 19, 1957. It establishes the legal regime under which Government services, including those granted administrative and financial autonomy, may effect expenditures for construction and repair of public works or for acquisition of supplies, equipment, and other material.

The decree-law provides for three administrative systems of inviting tenders, as follows:

(a) Public tendering (concurso público)—all who satisfy the general conditions established by law can submit tenders. This method is compulsory for supplies or services costing more than 100,000 escudos (about \$3,500).

(b) Restricted tendering (concurso limitado)—only firms specifically invited (in principle, more than three) may submit tenders. Restricted tenders (or, if determined by the contracting authority, public tenders) are compulsory for works, supplies, or services costing more than 20,000 escudos (about \$700).

(c) Direct negotiation (ajuste directo)—the contract is awarded by the contracting authority without competition. Wherever possible, however, the award is preceded by consultation with at least three firms. Prior consultation is compulsory for expenditures exceeding 2,500 escudos. Tendering whether public or restricted may be dispensed with in the interest of the state and direct negotiation employed particularly where there is only one possible supplier, when the prices of the goods are officially controlled, when national security is involved, or when responses to previous calls for tenders for the same work or material have not resulted in any tenders or the tenders received were deemed unacceptable.

Article 24 of Portaria (Ministerial Order) No. 7,702 of October 24, 1933, provides as fol-

lows concerning the awarding of contracts (unofficial translation from Portuguese):

"Subject to the provisions of section 4 of article 6 contracts for works or supplies shall be awarded as a rule to the bidder who has submitted the bid which is lowest in price [a proposta de menor preço]. The Government reserves nevertheless the right to make the award to the bidder who offers the best guarantees [maiores garantias] although not the one who submitted the lowest bid, it being necessary in such case that the award decision be duly justified."

Article 6, section 4, as amended by Portaria No. 8,716 of May 19, 1937, reserves to the Government the right not to make any award, if the conditions attached to the bid are not satisfactory, if the bidders do not possess the indispensable moral suitability or if there is a presumption of collusion.

Discrimination in favor of Portuguese contractors and suppliers and Portuguese products is practiced in a number of different ways, among which are the following:

(1) Although the same procedure and criteria are applied to foreign and domestic bids, contracting authorities are required to give preference to Portuguese products, other things being equal. Article 359, section 5 of the Administrative Code provides in that regard that "conditions of quality and price being equal, Portuguese products shall always be preferred in the furnishing of materials." Article 2 of decree with force of law No. 22,037 of December 27, 1932, requires that the departments and services of the state, the autonomous administrations, the administrative bodies and corporations and private firms and companies which are concessionaires of the state prefer national products in their purchases, provided that the price be equal to, or lower than, the price of foreign products that are similar or which serve the same purpose. Decree No. 38,504 of November 12, 1951, provides that the latter determination must be made by the Economic Coordination Commission.

(2) In the case of contracts for supplies, equipment, etc., foreign companies can submit bids, but, since Government departments can usually buy goods through national importers, they only deal directly with suppliers in foreign countries in exceptional cases.

(3) Effective competition by foreign contractors for public works contracts requires, as a practical matter, association with a Portuguese company, either as agent or as a subsidiary of the foreign company. The licenses which are required are not granted to foreign companies and Portuguese engineers must enter invoices or participate in the supervision of the projects. In many situations a considerable number of licenses is required.

In an example cited by the U.S. Embassy in Lisbon on the basis of an official source, a large French construction company bid five times in its own name but was unsuccessful until it secured a local subsidiary which employed Portuguese engineers.

The Embassy also reported that Portuguese officials based the award in February 1961, of the \$66 million contract for the construction of a long bridge over the Tagus River Estuary (scheduled for completion in 1966) to a consortium headed by U.S. Steel Export Co. on the following considerations, among others: United States Steel was represented by a Portuguese agent, the bridge was to be constructed in association with a Portuguese steel company and Portuguese engineers would (as required by law) participate in the supervision of the project.

In general, every bidder on a public works contract exceeding 250,000 escudos (about \$8,750) must possess a license issued by the Commission for Registration and Classification of Public Works Contractors established in the Ministry of Public Works by decree-law No. 40,623 of May 30, 1956, which is regu-

lated by Portaria No. 18,475 of May 16, 1961. The Portaria provides for the classification of contractors according to construction category and the size of the projects that they are qualified to undertake. The issuance of the license is conditioned on compliance with a large number of formalities.

Article 4 of the decree-law provides that licenses may be issued only to Portuguese citizens and Portuguese companies. In order to qualify as a Portuguese company, at least 60 percent of its capital must be owned by Portuguese citizens and a majority of its board of directors and its managing director must be Portuguese.

Section 2 of article 15 provides exceptionally that, when the characteristics of the work justify it, foreign firms may be permitted to submit bids by decision of the competent minister. In that event, they must comply with the following requirement of section 4 of article 17 of Portaria No. 7,702 of October 24, 1933 (unofficial translation from Portuguese):

"If the bidder is foreign, [he must] attach a declaration, notarized by the legation or consulate of his country, that he renounces whatever rights or prerogatives he possesses as a foreigner, renouncing any special forum, and that he submits, in everything that relates to the execution of the contract, to what is prescribed by Portuguese legislation in force."

Principal sources

(1) Ventura Reimão, "Obras Públicas, Empreitadas e Fornecimentos—Legislação Coordenada e Anotado" [Public Works, Contract Work and Supplies—Legislation Coordinated and Annotated] (Lisbon, 1950, with 1960 supplement).

(2) Foreign Service dispatch No. 314 dated March 15, 1962, from the U.S. Embassy in Lisbon, entitled "Export: Government Tenders: General System of Portuguese Ministries."

(3) U.S. Department of Commerce, "Basic Data on the Economy of Portugal," World Trade Information Series, pt. I, No. 60-44 (1960).

SWEDEN (MEMBER OF EFTA, GATT, AND OECD)

The procedures for procurement of commodities and services by the national government as well as national public works contracts are regulated by Royal Decree No. 496, dated June 6, 1952, as amended.

As a general rule, procurement at the national level is made on the basis of competitive bidding. The 1952 decree provides for the following procurement methods:

(1) Public tender (anbud, som infordras genom annonsering)—public invitation for offers published in the "Tidning for leveranser till staten," a weekly publication devoted entirely to state procurement, and occasionally also in the daily press.

(2) Selective tender (anbud, som infordras genom särskilda skrivelser)—solicitation of offers by circular letters to selected suppliers or contractors.

(3) Private tender (anbud, som infordras under hand)—solicitation of offers by informal communications to as many suppliers or contractors as good business practice requires.

All government-owned business undertakings and public utilities of the central government, as well as certain designated government institutions and agencies may, considering the nature and size of the procurement and paying due regard to efficient business practices, invite bids "in any such manner as may be deemed proper and appropriate."

The rules and regulations set forth in the Royal Decree make no distinction between domestic and foreign suppliers or contractors or materials. They do, however, give wide discretion to the responsible government purchasing institutions and agencies in selecting such suppliers or contractors and

in rejecting bids submitted by them. Moreover, there is nothing to prevent a government institution or agency from purchasing from whatever source it deems appropriate. The contracting authority has the duty of accepting the "most beneficial" offer; hence, price is not necessarily a decisive factor and equal importance is attached to quality, delivery time, the general reputation and integrity of suppliers, and their ability or willingness to meet required standards and specifications.

The same considerations are reported to be employed by the city governments, municipalities, and rural communities, which are not regulated by statutory provisions or administrative decrees in the procurement of commodities and services and the construction of public works. The normal procedure for inviting bids appears to be through the medium of circular letters addressed directly to firms known to be reputable and reliable.

In view of the wide discretion which is vested in procurement authorities at all levels of government, there is inevitably a natural administrative preference for Swedish suppliers and Swedish materials, despite the official Swedish liberal trading policy.

Principal sources

(1) Letters dated November 29, 1963, from the U.S. Embassy in Stockholm to Cravath Swaine & Moore, Paris.

(2) Airgram No. 448 dated November 29, 1963, from the U.S. Embassy in Stockholm entitled "Procurement: Swedish National and Local Government Procedures."

SWITZERLAND (MEMBER OF EFTA AND OECD)

Swiss Government procurement is generally subject to the provisions of the Order (Arrêté) dated March 4, 1924, of the Swiss Federal Council concerning federal government supply and works contracts.

The procedure for inviting tenders for supplies and the placing of orders depends usually on the kinds of supplies to be purchased, but the procurement authorities have a great deal of discretion and supply contracts are usually awarded on grounds of technical suitability rather than solely on price.

Public works contracts and contracts for construction materials of any importance are usually awarded on the basis of public or selective tendering, in the complete discretion of the procurement authorities.

Article 3 of the decree of March 4, 1924, provides in part as follows:

"Preference will be given to Swiss industry in the case of offers which are approximately equal.

"Among Swiss bidders whose offers are equal, preference will be given to those who undertake to employ principally Swiss workers in the execution of the work or the supply contract."

Also, foreign suppliers and contractors must be represented in Switzerland by a person or firm domiciled in Switzerland (i.e., a representative, agency, or branch) and legally entitled to act on behalf of the foreign supplier or contractor.

The Federal railways are reported to have a buying policy based on sound economic principles and are unhampered in the choice of supplier by any specific statutory provisions.

Due in part to the traditionally decentralized nature of the Swiss Confederation, many public projects, including some which are totally or partially financed by the Federal Government, are carried out by cantonal and communal procurement authorities. They are for the most part required to give preference to suppliers and contractors located in the town, region, or canton concerned, or failing such a supplier or contractor, located elsewhere in Switzerland, if their prices are not substantially higher than those of other possible sources.

Semipublic services are not bound by any statutory requirements but, in practice, it may be assumed that private firms holding shares in a particular concern will be given preference when suppliers are chosen.

Principal sources

(1) Letter dated November 5, 1964, from the U.S. Embassy in Bern to Cravath, Swaine & Moore, Paris.

(2) Foreign Service Despatch No. 252 dated October 16, 1956, from the U.S. Embassy in Bern.

(3) U.S. Department of Commerce, "Selling in Switzerland," Overseas Business Reports, OBR No. 64-108 (September 1964).

UNITED KINGDOM (MEMBER OF EFTA, GATT, AND OECD)

There is no statute governing public procurement or requiring that public contracts be let by competitive bidding and advertising. Apart from the requirement that contracts involving £50,000 (about \$140,000) or more be referred to the Treasury for review, if it is contemplated that the contract will be awarded to a foreign firm, the Government departments have full discretion to follow the practices best suited to their needs and the nature of the purchase.

Government contracts can be placed in one of the following three ways:

(1) Public tender—invitations to tender are normally published in the appropriate trade journals and, also where appropriate, in the public press.

(2) Selective tender—this method is used in the great majority of cases. Invitations to tender, which are not made public, are sent to a limited number of suppliers drawn from approved lists maintained for the purpose in respect of each class of goods which a department expects to buy. Although foreign materials are, in general, eligible for inclusion on such lists, their inclusion thereon is in the discretion of the particular department.

(3) Single tender—this method involves the negotiation of a contract with a selected firm and is used where circumstances do not permit normal competition, such as instances where it is impracticable to obtain the supplies elsewhere, either in the United Kingdom or abroad.

In the public tender and selective tender procedures, the contract is normally but not invariably awarded to the lowest bidder, thus leaving room for considerable administrative discretion.

The Stationery Office grants a 10-percent preference in favor of United Kingdom companies. Limited preference is also given by Government departments and nationalized industries to domestic firms located in districts declared to be in need of assistance because persistent and high unemployment exists, or is expected.

Contracts involving £50,000 or more are normally submitted for review to the Treasury, if it is contemplated that the contract will be awarded to a foreign firm. The Treasury is the instrument through which the Government exercises fiscal control over its constituent departments and is governed by a board of commissioners composed of the First Lord of the Treasury (an office usually held by the Prime Minister), the Chancellor of the Exchequer and a varying number of junior lords nominated by the First Lord and appointed by the Crown. If there are no overriding balance-of-payments considerations and if there is a significant saving to be realized by the letting of a contract to a foreign firm, the Treasury ordinarily does not oppose the awarding of a contract to a supplier or contractor outside the United Kingdom.

Since many contracts are placed under public supply agreements, or through selective tender from a closed list of suppliers, or by confidential negotiations, there are

many opportunities for the exercise of discrimination by purchasing department. Moreover, in accordance with the practice reaffirmed by the Commonwealth Trade and Economic Conference in Montreal in 1958, purchasing departments intending to place orders abroad seek to inform themselves as to whether the goods concerned can be obtained on competitive terms within the Commonwealth.

The selective and discretionary process is best illustrated by the offers for building contracts which are solicited from short lists of selected firms appropriate to the particular project and are awarded to the firm making the lowest suitable offer. Contracts are not advertised in the press or put out for open competition in any way.

Another example recently brought to light in proceedings under the British Restrictive Trading Practices Act is illustrative of the sort of "gentlemen's agreement" approach which is employed by purchasing departments. The proceedings revealed that the British Postmaster General had concluded a Crown Agreement with a group of eight United Kingdom manufacturers to supply all telephone apparatus for the British Post Office. Under the terms of the agreement the Post Office and the manufacturers agreed on the specifications and the prices (which were not published), and, when a contract was to be let, the manufacturers' group selected one of the eight companies for the purpose. Exchange equipment, cables, and loading cables were covered by comparable agreements, which brought the total number of manufacturers involved to 13, 5 of whom were parties to more than 1 agreement.

Principal sources

(1) Airgram No. A-2658 dated May 6, 1963, from the U.S. Embassy in London entitled "United Kingdom Government Procurement Practices."

(2) Letters dated November 21, 1963, and January 2, 1964, from the U.S. Embassy in London to Cravath, Swaine & Moore, Paris.

(3) Whelan, "Public Contracts of the United Kingdom: A Comparative Survey and Introduction," 32 George Washington Law Review 80 (1963).

(4) Arthur Andersen & Co., "Tax and Trade Guide: United Kingdom" (New York, 1964).

FINLAND (ASSOCIATE MEMBER OF EFTA; MEMBER OF GATT)

Finland has no general laws or statutory regulations relating to public supply and public works contracts. Each contracting authority has its own special "provisions for procurement." Those of the National Board of Public Roads and Waterways (the NBR) relating to procurement of machinery and other equipment, which were approved on August 21, 1964, are regarded as typical. They provide for a system of selective tendering under which bids are requested from at least four vendors "known to be reliable and able to supply." Vendors who do not receive the initial invitation may, however, submit tenders if found to be qualified.

Paragraph 8 of section 2 provides as follows concerning the acceptance of tenders (official translation from Finnish):

"Such bid shall be accepted as it deemed to be the most advantageous from the point of view of the state. Solely the price quoted shall not be deemed to be decisive for an acceptance. Where the NBR accepts a bid which is higher than the lowest one, the respective motivation shall be duly recorded."

Preliminary investigation has revealed no Finnish laws or regulations which favor Finnish firms or Finnish products in the field of public contracts.

According to the U.S. Embassy in Helsinki, Finnish officials endeavor wherever feasible to satisfy their requirements from domestic

sources, but there is no deliberate discrimination against foreign products or foreign bidders. The "Provisions for Procurement" of the NBR referred to above clearly contemplate the possibility of foreign contractors, but the above-quoted provisions concerning the acceptance of tenders obviously permit discrimination in favor of Finnish products and bidders.

Agreement of Association with the European Free Trade Association

The agreement creating an association between the member countries of the European Free Trade Association and Finland was signed in Helsinki on March 27, 1961, and entered into force on June 26, 1961. The first tariff reduction and the first relaxation of quantitative import restrictions took place on July 1, 1961, when duties on most of the trade in industrial goods between Finland and the seven member countries of EFTA were reduced by 30 percent.

The Agreement of Association provides for the application to Finland of most of the provisions of the Stockholm Convention establishing EFTA, including article 14 relating to purchases by public undertakings and article 16 relating to the right of establishment.

The Agreement of Association created a Joint Council composed of representatives of Finland and the seven in which each country has one vote and which has jurisdiction to deal with matters arising out of the Agreement of Association. Decisions of the Joint Council bind Finland and all of the seven. Decisions of the EFTA Council, if taken by a unanimous vote, are only binding upon Finland if referred to the Joint Council and accepted by Finland without reservation. Decisions of the EFTA Council taken by a majority vote, if referred to the Joint Council, becoming binding upon Finland if passed by an affirmative vote of four, whether or not Finland is one of those four.

Principal sources

(1) Letter dated November 3, 1964, from the U.S. Embassy in Helsinki to Cravath, Swaine & Moore, Paris.

(2) Letter dated December 10, 1964, from the Embassy of Finland, Washington, D.C., to Cravath, Swaine & Moore, New York.

IRELAND (MEMBER OF OECD)

The Government Contracts Committee directs and controls the placing of contracts. There are no laws or specific statutory regulations relating to the awarding of government contracts. In general, the system prevailing in the United Kingdom is followed.

The general procurement procedure is one of selective tendering under which tenders are invited from all firms that are known to be interested which are considered capable of supplying satisfactorily the goods, services, or works required. If the contracting authority considers it necessary to secure satisfactory competition, use may be made of public tendering and invitations for tenders are published in the press and in trade and technical journals.

It is in the discretion of the contracting authority to invite foreign tenders but foreign firms that learn of invitations for tenders are not precluded from submitting tenders.

In cases where foreign tenders are solicited and/or submitted, preference is given to Irish firms to the extent of the duty or import quota in cases in which the goods to be purchased are subject to such a duty or quota and to an unknown extent in the case of nondutiable items or those not subject to quota.

Usually, but in the discretion of the contracting authority, the lowest suitable tender is accepted.

The Irish tariff is three column: Full, preferential, and special preferential. Special preferential rates apply to specified

classes of goods originating in the United Kingdom and Canada and are generally equal to one-half or two-thirds of the full rates. Preferential rates apply to products of the Commonwealth not entitled to special preferential rates. Full rates apply to all other dutiable imports, including imports from the United States. Accordingly, U.S. firms are at a distinct disadvantage in bidding on Government contracts.

Principal sources

(1) Letter dated December 15, 1964, from the Embassy of Ireland, Washington, D.C., to Cravath, Swaine & Moore, New York.

(2) U.S. Department of Commerce, "Foreign Trade Regulations of Ireland," Overseas Business Reports, OBR No. 64-64 (June 1964).

SPAIN (MEMBER OF GATT AND OECD)

Public procurement in Spain continues to be governed by the provisions of the law on the state administration and accountability (Ley de Administracion y Contabilidad del Estado) of July 1, 1911, as amended by the law of December 20, 1952, until such time as the Government publishes an implementing text (texto articulado) of law No. 198 of December 28, 1963 (Boletin Oficial, Dec. 31, 1963), concerning the bases of Government contracts (Bases de Contratos del Estado).

Under the 1911 law, as amended, there are primarily three kinds of systems used in Government procurement: public tendering (subasta), competitive tendering (concurso-subasta) and direct contracting (concierto directo). Contracts for public works or public services to be carried out on behalf of the state are normally awarded through public tendering. The letting of contracts by competitive tendering and direct contracting is exceptional and the circumstances under which contracts may be awarded by those two methods are narrowly defined.

The formalities as to the publication of notices and specifications, etc., are not as great as in the case of competitive tendering as they are for public tendering. In the latter case the contract is normally awarded to the lowest bidder, that is, the one who makes the most economically advantageous offer consistent with the specifications. In the case of competitive tendering the contracting authority has the option of either awarding the contract for the works or services which are the subject of the tender or of nullifying it. The award is made by selecting the bid which offers the most advantages both in the light of the specifications and the various tenders, without any legal obligation to award the contract to the bidder offering the lowest price.

The new law will give much more discretion to the contracting authorities in the selection of the method which they use and also permits the use of a fourth method—selective tendering (concurso). In the case of public works contracts the contracting authorities will have complete discretion to choose between public and competitive tendering. The circumstances under which selective tendering and direct contracting may be resorted to will be defined in the implementing text. In the case of public supply contracts, selective tendering is specified as the normal method, with direct contracting permitted in exceptional and restricted cases. The new law also provides for the first time for the prior qualification and classification of public works contractors and the establishment of a Register of Contractors in which they are to be enrolled.

The new law provided that the implementing text was to be drawn up and promulgated by the Government within a period of 1 year. Under the provisions, however, of the decree-law of December 28, 1964 (Boletin Oficial, December 29, 1964), the Government was given an additional period of 4 months, that is, until April 30, 1965, in which to do so.

Article 10 of the law of November 24, 1939 (Boletín Oficial, December 15, 1939), for the Coordination and Protection of the National Industry (Protección y Fomento de la Industria Nacional) provides that a wide variety of public bodies must use articles exclusively of Spanish manufacture. A copy of an unofficial translation from Spanish of article 10 is attached hereto.

Principal sources

The foregoing is based principally on information obtained from private sources and the U.S. Department of Commerce.

SPAIN

(Law of November 24, 1939, for the Coordination and Defense of National Industries, (Boletín Oficial, December 15, 1939)—Unofficial translation from Spanish)

Article 10. In any works, installations, services and purchases carried out with funds of the state, provinces, municipalities, agencies, and delegations of the movement, monopolies, public service concessions or companies enjoying benefits or assistance in any administrative, economic, or financial form, use will solely be made of goods manufactured in Spain, as evidenced by the national certificate of manufacture issued by the Ministry of Industry and Trade.

Exceptionally and following consultations with the Technical Services of the General Directorate of Industry, the Ministry of Industry and Trade may authorize the purchase of foreign industrial products by special dispensation in each case, for one of the following reasons:

(1) When the national product is expressly declared to be unsuited for a specific purpose, following appropriate analyses, tests, or trials carried out at the request of the interested party.

(2) When the Spanish industry is unable to meet a recognized urgent need, provided the agency or body concerned in the purchase conclusively shows that the need in question was impossible to foresee in the time available, or that the product cannot be replaced in a shorter time by a similar article of national manufacture.

(3) When no similar article is nationally produced, subject to the proviso that no arbitrary, irregular or untoward competitive conditions unjustly excluding the national product shall be tolerated under such a pretext.

The foregoing conditions shall not exclude others which urgent circumstances and the special duties of the ministries responsible for national defense may require them to impose in regard to matters coming under their jurisdiction.

CANADA

(Member of GATT and OECD)

FEDERAL GOVERNMENT

In the case of Government departments other than the Department of Defense Production and Defence Production (1951) Limited, the procedures governing the awarding contracts are prescribed in the Government Contracts Regulations (P.C. 1964-1467 of September 23, 1964; S.O.R. 164-390, Canada Gazette, Part II, Vol. 98, No. 19, October 14, 1964), which were issued under the provisions of the Financial Administration Act (Rev. Stat. Canada, 1952, c. 116), as amended. A copy of the Regulations is attached hereto as Schedule A.

Contracts are divided into three categories with different tendering requirements established for each category as follows:

(1) Construction contracts (including repairs and alterations to works)—Tenders must be invited by public advertisement (which includes advertising in the public press) except where:

(a) the work is one of pressing emergency

in which delay would be injurious to the public interest;

(b) the work can be more expeditiously and economically executed by the employees of the appropriate contracting authority; or

(c) the estimated cost of the work is less than Can. \$15,000 and, in view of the nature of the work, it is not advisable to invite tenders.

(2) Purchase contracts (contracts for the supply of articles, commodities, equipment, goods, materials or supplies)—Tenders must be invited by public advertisement or from a representative list or lists of suppliers, except where

(a) the need is one of pressing emergency in which delay would be injurious to the public interest;

(b) there is only one available source of supply;

(c) the estimated cost is less than Can. \$15,000 and, in view of the nature of the purchase, it is not advisable to invite tenders; or

(d) the contract is one of a class of contracts designated by the Treasury Board as a class in respect of which the invitation of tenders is not required.

(3) Service contracts—Tenders must be invited by public advertisement or from a representative list or lists of suppliers, except for those cases or classes of cases as to which it is not considered in the public interest to do so.

Under the provisions of the Defense Production Act, 1951 (Rev. Stat., 1952, c. 62), as amended, the Department of Defense Production procures material, equipment and supplies (including services) on behalf of the Department of National Defense. Defence Construction (1951) Limited, a government corporation organized under the provisions of Section 6 of the 1951 Act, undertakes construction on behalf of the Department of National Defense.

The Government Contract Regulations are not applicable to the Department of National Defense (except for provisions relating to bonds and security deposits), but its procurement practice is substantially the same as that followed by other Government departments. The Department does not, however, rely to the same extent as other departments on public advertisement for tenders and places more reliance on invitations for offers against specifications from lists of suppliers deemed to be in position to compete for the particular contract. The 1951 Act also gives the Department more flexibility and somewhat greater authority in purchasing, particularly to meet urgent defense requirements. The Act allows the Department to enter into contracts of greater value without prior approval by the Treasury Board than is the case for civil departments. Moreover, under certain circumstances, for example, during an emergency when delay would not be in the public interest or where there is only one source of supply or where there is need for defense secrecy, the Department is permitted by law to negotiate a contract directly with one firm or a few firms rather than use one of the other two methods.

The tendering procedures of Defence Construction (1951) Limited are the same as those for Government departments except for classified works as to which tenders are invited from a representative list of companies deemed qualified to perform the work satisfactorily.

In early 1965 the supply procurement responsibilities of the Department of National Defense were being expanded to include procurement for most civil departments. The development is described in the following excerpt from a speech made by Hon. C. M. Drury, Minister of Defense Production (and

Industry), to the Purchasing Agents Association of Toronto on February 10, 1965:

"The [Canadian Government] Supply Service is a direct result of the recommendations of the Royal Commission on Government Organization, better known as the Glassco Commission. Following their detailed analysis of the activities of the Federal Government, the Commission recommended that a new Department of Supply be formed around the existing Department of Defence Production. The essence of their many recommendations on purchasing and supply was to form not only a consolidated purchasing agency, but also to group the supply activities relating to the civil departments and agencies in the same organization. This would then enable the Government to take advantage of all the opportunities for savings and improvements that would result from consolidation. The Government decided to proceed with these proposals.

"During the past eighteen months, Defence Production has been busily engaged in planning for its transformation into a new Department of Supply. Two important components of the new Department will be the Canadian Government Supply Service and the Canadian Government Purchasing Service. The latter consists of ten central purchasing branches, each of which specializes in the bulk buying of certain commodities or the procurement of major equipment."

There are no Canadian acts or regulations which discriminate in favor of Canadian firms and Canadian products. In practice, however, if the cost of Canadian goods is not higher than the laid-down duty-paid cost of imported goods, preference is given to the Canadian goods. A considerable element of discretion permitting discrimination derives from the fact that the larger contracts require approval of the Treasury Board, which is, in effect, a committee of the Cabinet. Accordingly, in deciding whether or not a preference should be given in a particular case for goods of Canadian origin, the Government is in position to take into account all relevant factors.

The Treasury Board also controls purchasing by the majority of Government corporations and agencies. There are, however, a number of Crown companies, corporations and boards (all of which are corporate bodies) established by special acts of the Canadian Parliament whose purchasing is to a large extent outside the jurisdiction of the Treasury Board and not subject to the Government Contract Regulations. Most of them are of a commercial nature with functions relating to transportation, marketing, trading or manufacturing.

The Canadian customs tariff also affords some opportunity for discrimination in favor of Commonwealth firms and suppliers. The tariff is protective and three-column. Goods from the United States are accorded most-favored-nation or middle rates, but the lowest or preferential rates are reserved for the United Kingdom and other Commonwealth countries. The highest or general rates apply to imports from countries with which Canada has no treaty or trade agreement.

In recent years, Canadian Government departments have been endeavoring to give preference to Canadian firms and Canadian materials by including, as a matter of administrative discretion, a clause in contracts requiring the use of Canadian labor and materials. Although the clauses vary in wording, most of them embody the phrase "consistent with proper economy".

Trade associations, and in particular the Canadian Manufacturers' Association, have conducted active "Buy Canadian" campaigns in recent years. In the brief of the Association to the Royal Commission on Canada's Economic Prospects in 1955, the Association

urged the inclusion of a standard clause in all Government contracts which would provide as follows:

"To the full extent to which the same are procurable, consistent with proper economy and the expeditious carrying out of this contract, Canadian labour, parts and materials shall be used in the work."

The Federal Department of Public Works requires that, in contracts for the construction of highways, bridges, tunnels, etc., which are financed jointly by the Federal Government and the Provinces, the Provincial authorities accept tenders only from contractors resident in the particular Province or in another Province of Canada. Moreover, all material must be purchased in Canada in so far as possible.

By virtue of the joint defense procurement policy originating in the "Statement of Principles for Economic Cooperation" approved by the Letter Agreement dated October 26, 1950, between the United States and Canada (I UST 716), Canada and the United States do not discriminate against each other's materials and products in the field of procurement of defense supplies. The policy is not, however, applicable to defense construction. A copy of Section 6-103.5 of the Armed Services Procurement Regulation issued by the United States Department of Defense, which describes the policy as applied by the United States, is attached hereto as Schedule B.

Similar principles are applied by the Canadian Department of Defense Production.

PROVINCIAL GOVERNMENTS

Each Province tends to give preference in its purchasing to manufacturers, wholesalers or agents located in the Province. Active "Buy Provincial" campaigns have been conducted in recent years, particularly in the Provinces of Ontario and Quebec.

British Columbia: The British Columbia Purchasing Commission is charged with the purchase of all supplies required for the public service of the Province, including public institutions under the administration of the Provincial Government. Section 9 of the Purchasing Commission Act (Statutes of British Columbia, 1943, c. 54), provides as follows:

"Notwithstanding any of the provisions of this Act, the Commission shall have power to give a preference in favour of goods produced, manufactured, or sold within the Province; and in the case of goods required within a local area of the Province, in favour of goods produced, manufactured, or sold within that area."

The preference policies of the Commission are described in the following excerpt from a letter dated January 27, 1965, from the Chairman of the Commission:

"Since the Government of the day must find the money to pay for all purchases we do work under the publicly stated policy rules of the Government such as calling for quotes on all purchases, lowest quote to be accepted, other things being equal. Preferences is given first to goods manufactured in B.C., than those made in Canada and lastly those made outside of Canada."

The policy of the British Columbia Hydro and Power Authority, a Crown agency which is responsible for the instruction, maintenance and operation of provincially owned public utilities facilities, is indicated by the following excerpt from a letter dated January 25, 1965, from the Manager, Purchasing & Stores Division, of the Authority:

"I enclose, for your information, two copies of a brief summary of our purchasing policies. You will note that this policy contains the statement that: 'All things being equal, suppliers located in British Columbia will be given preference.' This clause does not prevent us, from time to time, giving a slight price preference to a British Columbia

supplier if we considered it in the interest of the Authority to so do. It is our practice, if practical, to invite public tenders for all material, supplies and service over an estimated \$10,000. On large contracts, where we deem it advisable, we seek tenders on a world-wide basis and place advertisements in leading trade publications in various countries, including the United States. In the U.S. we often advertise in the 'International Construction Reporter.'"

Manitoba: The Purchasing Bureau is responsible for the purchase of nearly all equipment and supplies required for provincial operations. Section 7(d) of the Government Purchases Act (Revised Statutes of Manitoba, 1954, c. 104) provides that "wherever possible, qualities and prices being equal, products or manufactures of the Province of Manitoba shall be purchased."

Nova Scotia: Under the provisions of the Purchases Act (Statutes of Nova Scotia, 1964, c. 4) the Government Purchasing Agency is responsible for the purchase of all supplies that are required by the Provincial departments and most Provincial boards, commissions and agencies. Section 8(b) of the Act provides that the Agency:

"(b) Insofar as it may be consistent with good business practices and in the public interest, shall purchase Nova Scotia products and purchase from persons who maintain and operate places of business in the Province of Nova Scotia;"

Ontario: The policy of the Department of Highways is indicated by the following excerpt from a letter dated February 3, 1965, from the Director, Legal Branch, of the Department:

"The Department follows the policy of buying supplies on a competitive basis with no limitation on the nationality of the bidder. If, however, two identical bids are submitted, one by a Canadian supplier and one by a non-Canadian supplier, the contract would be awarded to the Canadian supplier."

Quebec: Both the Provincial Purchasing Service of Quebec and the Quebec Hydro-Electric Commission are reported to discriminate in favor of Quebec firms. According to statements made to the press in 1963 by Commissioner Gignac, the Commission will pay to 10 percent more for a Quebec product than for the equivalent item manufactured elsewhere in Canada and up to 15 percent more for a Quebec product than for a foreign product. The Commission operates a public utility system which supplies electric light and power requirements to municipalities (including Greater Montreal and surrounding districts), industrial and commercial undertakings and private citizens. It is said to be the largest single buyer in Quebec with projected capital expenditures for 1964 exceeding Can. \$250,000,000.

The Provincial Purchasing Service is reported to have adopted guide lines essentially the same as those of the Hydro-Electric Commission. The policy is carried out by the Provincial Treasury Board, which must approve all purchases over Can.\$25,000.

Saskatchewan: Under the provisions of The Purchasing Agency Act (Revised Statutes of Saskatchewan, 1953, c. 42), the Saskatchewan Government Purchasing Agency is responsible for the purchase of most supplies required by provincial departments. Section 7 of the act provides as follows:

"In acquiring supplies the agency shall acquire, to the extent that it is practicable, supplies produced or manufactured in the province or sold by persons carrying on business in the province."

According to a booklet entitled "Selling to the Saskatchewan Government," published by the Ministry of Industry and Information, the basic provincial purchasing policy is to "purchase 'Made in Saskatchewan' goods, providing quality and price are satisfactory."

PRINCIPAL SOURCES

General

British Board of Trade, Canada: Selling to Federal and Provincial Public Departments (London, 1963).

Federal

(1) Report dated March 17, 1960, to the United States Department of Commerce by the Commercial Attaché of the United States Embassy in Ottawa, entitled "Canadian Government Procurement Policies and Practices".

(2) Foreign Service Despatch No. 248 dated September 22, 1960, the United States Embassy in Ottawa, entitled "Canadian Government Procurement Policies and Practices".

(3) Canadian Department of Trade and Commerce, Selling to the Canadian Government (Ottawa, 1960).

(4) United States Department of Commerce, Import Tariff System of Canada, Overseas Business Reports, No. OBR 63-10 (January 1963).

Provincial

(1) Airgram No. A-35 dated March 4, 1964, from the United States Consulate in Quebec, P.Q., entitled "The 'Buy Quebec' Policy".

(2) Letter dated January 27, 1965, from the Chairman, British Columbia Purchasing Commission, Victoria, British Columbia to Cravath, Swaine & Moore, New York.

(3) Letter dated January 25, 1965, from the Manager, Purchasing & Stores Division, British Columbia Hydro and Power Authority, Vancouver, British Columbia, to Cravath, Swaine & Moore, New York.

(4) Letter dated February 17, 1965, from the General Purchasing Agent, Purchasing Bureau, Province of Manitoba, Winnipeg, Manitoba, to Cravath, Swaine & Moore, New York.

(5) Letter dated February 19, 1965, from the Director of Purchases, Government Purchasing Agent, Province of Nova Scotia, Halifax, Nova Scotia, to Cravath, Swaine & Moore, New York.

(6) Letter dated February 3, 1965, from the Director, Legal Branch, Department of Highways, Province of Ontario, Downsview, Ontario, to Cravath, Swaine & Moore, New York.

(7) Letter dated February 19, 1965, from the Director of Purchases, Purchasing Agency, Province of Saskatchewan, to Cravath, Swaine & Moore, New York.

SCHEDULE A. FINANCIAL ADMINISTRATION ACT GOVERNMENT CONTRACTS REGULATIONS (P.C. 1964-1467)

At the GOVERNMENT HOUSE

AT OTTAWA,

Wednesday,

the 23rd day of September, 1964.

Present: His Excellency the Governor General in Council.

His Excellency the Governor General in Council, on the recommendation of the Treasury Board, pursuant to the Financial Administration Act, is pleased hereby to revoke the Government Contracts Regulations made by Order in Council P.C. 1954-1971 of 16th December, 1954¹, as amended², and to make the annexed Government Contracts Regulations in substitution therefor.

REGULATIONS RELATING TO GOVERNMENT CONTRACTS Short Title

1. These Regulations may be cited as the Government Contracts Regulations.

Interpretation

2. (1) In these Regulations:

(a) "Advance payment" means a payment made by or on behalf of Her Majesty under

¹ SOR/54-691, Canada Gazette, part II, vol. 89, No. 1, Jan. 12, 1955, p. 175 and Statutory Orders and Regulations Consolidation 1955, vol. 2, p. 1350.

² SOR/61-361, Canada Gazette, part II, vol. 95, No. 17, Sept. 13, 1961.

the terms of a contract prior to any work or specified part thereof being done under the contract;

(b) "Amount", where used in respect of a contract, means the cost or price of the contract whether such cost or price is fixed or estimated;

(c) "Contract" means

(i) A contract for the construction or repair of a work (in these Regulations called a "construction contract"),

(ii) A contract for the supply of articles, commodities, equipment, goods, materials or supplies including a contract for printing or reproduction (in these Regulations called a "purchase contract"),

(iii) A contract for the furnishing or performance of a service of any kind (in these Regulations called a "service contract"), and

(iv) A lease or an agreement whereby Her Majesty acquires a leasehold interest in, or a license to occupy, real property situated in or outside Canada (in these Regulations called a "lease"), entered into by or on behalf of Her Majesty in right of Canada;

(d) "Contracting authority" with respect to any contract, means

(i) The appropriate Minister as defined in subparagraphs (i) and (ii) of paragraph (a) of section 2 of the Financial Administration Act, and

(ii) The corporations named in Schedule B to the Financial Administration Act, the National Capital Commission, the National Battlefields Commission and the Northern Canada Power Commission;

(e) "Progress payment" means a payment made by or on behalf of Her Majesty under the terms of a contract in respect of a portion of the work done under the contract prior to the completion of the whole work to be done under the contract;

(f) "Public advertisement" means advertising in the public press; and

(g) "Tender" means,

(i) With respect to a construction contract, a tender invited by public advertisement, and

(ii) With respect to a purchase or service contract, a tender invited by public advertisement or from a representative list or representative lists of suppliers.

(2) For the purposes of these Regulations and for greater certainty each one of the following shall be deemed to be a construction contract:

(a) A contract for the supply of a structure prefabricated in accordance with plans and specifications supplied by the contracting authority;

(b) A contract for the construction or repair of a vessel;

(c) A contract relating to dredging;

(d) A contract relating to demolition, and

(e) A contract for the hire of equipment to be used in or incidental to the execution of a work.

Application

3. (1) Except as provided in this section, these Regulations apply to all contracts.

(2) These Regulations do not apply to

(a) Contracts entered into by a corporation named in Schedule C to the Financial Administration Act other than the National Capital Commission, the National Battlefields Commission and the Northern Canada Power Commission;

(b) Contracts entered into by a corporation named in Schedule D to the Financial Administration Act;

(c) Contracts for the conveyance of mail entered into under the Post Office Act;

(d) Contracts entered into by the Canadian Wheat Board;

(e) Contracts entered into by the National Film Board;

(f) Contracts for the purchase of metal entered into under the Currency, Mint and Exchange Fund Act;

(g) Contracts for construction of buildings entered into under the Veterans Land Act; and

(h) Contracts entered into under the Indian Act relating to Indian moneys as defined in that Act.

(3) Parts I to IV of these Regulations do not apply to contracts entered into under the Defence Production Act.

(4) Where by the Defence Production Act the approval of the Governor in Council is necessary or a report is required to be made to the Governor in Council

(a) In respect of a contract, or

(b) In respect of any of the matters mentioned in paragraph (f) of section 15 of the Defence Production Act,

such approval may be granted by and such report shall be made to the Treasury Board.

4. Nothing in these Regulations authorizes the appointment or employment of any person as an officer, clerk or employee of Her Majesty.

5. Where there is no authority under these Regulations for a contracting authority, without the approval of the Treasury Board.

(a) To enter into a contract; or

(b) To increase the amount payable under a contract,

the Treasury Board may approve the entry into the contract by the contracting authority or the increase in the amount payable under the contract, as the case may be.

6. Except as provided in these Regulations, no contract shall be entered into without the approval of the Treasury Board.

Part I. Construction contracts

Tenders

7. (1) Before any construction contract is entered into, the contracting authority shall invite tenders therefor, except where

(a) The work is one of pressing emergency in which delay would be injurious to the public interest;

(b) The work can be more expeditiously and economically executed by the employees of the appropriate contracting authority; or

(c) The estimated cost of the work is less than fifteen thousand dollars and it appears to the contracting authority, in view of the nature of the work, that it is not advisable to invite tenders.

(2) Where tenders have been obtained pursuant to subsection (1) and it appears to the contracting authority not to be expedient to let the contract to the lowest tenderer, the contracting authority shall obtain the approval of the Treasury Board to pass by the lowest tender.

Entry Into Construction Contracts

8. A contracting authority, without the approval of the Treasury Board, may enter into a construction contract if

(a) The amount payable under the contract does not exceed fifteen thousand dollars, or

(b) The amount payable under the contract exceeds fifteen thousand dollars but does not exceed one hundred thousand dollars and not less than two tenders have been obtained and the lowest tender accepted, but the contracting authority shall make a report monthly to the Treasury Board in respect of every construction contract, the amount payable under which exceeds ten thousand dollars, that was entered into without the approval of the Treasury Board during the preceding month.

9. (1) The amount payable under a construction contract shall not be increased without the approval of the Treasury Board except

(a) Where the contract was entered into pursuant to paragraph (a) of section 8,

(i) In the event that before the construction contract was entered into not less than two tenders were obtained and the lowest tender accepted, the amount may be increased

(A) By not more than five thousand dollars, or

(B) To fifteen thousand dollars,

whichever results in the greater amount, and

(ii) In any other event, the amount may be increased to fifteen thousand dollars;

(b) Where the contract was entered into pursuant to paragraph (b) of section 8, the amount may be increased by not more than ten thousand dollars; or

(c) Where the contract was entered into with the approval of the Treasury Board, the amount may be increased

(i) By not more than ten per cent, or

(ii) By fifteen thousand dollars, whichever results in the lesser amount.

(2) Notwithstanding subsection (1) where the amount payable under a construction contract has been increased with the approval of the Treasury Board, the aggregate increased amount payable under the contract, being the aggregate of the amount payable under the contract before such increase and the amount by which the contract was so increased, may be further increased, without the approval of the Treasury Board,

(a) By not more than ten per cent, or

(b) By fifteen thousand dollars, whichever results in the lesser amount.

Part II. Purchase contracts

Tenders

10. Before any purchase contract is entered into, the contracting authority shall invite tenders therefor except where

(a) The need is one of pressing emergency in which delay would be injurious to the public interest;

(b) There is only one available source of supply;

(c) The estimated expenditure involved does not exceed fifteen thousand dollars and it appears to the contracting authority, in view of the nature of the purchase, that it is not advisable to invite tenders; or

(d) The contract is one of a class of contracts designated by the Treasury Board as a class in respect of which the invitation of tenders is not required.

Entry into Purchase Contracts

11. A contracting authority, without the approval of the Treasury Board, may enter into a purchase contract if

(a) The amount payable under the contract does not exceed fifteen thousand dollars, or

(b) The amount payable under the contract exceeds fifteen thousand dollars but does not exceed fifty thousand dollars and not less than two tenders have been obtained and the lowest tender accepted, but the contracting authority shall make a report monthly to the Treasury Board in respect of every purchase contract, the amount payable under which exceeds ten thousand dollars, that was entered into without the approval of the Treasury Board during the preceding month.

12. A purchase contract may provide for the making of progress payments or advance payments in such amounts and at such times as may be agreed to,

(a) In the case of a purchase contract entered into pursuant to section 11, by the contracting authority, or

(b) In any other case, by the Treasury Board.

13. (1) The amount payable under a purchase contract shall not be increased without the approval of the Treasury Board except:

(a) Where the contract was entered into pursuant to paragraph (a) of section 11

(i) In the event that before the purchase contract was entered into not less than two tenders were obtained and the lowest tender accepted, the amount may be increased

(A) By not more than five thousand dollars, or

(B) To fifteen thousand dollars, whichever results in the greater amount, and
(ii) In any other event, the amount may be increased to fifteen thousand dollars;

(b) Where the contract was entered into pursuant to paragraph (b) of section 11, the amount may be increased by not more than five thousand dollars; or

(c) Where the contract was entered into with the approval of the Treasury Board, the amount may be increased

(i) By not more than ten percent, or
(ii) By fifteen thousand dollars, whichever results in the lesser amount.

(2) Notwithstanding subsection (1) where the amount payable under a purchase contract has been increased with the approval of the Treasury Board, the aggregate increased amount payable under the contract, being the aggregate of the amount payable under the contract before such increase and the amount by which the contract was so increased may be further increased without the approval of the Treasury Board

(a) By not more than ten percent, or
(b) By fifteen thousand dollars,

whichever results in the lesser amount.

Part III. Service contracts Tenders

14. Before a service contract is entered into the contracting authority shall invite tenders except in such cases or classes of cases as the contracting authority considers the invitation of tenders not to be in the public interests.

Entry into Service Contracts

15. (1) A contracting authority may, without the approval of the Treasury Board, enter into a service contract (other than a contract that results in the appointment or employment of a person as an officer, clerk or employee of Her Majesty) for any of the following purposes:

(a) For engineering, architectural and other services required in respect of the planning, preparation for or supervision of the construction or repair of a work

(i) If the amount payable under the contract does not exceed twenty-five thousand dollars, or

(ii) If the amount payable under the contract exceeds twenty-five thousand dollars but does not exceed fifty thousand dollars and the specific work project has been approved in writing by the Treasury Board;

(b) For the hire of equipment, with or without the operator thereof, if

(i) The amount payable under the contract does not exceed fifteen thousand dollars, or

(ii) The amount payable under the contract exceeds fifteen thousand dollars but does not exceed fifty thousand dollars and not less than two tenders have been obtained and the lowest accepted

except in the event such equipment is to be used in or incidental to the execution of a work;

(c) For advertising services, if the amount payable under the contract does not exceed ten thousand dollars;

(d) For transportation services, regardless of the amount payable under the contract, if the service is to be furnished or performed by common carriers at rates not in excess of standard rates;

(e) For transportation services other than those described in paragraph (d) and for the hire or charter of vehicles, vessels or aircraft if

(i) The amount payable under the contract does not exceed twenty-five thousand dollars, or

(ii) The amount payable under the contract exceeds twenty-five thousand dollars but does not exceed fifty thousand dollars and not less than two tenders have been obtained and the lowest accepted;

(f) For the supply of electricity, gas, water (including sewage disposal services) or heat, regardless of the amount payable under the contract if the rates do not exceed the established rates charged to other comparable consumers in the same rate structure area in which the service is supplied, except that no contract shall be entered into without the approval of the Treasury Board where.

(i) The rates charged are based on the value or assessed value of the property serviced, or

(ii) The contract involves payment by Her Majesty of negotiated installation or capital charges

(A) In the case of electricity, gas or heat in an amount exceeding five thousand dollars, or

(B) In the case of water, in any amount;

(g) For stenographic recording, reporting, transcription or similar services if the amount payable under the contract does not exceed five thousand dollars and the rates charged are no greater than the rates prescribed from time to time by the Treasury Board for those services;

(h) For maintenance services (including cleaning, laundry, drycleaning and towel services) and road clearing or snow, garbage and waste removal or disposal services if

(i) The amount payable under the contract does not exceed fifteen thousand dollars, or

(ii) The amount payable under the contract exceeds fifteen thousand dollars but does not exceed fifty thousand dollars and not less than two tenders have been obtained and the lowest accepted;

(i) For maintenance and inspection of elevators and escalators, regardless of the amount payable under the contract, if the rates charged are not greater than the rates prescribed from time to time by the Treasury Board for those services;

(j) For maintenance and inspection of boilers, fire alarm and sprinkler systems and other classes of equipment if

(i) The amount payable under the contract does not exceed fifteen thousand dollars, or

(ii) The amount payable under the contract exceeds fifteen thousand dollars but does not exceed fifty thousand dollars and not less than two tenders have been obtained and the lowest accepted;

(k) For the maintenance, repair, overhaul and refitting of vehicles, aircraft and other equipment if

(i) The amount payable under the contract does not exceed fifteen thousand dollars, or

(ii) The amount payable under the contract exceeds fifteen thousand dollars but does not exceed fifty thousand dollars and not less than two tenders have been obtained and the lowest accepted;

(l) For telecommunication services as follows:

(i) For telephone services, regardless of the amount payable under the contract, if the rates charged do not exceed the established rates charged to other comparable consumers in the same rate structure area in which the service is supplied and if the contract does not involve payment of capital or negotiated installation charges exceeding five thousand dollars,

(ii) In respect of all telecommunication services except as otherwise specified in this paragraph, if the amount payable under the contract for such service does not exceed fifteen thousand dollars and the contract does not involve payment of capital or negotiated installation charges exceeding ten thousand dollars,

(iii) In respect of rental of telecommunication equipment, if the amount payable under the contract for the rental of such equipment does not exceed fifteen thousand

dollars and the contract does not involve payment of capital or negotiated installation charges exceeding ten thousand dollars,

(iv) For the rental of short or local lines, if the amount payable under the contract in respect of the rental of such lines does not exceed one thousand dollars, and

(v) In respect of rental of long lines, if the amount payable under the contract for the rental of such lines does not exceed fifteen thousand dollars;

(m) for air surveys and mapping services if

(i) The amount payable under the contract does not exceed twenty-five thousand dollars, or

(ii) The amount payable under the contract exceeds twenty-five thousand dollars, but does not exceed fifty thousand dollars and not less than two tenders have been obtained and the lowest accepted;

(n) For the relocation of powerlines, telephone lines, pipelines and similar installations that are not owned by Her Majesty, if the amount payable under the contract does not exceed one thousand dollars;

(o) For the processing of materials owned by Her Majesty if

(i) The amount payable under the contract does not exceed fifteen thousand dollars, or

(ii) The amount payable under the contract exceeds fifteen thousand dollars but does not exceed fifty thousand dollars and not less than two tenders have been obtained and the lowest accepted; and

(p) For catering services, if

(i) The amount payable under the contract does not exceed fifteen thousand dollars, or

(ii) The amount payable under the contract exceeds fifteen thousand dollars but does not exceed fifty thousand dollars and not less than two tenders have been obtained and the lowest accepted.

(2) A contracting authority, without the approval of the Treasury Board, may enter into a contract for the furnishing of performance of any service not specified in subsection (1), if the amount payable under the contract does not exceed five thousand dollars.

16. A service contract may provide for the making of progress payments or advance payments in such amounts and at such times as may be agreed to

(a) In the case of a service contract entered into pursuant to section 15, by the contracting authority, or

(b) In any other case, by the Treasury Board.

17. (1) No service contract the term of which exceeds five years shall be entered into without the approval of the Treasury Board.

(2) Subsection (1) does not apply to a service contract described in paragraph (f), (i) or (l) of subsection (1) of section 15.

18. (1) The amount payable under a service contract shall not be increased without the approval of the Treasury Board except,

(a) Where the contract was entered into, in accordance with these Regulations, without the approval of the Treasury Board, the amount may be increased to the maximum amount specified in section 15 for a contract of that kind; or

(b) Where the contract was entered into with the approval of the Treasury Board, the amount may be increased by not more than ten per cent.

(2) Where a service contract entered into with the approval of the Treasury Board has, set out in the Treasury Board approval thereof, the term or period during which the service is to be furnished or performed, the said term or period may, subject to paragraph (b) of subsection (1), be increased without the approval of the Treasury Board by not more than ten per cent.

19. Contracts for the performance of legal services may be entered into only by or under

the authority of the Minister of Justice and these Regulations do not apply to such contracts.

Part IV. Leases

Entry into leases

20. (1) A contracting authority, without the approval of the Treasury Board, may enter into a lease,

(a) In the case of a lease required in connection with the administration of the Department of Public Works, where

(i) The annual rate calculated on the basis of the amount to be paid under the lease does not exceed fifteen thousand dollars and the term thereof does not exceed five years, or

(ii) The annual rate calculated on the basis of the amount to be paid under the lease exceeds fifteen thousand dollars but the total amount to be paid under the lease does not exceed fifteen thousand dollars; or

(b) In any other case, where

(i) The annual rate calculated on the basis of the amount to be paid under the lease does not exceed five thousand dollars and the term thereof does not exceed five years, or

(ii) The annual rate calculated on the basis of the amount to be paid under the lease exceeds five thousand dollars but the total amount to be paid under the lease does not exceed fifteen thousand dollars and the term thereof does not exceed one year.

(2) A contracting authority may, upon the termination of the term of a lease described in subparagraph (i) of paragraph (a) of subsection (1) or subparagraph (i) of paragraph (b) of subsection (1) of any premises, renew the lease or enter into a new lease of those premises, subject to the provisions set out in subsection (1) respecting the amount to be paid under the lease, but in no event, without the approval of the Treasury Board, may the contracting authority remain in continuous possession of the premises for longer than ten years except if each lease of the premises or each renewal of the lease is required in connection with the administration of the Department of Public Works and the amount to be paid under each such lease does not exceed five thousands dollars per annum.

(3) In no event, without the approval of the Treasury Board, may the contracting authority, upon the termination of the term of a lease, described in subparagraph (ii) of paragraph (a) of subsection (1) or subparagraph (ii) of paragraph (b) of the subsection (1) of any premises, renew the lease or enter a new lease of those premises except if the aggregate of amounts payable for possession of the premises under each lease of the premises and each renewal thereof does not exceed fifteen thousand dollars.

21. No contracting authority shall, without the approval of the Treasury Board, enter into a lease of premises intended to be used as living quarters for officers or servants of Her Majesty.

General

22. Notwithstanding anything in these Regulations, the Treasury Board may, in respect of a particular contracting authority, upon notification to the contracting authority, increase or decrease any one or more of the amounts specified in Parts I, II, III, and IV.

23. Nothing in these regulations authorizes the making of an ex gratia payment.

24. Notwithstanding anything in these Regulations, a contracting authority may execute on behalf of Her Majesty.

(a) Any form of agreement in use by a railway company for permission to construct or maintain a private crossing for any department or agency of the Government of Canada, or a pipe or cable crossing over, across or under property of the company; or

(b) Any agreement with a railway, telegraph, telephone or power company for permission to attach wires to poles of the company at rates not in excess of those normally charged for such permission.

Part V. Bonds and security deposits

25. In this Part,

(a) "Bid bond" means a bond given to guarantee entry into a contract that is

(i) In a form approved by the Treasury Board, and

(ii) In the amount of at least 10 percent of the amount that would become payable under the contract if it were entered into;

(b) "Comptroller" means the Comptroller of the Treasury appointed under the Financial Administration Act;

(c) "Contract means

(i) A construction contract, and

(ii) Any other contract in respect of which, in the opinion of the contracting authority, it is in the public interest to obtain security to ensure the due performance thereof;

(d) "Holdback" means the amount withheld under a contract pursuant to section 40 of the Financial Administration Act and includes a holdback within the meaning of section 32 of these Regulations;

(e) "Labour and material payment bond" means a bond given to guarantee the payment of certain persons performing labour of supplying materials that is

(i) In a form approved by the Treasury Board, and

(ii) In the amount of at least 50 percent of the amount payable under the contract in respect of which the bond is given;

(f) "Performance bond" means a bond given to guarantee performance of a contract that is

(i) In a form approved by the Treasury Board, and

(ii) In the amount of at least fifty percent of the amount payable under the contract in respect of which the bond is given; and

(g) "Security deposit" means

(i) A certified cheque drawn on a bank to which the Bank Act or the Quebec Savings Banks Act applies, or

(ii) Bonds of the Government of Canada or of a company included in "National Railways" (as that expression is defined in the Canadian National Railways Capital Revision Act) unconditionally guaranteed as to principal and interest by the Government of Canada, if such bonds are

(A) Payable to bearer,

(B) Hypothecated to the Minister of Finance and Receiver General of Canada in accordance with the Domestic Bonds of Canada Regulations, or

(C) Registered in the name of the Minister of Finance and Receiver General of Canada.

26. Where tenders are called in respect of a construction contract or where the contracting authority deems is appropriate, the contracting authority shall require every person wishing to enter into a contract to give to Her Majesty, to ensure the entry into the contract,

(a) A bid bond; or

(b) A security deposit in an amount, or having a par value, of not less than

(i) Ten per cent of the amount that would become payable under the contract, if it were entered into, where the amount payable does not exceed two hundred and fifty thousand dollars, or

(ii) Twenty-five thousand dollars plus five per cent of the amount by which the amount that would become payable under the contract, if it were entered into, exceeds two hundred and fifty thousand dollars.

27. (1) Where a contract is entered into, a contracting authority shall require the contractor to give to Her Majesty

(a) A performance bond and a labour and material payment bond, or

(b) A security deposit in an amount calculated in accordance with paragraph (b) of section 26 and a labour and material payment bond.

(2) Where a contractor has not been able to obtain a labour and material payment bond as required by paragraph (a) or (b) of subsection (1) on making application therefor to at least two bonding companies, the contracting authority shall require the contractor to give to Her Majesty a security deposit in an amount calculated in accordance with paragraph (b) of section 26 together with an additional security deposit of at least ten per cent of the amount payable under the contract.

(3) Where a security deposit, other than an additional security deposit required pursuant to subsection (2), is required to be given by a contractor under this section, the amount of such deposit shall be reduced by the amount of any security deposit given pursuant to section 26.

28. (1) Notwithstanding section 26 or 27, in the case of a construction contract, the contracting authority may

(a) Accept security of less value or dispense with any security where

(i) The contract provides that the amount payable by or on behalf of Her Majesty is to be computed in relation to the cost incurred by the contractor, and

(ii) By the terms of the contract the materials upon being incorporated in the work or otherwise appropriated to the contract become the property of Her Majesty;

(b) Accept security in such form and such amount as the contracting authority deems appropriate in the case of a contract for the construction of repair of a vessel;

(c) Limit the security deposit in respect of any one contract to one hundred thousand dollars, except that the amount of the additional security deposit required under subsection (2) of section 27 shall not be included therein; and

(d) Where the amount payable under the contract is less than twenty-five thousand dollars,

(i) Accept security in such form and such amount as the contracting authority deems appropriate, or

(ii) Dispense with any security.

(2) Where in the opinion of a contracting authority it is in the public interest to obtain security to ensure the due performance of a service contract or a purchase contract, the contracting authority may, notwithstanding section 26 or 27 in the case of the service or purchase contract, accept security in such form and such amount as the contracting authority deems appropriate.

29. Coupon bonds delivered as a security deposit under these Regulations shall have attached thereto all coupons that are unexpired at the time of such delivery.

30. Where a security deposit has been given under these Regulations in the form of a certified cheque and the amount of the cheque has been paid into the Consolidated Revenue Fund, interest shall be allowed on the said amount from the day on which it is paid into the Consolidated Revenue Fund until it is repaid or otherwise disposed of, at the rates that from time to time are applicable to deposits in the post office savings bank.

31. Whenever the amount payable under a contract is increased by reason of extras, additions or extensions, the contracting authority may require such additional security as he or it considers necessary to ensure the due performance of the contract.

32. (1) Subject to subsection (2), where the contracting authority deems it necessary, a construction contract may provide that progress payments shall be made there-

under in such amounts and at such times as may be agreed to by the contracting authority.

(2) Progress payments in respect of a construction contract shall not exceed such amounts as will ensure that the holdback is at least

(a) Five per cent of the value of the work done and the materials supplied under the terms of the contract, as determined by the contracting authority, where a labour and material payment bond has been provided, or

(b) Ten per cent of the value of the work done and the materials supplied under the terms of the contract, as determined by the contracting authority, where a labour and material payment bond has not been provided.

(3) Subsection (2) does not apply to a shipbuilding contract or to any contract under which the amount payable is to be computed in relation to the cost incurred by the contractor.

33. (1) The security deposit shall be paid (a) to any person

(i) Who gives such security deposit pursuant to paragraph (b) of section 26, and

(ii) With whom Her Majesty is not prepared to enter into the contract in respect of which the security deposit is given; or

(b) to the contractor where, having given a security deposit pursuant to paragraph (b) of section 26, the contractor furnishes a performance bond and a labour and material payment bond pursuant to paragraph (a) of subsection (1) of section 27.

(2) Where a contract has been satisfactorily performed or has been terminated for a reason that is not attributable to any fault of the contractor and Her Majesty has no claim against the contractor arising out of or relating in any manner whatsoever to the contract in respect of which the security deposit or holdback may be required, the security deposit and the holdback shall be paid to the contractor.

(3) Where, in respect of any contract, the security deposit or the holdback is in excess of the amount required by the contract and these Regulations, the amount by which such security deposit or holdback exceeds the amount required shall be paid to the contractor.

(4) Where the work, or any part thereof, performed in respect of any contract is handed over to Her Majesty and the contractor is not in default under the contract, the contracting authority may pay to the contractor the amount by which

(a) the aggregate of the security deposit and the holdback exceeds

(b) an amount equal to

(i) the amount obtained by multiplying by two the value of the work that, in the opinion of the contracting authority, is still to be performed under the contract, minus

(ii) the amount, if any, still payable by Her Majesty in respect of the work still to be performed under the contract.

(5) A contracting authority may direct that payments under this section be made to any person entitled thereto notwithstanding that such person is not a contractor or a person giving a security deposit pursuant to paragraph (b) of section 26.

34. Notwithstanding anything in these Regulations, a security deposit or holdback may be paid in such manner and at such time as the Treasury Board may direct.

35. Notwithstanding anything in these Regulations, the Treasury Board may authorize in any particular case or classes of cases the acceptance of security in a form and having a value other than prescribed in these Regulations.

36. (1) Where a security deposit, in the form of a certified cheque, is received from any person as a deposit incidental to a tender

for a contract, the contracting authority shall hold the cheque.

(a) until the tender is rejected, in which case the cheque shall be returned to the tenderer; or

(b) until the tender is accepted, in which case the cheque shall be forwarded to the Comptroller

(i) to be deposited to the credit of the Receiver General, or

(ii) in the event the contractor so directs, to be held uncashed, and thereafter the security deposit shall be dealt with in accordance with these Regulations.

(2) Where a security deposit, in the form of bonds, is received from any person as a deposit incidental to a tender for a contract, the contracting authority shall forward the bonds immediately to the Comptroller to be held by him or where the contracting authority considers its safe-keeping arrangements satisfactory, hold the bonds

(a) Until the tender is rejected, in which case the bonds shall be returned by the Comptroller or by the contracting authority, as the case may be, to the tenderer; or

(b) Until the tender is accepted, in which case the contracting authority shall

(i) In the event the bonds are being held by the contracting authority, forward the bonds immediately to the Comptroller to be held by him, and

(ii) In any event, notify the Comptroller that the bonds are to be dealt with in accordance with these Regulations.

(3) Where a bid bond, a labour and material payment bond or a performance bond is received by a contracting authority under these Regulations, the bond shall be held in the custody of the contracting authority.

37. Interest on security deposits deposited in the Consolidated Revenue Fund accrued up to the end of each fiscal year, or the matured coupons belonging to bonds deposited as security, may be paid or forwarded by the Comptroller to the contractor at the request of the appropriate contracting authority.

38. (1) Where money is received from any person as a deposit to ensure the return to the appropriate contracting authority in good condition of plans and specifications, the contracting authority shall hold the money

(a) In the case of the contractor, until the contract has been awarded whereupon the money shall be returned to the contractor, or

(b) In the case of any person other than the contractor, until the plans and specifications have been returned in a condition and within a time limit satisfactory to the contracting authority, whereupon the money shall be returned to such person.

(2) Where any person described in paragraph (b) of subsection (1) fails to return the plans and specifications in a condition and within a time limit satisfactory to the contracting authority, the contracting authority shall deposit the money, referred to in subsection (1), that was received from such person, to the credit of the Receiver General.

39. Where a payment under a contract has been withheld as a holdback under these Regulations to ensure the due performance of the contract and, pursuant to section 40 of the Financial Administration Act, the payment has been charged to the appropriation for that contract, the amount so charged shall be credited to a special account in the Consolidated Revenue Fund and shall only be paid out from such account in accordance with the contract and these Regulations.

APPENDIX

Subparagraphs (i) and (ii) of paragraph (a) of Section 2 of the Financial Administration Act, to which reference is made in subparagraph (i) of paragraph (d) of Sec-

tion 2 of the Regulations, provide as follows:

"(i) with respect to a department mentioned in subparagraph (i) of paragraph (f) [that is, any of the departments named in Schedule A], the Minister presiding over the department,

"(ii) with respect to any other department, the Minister designated by the Governor in Council as the appropriate Minister,"

Schedules A, B, C and D of the Financial Administration Act, as amended, to which reference is made in Section 2 of the Regulations, are as follows:

SCHEDULE A

Department of Agriculture.
Department of Citizenship and Immigration.
Department of Defence Production.
Department of External Affairs.
Department of Finance.
Department of Fisheries.
Department of Insurance.
Department of Justice.
Department of Labour.
Department of Mines and Technical Surveys.
Department of National Defence.
Department of National Health and Welfare.
Department of National Revenue.
Post Office Department.
Department of Public Works.
Department of Public Printing and Stationery.
Department of Resources and Development.
Department of the Secretary of State of Canada.
Department of Trade and Commerce.
Department of Transport.
Department of Veterans Affairs.
Department of Forestry.*

SCHEDULE B.

Agricultural Prices Support Board.
Atomic Energy Control Board.
Canadian Maritime Commission.
Director of Soldier Settlement.
The Director, The Veterans' Land Act.
Dominion Coal Board.
Fisheries Prices Support Board.
National Gallery of Canada.
National Research Council.
Unemployment Insurance Commission.

SCHEDULE C.

Canadian Arsenals Limited.
Canadian Commercial Corporation.
Canadian Patents and Development Limited.
Canadian Sugar Stabilization Corporation Ltd.
Commodity Prices Stabilization Corporation Ltd.
Crown Assets Disposal Corporation.
Defense Construction (1951) Limited.
Federal District Commission.
National Battlefields Commission.
National Harbours Board.
Park Steamship Company Limited.
Atomic Energy of Canada Limited.*

SCHEDULE D.

Canadian Broadcasting Corporation.
Canadian Farm Loan Board.
Canadian National (West Indies) Steamships, Limited.
Canadian Overseas Telecommunication Corporation.
Central Mortgage and Housing Corporation.
Eldorado Mining and Refining (1944) Limited.

* Added by the Department of Forestry Act, 1960 (8-9 Eliz. II, c. 41).

* Added by Order in Council dated September 15, 1963 (P.C. 1963-1401; SOR/53-382).

Export Credits Insurance Corporation.
National Railways as defined in the Canadian National-Canadian Pacific Act.
Northern Transportation Company (1947) Limited.
Northwest Territories Power Commission.
Polymer Corporation Limited.
Trans-Canada Air Lines.
Eldorado Aviation Limited.⁵

SCHEDULE B. CANADA

United States Armed Services Procurement Regulation (March 1, 1963)

6-103.5 Canadian Supplies.

(a) Listed: The Secretaries of the Departments have determined that it would be inconsistent with the public interest to apply the restrictions of the Buy American Act with respect to certain supplies, which have been determined to be of a military character or involved in programs of mutual interest to the United States and Canada, where such supplies are mined, produced, or manufactured in Canada and either (i) are Canadian end products offered by the lowest acceptable bid or proposal or (ii) are incorporated in end products manufactured in the United States. Each Department maintains a list of these supplies, which is approved by the Secretary concerned. (The Departmental lists provide that parts and equipment for listed supplies are considered to be included in the lists, even though not separately listed, when they are procured under a contract that also calls for listed supplies.)

(b) Not Listed: The Secretaries of the Departments have also determined that it would be inconsistent with the public interest to apply the restrictions of the Buy American Act (i) to the acquisition of any unlisted Canadian end product that is offered by a bid or proposal which is the lowest acceptable bid or proposal after any applicable duty (whether or not a duty-free entry certificate may be issued) is included for evaluation purposes, and (ii) with respect to any supplies mined, produced, or manufactured in Canada that are incorporated in end products manufactured in the United States.

(c) Application of Canadian Exception: The effect of (a) and (b) above may be summarized as follows.

(1) As to any end product that is manufactured in the United States, all Canadian components are treated as components mined, produced, or manufactured in the United States for the purpose of determining whether the end product is a domestic source end product.

(2) Listed Canadian end products are treated as domestic source end products and neither duty nor the evaluation factors prescribed by 6-104.4 shall be used for evaluation.

(3) Unlisted Canadian end products are evaluated by including any applicable duty, whether or not a duty-free entry certificate may be issued.

(4) Award will not be made for a Canadian end product if there is a lower bid or proposal which would be acceptable in the absence of the Buy American Act.

(d) Limitations: The above exceptions from the provisions of the Buy American Act which are applicable solely with respect to Canadian supplies, and the special procedures relating thereto which are set forth in this Part, do not apply to, or affect determinations made with respect to, (i) items contained in the list set forth in 6-105, (ii) the purchase of supplies for civil works acquired with funds appropriated for Civil Functions, Department of the Army, or (iii) food items.

INDIA (MEMBER OF GATT)

According to reports from the U.S. Embassy in New Delhi, in recent years the Government has been under pressure from some elements of the Indian business community to take steps to enact a "Buy India" act but thus far the Government has resisted such pressure.

Nevertheless, in all fields of supply and works Government procurement, every effort is made to use local Indian resources to the utmost extent possible, subject to limitations imposed by "tied" external financing arrangements, such as those of the U.S. Agency for International Development.

For example, the Directorate General of Supplies and Disposals, in implementing the policy, accords price preferences to locally manufactured items and may also allow some relaxations in specifications and standards for such items. In effect, the Directorate imports foreign items only when unavoidable because of inadequate domestic manufacturing capacity. The Directorate, which accounts for more than 5 percent of total Indian imports, is responsible for the procurement of the major portion of the supplies and equipment purchased by the Central Government of India, state governments, municipalities, district boards, port trusts, and various other official and quasi-official agencies.

Procurement by the Ministry of Railways, commonly known as the Railway Board, which exercises all the powers of the Central Government for the construction, maintenance, operation, and regulation of the Indian railway system, is governed by the provisions of "Indian Railway Code for the Stores Department." The Code provides that, when making purchases, preference shall be given to local materials and that they should be accepted unless it is considered that the quality cannot meet the standard required. The Board has interpreted the provision to mean that local materials will be utilized in so far as possible even though imported materials may be of better quality and on occasion cost less. Most of the tenders for equipment and materials procured by the Board outside India are to be financed by loans made by the International Bank for Reconstruction and Development, which requires international public bidding, and by the United States Agency for International Development.

PRINCIPAL SOURCES

(1) Airgram No. A-57 dated July 12, 1963, from the U.S. Embassy in New Delhi, entitled "Indian Government Procurement Procedures—Directorate General of Supplies & Disposals."

(2) Airgram No. A-81 dated July 19, 1963, from the U.S. Embassy in New Delhi, entitled "Indian Government Procurement Procedures—Railway Board."

(3) U.S. Department of Commerce, Investment Factors in India, Overseas Business Reports, OBR No. 62-40 (December 1962).

(4) U.S. Department of Commerce, India: A Growing Market for U.S. Products and Investment, Overseas Business Reports, OBR No. 63-26 (January 1963).

(5) Kust, Foreign Enterprise in India: Law and Policies (Chapel Hill (N.C.), 1964).

JAPAN (MEMBER OF GATT AND OECD)

The fundamental principle of Japanese Government procurement is competitive tendering with public advertisement, but many exceptions have been provided for in laws and orders pursuant to Article 29 of the Account Law. In many cases it is customary to adopt limited competition by selected suppliers.

The most important exceptions, which provide for an outright preference for Japanese producers, are set forth in the Cabinet Order No. 336 of September 25, 1963 (published in

the Official Gazette of the same date), which amended the special exceptions to the Cabinet order concerning budget, settlement of accounts and accounts (Imperial Order No. 558 of 1946) to provide additionally as follows (unofficial translation from Japanese):

"Article 4-(15). In purchasing any of the goods included in the goods designated by the Minister of Finance (hereinafter referred to as the 'Designated goods'), the chief of any Ministry or Agency may, for the time being for the purpose of encouraging the use of domestic products, make such purchase through limited competition, in addition as provided for in laws and orders in accordance with the provisions of Article 29-(3), paragraphs 5 of the Account Law.

"Before inviting the limited competition in accordance with the provisions of the preceding paragraph, the Chief of any Ministry or Agency shall confer with the Minister of Finance.

"Article 4-(16). If the Chief of any Ministry or Agency finds that in a competitive bidding invited with respect to the purchase of any of the Designated goods, there are two or more persons who have offered the same price that would make their bids successful, he may, for the time being, designate as the successful bidder, the person who will supply such Designated goods in domestic products. If, in that case, there are two or more persons who would be the successful bidders, the successful bidder shall be determined in accordance with the provisions of article 83 of the Cabinet Order."

According to Japanese counsel, the "buy Japan" policy reflected by the above-quoted provisions will be carried on in such a way as to give preference to Japanese goods, regardless of cost, notwithstanding the provisions of article 4-(16).

Notification No. 382 dated December 13, 1963, of the Minister of Finance (published in the Official Gazette of the same date), a copy of an unofficial translation from Japanese of which is attached hereto as Schedule A, designated 14 items, including automobiles, office machines, and agricultural machinery, for purposes of Article 4-(15) of the Cabinet Order, that is, items that can be purchased by selecting suppliers without recourse to public tendering.

The Cabinet Order and the Ministerial Notification obviously have the effect of virtually shutting out from Government procurement foreign-made articles on the list because only Japanese manufacturers and dealers with items made in Japan will be permitted to participate in the bidding. Proposals have also been made to broaden the list of designated articles.

The Cabinet Order of September 25, 1963, was adopted in implementation of the "Buy Japan" policy laid down in the Cabinet Decision of September 20, 1963 (Cabinet (TSU) No. 90 of 1963), in the following terms (unofficial translation from Japanese):

"In order for the Japanese economy to attain growth at the rate expected by the Government, the Government should take the lead in carrying out such measures as are within its jurisdiction to take, while keeping the international payments in balance and at the same time voluntary co-operation should be expected from the Industrial & Finance Circles.

"So far, there has been a tendency in this country for excessive preference for foreign products and it is often the case that foreign products are used despite the fact many domestic products are available which are not inferior to foreign counterparts in quality, performance, design, price, etc. Such tendency is particularly conspicuous with respect to machineries, partly because they are low in reliability, the important factor that makes them competitive as a result of insufficient experience in their manufacture and use. Such tendency seems to be threatening

⁵ Added by Order in Council dated September 15, 1953 (P.C. 1953-1402; SOR/53-383).

to aggravate with the furtherance of liberalization from now on.

"It is therefore decided that correct evaluation for domestic products, including machineries, be established and that effort be made to encourage the use of domestic products by the Government and Government agencies, in order to prevent the outflow of foreign exchange through unnecessary imports and to promote the domestic industries.

"The local public entities, the industrial and financial circles are hereby called upon to render cooperation in this matter."

By Cabinet decision of November 1, 1963, a copy of an unofficial translation from Japanese of which is attached hereto as Schedule B: The Department for Standardization of Government Goods and Promotion of Use of Domestic Products was established in the Office of the Prime Minister of Japan for the purpose, among others, of promoting the "Buy Japan" policy.

In the field of public works, Japanese construction firms are clearly favored under the construction enterprises law of 1949, which requires a foreign construction firm to qualify as a Japanese firm and contractor under the provisions of that law in order to bid on or participate in a construction contract of the Japanese Government. Contractors must first make application for registration and a license to the Ministry of Construction or the appropriate prefectural government and, except in the case of small projects, contractors who obtain licenses also must make application to become "designated contractors." That procedure involves the rating of contractors according to their size and capabilities.

The Minister of Home Affairs still had under consideration in February 1965 the issuance of "Buy Japan" instructions to the various local governments, but by then many Government-owned corporations had also initiated action to implement the "Buy Japan" policy. By notification No. 45 of July 3, 1964 (published in the Official Gazette of the same date), the Nippon Telegraph and Telegraph Public Corporation, which operates all the domestic telecommunications facilities, amended its accounting regulation by the insertion of the following provision (unofficial translation from Japanese):

"(Preference of domestic products in case of same price offered in bidding.)

"Article 42-2. If in a competitive bidding invited with respect to the purchase of any of the goods falling within the items to be provided for separately, there are two or more persons who offered the same price that would make their bids successful, the person who will supply the goods which are among the designated domestic products shall be the successful bidder."

The items referred to are the same as those designated by Notification No. 382 dated December 13, 1963, of the Minister of Finance, and Article 42-2 apparently will be applied in the same way as Article 4-(16) quoted above on page 2 so as to give preference to Japanese goods regardless of cost.

The Japanese Monopoly Public Corporation has not codified the "Buy Japan" policy in its regulations, but, in recognition thereof, it has limited its purchase of automobiles to domestic products.

Similarly, the Japanese National Railways have taken the position that there is no need for codification because their policy already is to purchase domestic products in most cases.

By Cabinet Decision of September 25, 1964, it was decided to initiate a strong drive on the entire domestic front for recognition of the excellence of domestic products. For that purpose the Domestic Product Promotion and Improvement Headquarters, an incorporated foundation (Zaidan Hojin), was designated to conduct a campaign to encourage and expand the use of domestic

products. By Cabinet Decision of October 13, 1964, the week of November 16-22 was fixed as "recognition week" for the second half of 1964.

PRINCIPAL SOURCES

(1) Memoranda dated December 5, 1963, May 2, 1964, June 10, 1964, September 17, 1964, and December 18, 1964, prepared by McIvor, Kauffman & Christensen, attorneys of Tokyo, Japan, for Cravath, Swaine & Moore, New York.

(2) Foreign Service Despatch No. 1094 dated March 11, 1960, from the United States Embassy in Tokyo, Japan, entitled "Procurement Practices and Policies of the Government of Japan".

(Unofficial translation from Japanese)

SCHEDULE A—JAPAN: MINISTRY OF FINANCE
NOTIFICATION NO. 382 DATED DECEMBER 13, 1963 (OFFICIAL GAZETTE, DECEMBER 13, 1963)

In accordance with the provisions of Article 4-15, paragraph 1, of the Special Exceptions to the Cabinet Order concerning Budget, Settlement of Accounts and Accounts (Imperial Order No. 558 of 1946), the items mentioned hereunder were designated.

December 13, 1963.

KAKEUJI TANAKA,
Minister of Finance.

1. Four-wheel vehicles:
 - (a) Passenger car (including car for passenger and cargo use).
 - (b) Buses.
 - (c) Trucks.
2. Calculation-type electronic computer (including input and output power apparatus and auxiliary parts).
3. Office machines:
 - (a) Electric computers, accounting machines, cash registers.
 - (b) Typewriters.
 - (c) Copying machines and rotary mimeographs.
 - (d) Micro-photographic equipment.
4. Air-conditioners.
5. Measuring apparatus and measuring instruments:
 - (a) Testers.
 - (b) Electric measuring instruments.
 - (c) Analyzers.
 - (d) Water gauges.
 - (e) Scales.
6. Civil engineering and construction machinery:
 - (a) Caterpillar tractors.
 - (b) Shovel-type digging machines.
7. Agricultural machinery:
 - (a) Wheeled tractors.
 - (b) Flows and harrows.
8. Wired and wireless communication apparatus, wireless applied apparatus and their parts:
 - (a) Wired telegraphic instruments.
 - (b) Wired telephone equipment.
 - (c) Electric communication equipment for carrier system.
 - (d) Wireless communication apparatus.
 - (e) Wireless applied apparatus.
 - (f) Parts for equipment and apparatus mentioned in (a) through (e).
9. Wires and insulating cables.
10. Aircraft.
11. Thermal electric generators:
 - (a) Dynamos.
 - (b) Steam boilers and their auxiliary equipment.
 - (c) Steam turbines (including steam condensers).
12. Pumps, blowers (including exhaust blowers), and compressors.
13. Printing and bookbinding machines.
14. Machine tools:
 - (a) Lathes.
 - (b) Drilling machines and boring machines.
 - (c) Milling machines.
 - (d) Planing machines.
 - (e) Grinding machines.

SCHEDULE B—JAPAN: CABINET DECISION OF NOVEMBER 1, 1963, REGARDING ESTABLISHMENT OF THE DEPARTMENT FOR THE STANDARDIZATION OF GOVERNMENT GOODS AND PROMOTION OF USE OF DOMESTIC PRODUCTS

(Unofficial translation from Japanese)

1. Establishment: For the purpose of the government and government agencies making efficient use of the appropriated money and assisting in the promotion of industrial standardization by standardizing the goods to be purchased by them, and encouraging the use of domestic products by giving preference to the purchase of domestic products, and in order to attain closer connection and coordination among the agencies concerned and carry out the policies uniformly, there shall be established in the Prime Minister's Office the Department for Standardization of Government Goods and Promotion of Use of Domestic Products (hereinafter referred to as the "Department").

2. Organization: The organization of the Department shall be as set forth below; provided, however, that the members may be added to as the necessity arises.

Chief of department: General Affairs Deputy Director, Prime Minister's Office.

Members: Chief of Deliberation Office, Prime Minister's Secretariat, Chief of Inspection Bureau, Administrative Management Agency, Chief of Budget Bureau, Ministry of Finance, Chief of Heavy Industry Bureau, Ministry of International Trade and Industry, Standard Department, Agency of Industrial Science and Technology, and Chief secretaries or similar persons of the following Ministries and agencies:

Police Agency, Imperial Household Agency, Administrative Management Agency, Hokkaido Development Agency, Defense Agency, Economic Planning Agency, Science and Technology Agency.

3. Operation:

(1) The Department shall hold a meeting from time to time when necessary, such meeting to be called by the Chief of the Department.

(2) The Department shall hold, from time to time when necessary, a meeting of the Managing Committee composed of officials of the agencies concerned, such meeting to be called by the Chief of Deliberation Office, Prime Minister's Secretariat.

(3) The general affairs of the Department shall be handled by the Deliberation Office, Prime Minister's Secretariat, and the Heavy Industry Bureau, Ministry of International Trade and Industry, or the Standard Department, Science and Technology Agency.

THE PHILIPPINES

Philippine central procurement activities are carried on by a number of departments, agencies and government corporations, as well as by provinces, cities and municipalities. The most important national procurement authorities are the Department of Public Works and Communications (through the Director of Public Works) and the Department of General Services (through the Bureau of Supply Coordination). The Director of Public Works is generally responsible for contracts relating to the construction and repair of public works and buildings. Revised Administrative code, section 1901. Rule 1 of the "Rules, Procedure, and Guides Governing the Procurement of Supplies, Materials, Equipment, and Non-Personal Services" (hereinafter called the Supply Rules), promulgated by Department Order No. 32 of the Secretary of the Department of Public Works (59 Official Gazette [O.G.] 1895, March 25, 1963) contains the following provisions with regard to supply contracts:

"Rule 1. Who are required to file requisitions with the Bureau of Supply Coordination.—All departments, bureaus, and offices of the National Government, including their branches, dependencies, and instrumentalities, shall file their requisitions for supplies,

for official use, with the Bureau of Supply Coordination. However, government-owned or controlled corporations, and provinces, cities, and municipalities may avail of the procurement service of the Bureau at their option. They shall be subject, however, to these rules and regulations."

The basic principle that public contracts shall be awarded only through public bidding is well established in Philippine law and practice. In the field of public service and public supply contracts, Executive Order No. 298 of August 12, 1940, as last amended by Executive Order No. 40 of June 1, 1963 (59 O.G. 3579), provides that no contract for public service or for furnishing supplies, materials and equipment to the government or any of its branches, agencies or instrumentalities shall be renewed or entered into without public bidding, except for "very extraordinary reasons" to be determined by a committee the composition of which is specified in the Executive Order. The Order contains exceptions for emergency purchases and for purchases from an exclusive dealer or manufacturer. A copy of Executive Order No. 298, as amended, is attached hereto as Schedule A.

In the case of public works contracts, Section 1917 of the Revised Administrative Code, a copy of which is attached hereto as Schedule B, provides that contracts for all national public works involving an estimated cost of 10,000 pesos (about \$2,600) or more shall, with the exceptions therein provided, be awarded to the "lowest responsible bidder" after publication in the Official Gazette. The annual public works appropriation acts usually contain a provision making publication of the calls for bids for public works projects in newspapers sufficient compliance with the advertising requirement contained in Section 1917. See, for example, Section 14 of Republic Act No. 2701 of June 18, 1960.

Executive Order No. 114 of December 27, 1947 (44 O.G. 11) provides that, except in cases of urgent necessity and those where the law or charter of the particular corporation concerned expressly authorizes the award of public works contracts without public bidding, all contracts for repair or construction works entered into by government-owned or controlled corporations, when the estimated cost is 3,000 pesos (about \$780) or more, shall be submitted to public bidding and awarded to the lowest responsible bidder after publication or advertisement.

Generally, a qualified bidder who has properly exercised his right to bid is entitled to the award only if (1) he is the lowest bidder; (2) he has complied with the requirements and specifications of the advertised proposals to bid; and (3) his bid proves to be "advantageous" to the Government. See *Dumdum v. Secretary of Public Works and Communications et al.*, 54 O.G. 1844 (1957) (Philippine Court of Appeals). In the case of public works contracts, the terms "lowest responsible bidder" in Section 1917 of the Revised Administrative Code is interpreted to mean the lowest bidder in price who the contracting authority determines has the requisite business judgment, capacity, skill and responsibility and who proposes to furnish contract materials of the requisite quality.

Supply Rule No. 46 establishes the following criteria for the award of supply contracts:

"Rule 46: Basis of awards.—Contracts shall be generally awarded to the lowest complying bidder. The following points shall be the basis for making awards:

- (1) Public interest;
- (2) Price quoted, considering the Flag Material Law, Commonwealth Act 138, (see Appendix H) and other laws and policies pertinent to procurement;
- (3) Quality and kind of supplies offered and/or conformity with specifications;

(4) Time of delivery. When time is essential, the bidder who offers to deliver within the period stipulated in the invitation to bid shall be awarded the contract; provided that the price is not unreasonably higher than the lowest price offered;

(5) Whether the offer is whole or partial. All other things being equal, the bidder who offers to supply the whole quantity shall be preferred in order to obtain uniformity in quality, tensile strength, color shade, etc.;

(6) Reliability of supplier as bidder or contractor. The supplier may be required to furnish satisfactory evidence of his ability to comply with the contract;

(7) Requirement and recommendation of the using unit or agency. Justifications (for recommending an award) that are not contained in the advertisement for bids should not be entertained.

"The Director may consult the NASSCO on requisitions for shop manufacturing work; the National Development Company on clothing materials; the National Coconut Corporation on laundry soap; the Cebu Portland Cement on cement; and other government agencies for supplies about which they have official technical knowledge, familiarity, and/or authority."

Philippine laws and regulations abound in provisions that discriminate against foreign bidders and foreign products, some of which are in seeming conflict with one another. The basic preferential provisions are contained in the so-called Philippine Flag Law (Commonwealth Act No. 138 of November 7, 1936, 36 Philippine Annotated Laws [PAL] §§ 12-15), a copy of which is attached hereto as Schedule C. The Law is obviously based on the Buy American Act of 1933 of the United States.

Section 1 of the Flag Law contains broad provisions requiring every governmental instrumentality of any nature to give preference to materials and supplies produced, made and manufactured in the Philippines or in the United States, and to domestic entities, in the purchase of articles, materials and supplies for public use, public buildings and public works. Section 3 provides, among other things, that only articles, materials and supplies grown, produced or manufactured in the Philippines or in the United States shall be purchased for public use. When the lowest foreign bid, including customs duties, exceeds 2,000 pesos (about \$520), the award must be made to the lowest domestic bidder, provided his bid is not more than 15 percent, in excess of the lowest foreign bid.

For purposes of the Law, the term "domestic entity" is defined to mean any citizen of the Philippines or of the United States habitually established in business and engaged in the manufacture or sale of the merchandise covered by his bid, or any corporate body or commercial company duly organized and registered under the laws of the Philippines, 75 percent of which is owned by citizens of the Philippines or of the United States, or both.

The application of the Flag Law is buttressed by the general provisions of annual appropriations acts, which usually contain a proviso granting a 10 percent differential in addition to that granted by the Flag Law. For example, section 9 of the Appropriation Act for the fiscal year July 1, 1963-June 30, 1964 (Republic Act No. 3845 effective July 1, 1963, provides as follows:

"Sec. 9. Purchase of locally manufactured equipment, parts, accessories, supplies, and materials.—All appropriations for the purchase of equipment, supplies and materials authorized in this Act shall be available only for locally manufactured equipment, parts, accessories, supplies and materials, except when none is available in the market, or when the prices of the locally manufac-

tured article exceed those determined by the Flag Law by ten percent."

Other discriminatory provisions are contained in Commonwealth Act No. 541 of May 26, 1940 (36 PAL 325-326), a copy of which is attached hereto as Schedule D. Act No. 541 requires all branches, offices and subdivisions of the government and all government-owned or controlled companies authorized to contract, and make disbursements, for construction or repair of public works to give preference in awarding contracts to Filipino and American contractors and domestic entities when the lowest bid of a domestic bidder is not more than 15 per cent. in excess of the lowest foreign bid, subject to the proviso that "foreign bids" shall not be allowed on national defense construction contracts.

Act No. 541 differs from the Flag Law in that:

(a) Act No. 541 gives preference only to persons whereas the Flag Law gives preference not only to persons but also to articles, materials and supplies.

(b) Act No. 541 contains an absolute prohibition against the admission of foreign bids on national defense construction contracts.

Still further discriminatory provisions are contained in Republic Act No. 912 of June 20, 1953 (36 PAL §§ 16-20), a copy of which is attached hereto as Schedule E. Section 1 of that Act provides that in construction or repair work undertaken by the Government, whether done directly or through contract awards, "Philippine made" materials and products, whenever available, practicable and usable, and if they will serve the purpose as well as foreign made products or materials, shall be used. In effect, Act No. 912 greatly diminished the preference enjoyed by domestic bidders and domestic products under the Flag Law, in so far as materials and products for "construction or repair work" undertaken by the government. The principal differences between the Flag Law and Act No. 912 are as follows:

(a) The Flag Law requires that raw materials used or to be used in the manufacture of products be substantially of the growth, manufacture or production, as the case may be, of the Philippines or the United States, whereas Act No. 912 requires merely that the materials or products be Philippine-made, without any further requirement as to the percentage or quantity of the local raw materials that go into the manufacture of the products.

(b) The Flag Law contains a scale of differentials in favor of domestic bidders, entities and products, whereas no such differential in prices is provided in Act No. 912.

A fourth discriminatory provision is contained in Public Act No. 4239 of August 22, 1935 (36 PAL § 24), section 1 of which provides as follows:

"Section 1. No contract for the construction of any public building, excavation, pipe laying, bridges, piers, drainage, roads, water works, irrigation projects, or any other class of public works or improvements which shall be undertaken and done at the expense of the government or semi-government entities, shall be awarded to any contractor who is not a citizen of the Philippine Islands or of the United States, or of any country the laws of which grant similar right or privilege to citizens of the Philippine Islands or of the United States, nor to any association or corporation that is not duly registered or incorporated under the laws of the Philippine Islands, and of which at least seventy per centum of the capital stock or of any interest in said capital stock, belongs wholly to citizens of the Philippine Islands or of the United States."

The application of the Flag Law, Commonwealth Act No. 541 and Public Act No. 4239 to foreign bidders and materials with the

exception of United States bidders and materials is clear. The application thereof to United States bidders and materials must be considered in the light of the provisions of Republic Act No. 76 of October 21, 1946 (18 PAL § 43), and Article VII of the Trade Agreement of July 4, 1946 (61 Stat. 2611), as revised by an agreement signed on September 26, 1955 (6 U.S. Treaties and Other International Agreements 2981) (hereinafter called the Revised Trade Agreement).

Section 1 of Republic Act No. 76 provides as follows:

"Section 1. Existing laws or the provisions of existing laws granting privileges, rights or exemptions to citizens of the United States of America or to corporations or associations organized under the laws of any of the States of the United States of America, which are not enjoyed by citizens or nationals of any other foreign State or by corporations or associations organized under the laws of such State, are hereby repealed unless they affect rights already vested under the provisions of the Constitution or unless extended by any treaty, agreement or convention between the Republic of the Philippines and the United States of America."

Article VII of the Revised Trade Agreement provides as follows:

"1. The United States of America and the Republic of the Philippines each agrees not to discriminate in any manner, with respect to their engaging in business activities, against the citizens or any form of business enterprise owned or controlled by citizens of the other and that new limitations imposed by either Party upon the extent to which aliens are accorded national treatment with respect to carrying on business activities within its territories, shall not be applied as against enterprises owned or controlled by citizens of the other Party which are engaged in such activities therein at the time such new limitations are adopted, nor shall such new limitations be applied to American citizens or corporations or associations owned or controlled by American citizens whose States do not impose like limitations on citizens or corporations or associations owned or controlled by citizens of the Republic of the Philippines.

"2. The United States of America reserves the rights of the several States of the United States to limit the extent to which citizens or corporations or associations owned or controlled by citizens of the Philippines may engage in any business activities. The Republic of the Philippines reserves the power to deny any rights to engage in business activities to citizens of the United States who are citizens of States, or to corporations or associations at least 60 percent of the capital stock or capital of which is owned or controlled by citizens of States, which deny like rights to citizens of the Philippines or to corporations or associations owned or controlled by citizens of the Philippines. The exercise of this reservation on the part of the Philippines shall not affect previously acquired rights, provided that in the event that any State of the United States of America should in the future impose restrictions which would deny to citizens or corporations or associations owned or controlled by citizens of the Philippines the right to continue to engage in business activities in which they were engaged therein at the time of the imposition of such restrictions, the Republic of the Philippines shall be free to apply like limitations to the citizens or corporations or associations owned or controlled by citizens of such States."

The Revised Trade Agreement will expire on July 3, 1974, unless extended, which seems unlikely, or unless abrogated or modified prior to July 3, 1974, by mutual agreement between the United States and the Philippines, which seems more likely in view

of the highly nationalistic opposition to most of its provisions by many Filipinos.

The application of Act No. 76 and Article VII has been the subject of several conflicting interpretations.

In an informal opinion addressed to an undisclosed private company in August 1962, Mr. John J. Czyzak, the then Assistant Legal Adviser for Far Eastern Affairs of the United States Department of State, stated that the Department did not consider that Article VII of the Revised Trade Agreement was applicable to government procurement of goods or services either in the United States or in the Philippines and that whether foreign bidders may participate in such procurement is within the discretion of either government. The opinion is directed specifically to Commonwealth Act No. 541 but obviously has much broader application. The opinion reads in part as follows:

"The United States 'Buy American Act' is not unlike Philippine laws relating to governmental procurement contracts in that it also establishes preferences in favor of domestic bidders. Executive Order 10382 prescribes the procedures and provides the tests for determining whether an offer by a domestic supplier is unreasonable, thus allowing an award to a foreign bidder. While in the case of Philippine laws the differential is 15 percent, under the Buy American Act, it is either 6 percent, after deducting the duty and costs incurred after arrival in the United States, or 10 percent excluding such duty and costs.

"The lack of specific provision on government procurement in the Revised Trade Agreement indicates that the agreement was not intended to interfere with the operation of either the 'Buy American Act' or like Philippine laws.

"Although Commonwealth Act No. 541 provides for equality of treatment as between Philippine and American bidders, your attention is invited to Republic Act No. 76, an act approved October 21, 1946, which provides that the laws of the Philippines granting privileges, rights or exemptions to citizens of the United States or to corporations or associations organized under the laws of the United States which are not enjoyed by citizens or nationals of any other foreign state or by corporations or associations organized under the laws of such state are repealed unless they affect the right already vested under provisions of the Philippine Constitution or unless extended by any treaty, agreement or convention between the Philippines and the United States. Since government procurement of goods or services lies outside the scope of Article VII of the Philippine Trade Agreement, the saver clause of Republic Act No. 76 would appear to be of no avail. Accordingly, an American bidder is on the basis of the Philippine laws subject to the 15 percent differential in the same manner as any other foreign contractor bidding on Philippine contracts."

Earlier, in 1956, the then Secretary of Justice of the Philippines rendered an opinion (Opinion No. 294, Series 1956), in which he took the much narrower position that the commitment of non-discrimination in Article VII of the Revised Trade Agreement did not require goods manufactured in the United States to be treated as if they were produced in the Philippines for the purposes of Commonwealth Act No. 138. The Secretary declined to state definitively whether the treaty provision had the effect of placing bidders who were United States citizens or enterprises owned or controlled by such citizens in the same preferred position as "domestic entities."

In an opinion which is in many respects in conflict with the opinion of the Secretary of Justice, and which does not refer to such opinion, the Government Corporation Coun-

sel in the Department of Justice of the Philippines, in Opinion No. 179 dated October 23, 1962, to the National Power Corporation, interpreted Article VII of the Revised Trade Agreement as restoring Commonwealth Act No. 541 in its entirety (and presumably also Public Act No. 4239). Nevertheless, the Counsel interpreted Act No. 541 as requiring that United States enterprises owned or controlled by enterprises of the United States had to organize and register under the laws of the Philippines and that at least 75 per cent. of their capital must be owned by Filipino and/or United States citizens in order to enjoy the 15 per cent. preference.

The opinion of the Government Corporation Counsel appears to be the latest decision on the point. According to the United States Embassy in Manila, United States corporations must register either with the Bureau of Commerce or the Securities and Exchange Commission of the Philippines in order to participate in bidding for public works contracts, regardless of whether or not they are interested in the 15 per cent. preference. Registration is not necessary if (1) the materials or services sought are not available locally or (2) if the project in question is to be financed by "tied" arrangements, such as arrangements with the United States Export-Import Bank or the Agency for International Development.

Administrative Order No. 3 dated June 27, 1953, of the Department of Public Works and Communications, a copy of which is attached hereto as Schedule F, seems to be somewhat at variance with the foregoing and to require that at least 75 per cent. of the capital stock of foreign corporations registered in the Philippines must be owned by Filipinos, in order to be allowed to submit bids for the construction of buildings and other public works and structures under the jurisdiction of that Department.

Under the provisions of Supply Rule No. 15 only a bona fide supplier or a manufacturer, producer, regular dealer or service establishment licensed as such and who holds a valid and subsisting supplier's identification certificate may participate in bidding for supply contracts. Those who wish to obtain such a certificate must submit a certificate of registration with the Bureau of Commerce of the Philippines and/or incorporation or partnership papers duly registered with the Securities and Exchange Commission of the Philippines.

Among the other preferential provisions are the following:

(1) Under the provisions of Executive Order No. 51 dated May 18, 1964 (60 O.G. 3197), all departments, bureaus, offices, agencies, instrumentalities and political subdivisions of the Government, including Government-owned and controlled corporations, the Armed Forces, Government hospitals and public educational institutions, must purchase through public bidding from domestic textile mills, whenever available, all their requirements for clothing materials.

(2) Under the provisions of Executive Order No. 290 of 1958, in all construction which may be undertaken by the national, provincial, city and municipal governments in which it is necessary to use cement, the use of cement manufactured by Government-financed companies is obligatory whenever such cement is available. When it is absolutely impossible to use cement manufactured by Government-financed companies, express authority in each case must be secured in writing from the Secretary of the Department of General Services.

(3) Memorandum Circular No. 56 of the Government Enterprises Council, series of December 31, 1949, requires all government offices and institutions using laundry soap

to make their purchases of soap from the National Coconut Corporation.

Provinces, cities and municipalities

Section 3 of the Local Autonomy Act (Republic Act No. 2264 effective June 19, 1959, 17 PAL § 135.22 (1963 Cum. Supp.)) provides that purchases of supplies not exceeding 5,000 pesos (about \$1,300) in the case of provinces and chartered cities and 1,000 pesos (about \$260) in the case of municipalities and municipal districts may be effected without public bidding, but only after a canvass of prices in the particular province, municipality or city. Otherwise, contracts must be awarded through public bidding.

The letting of contracts for provincial public works is governed by the provisions of Section 1919 of the Revised Administrative Code, a copy of which is attached hereto as Schedule G.

Section 3 of the Local Autonomy Act, *supra*, provides that awards of contracts for provincial, city and municipal public works should follow the "usual bidding procedure of the government". The "usual bidding procedure" for local public works is that provided for in Section 1919, *supra*.

The charters of each of the upwards of 40 chartered cities are contained in Acts of the Philippine Congress. Each of them contains provisions with regard to public works contracts. The following provisions of Section 32 of the Revised Charter of the City of Manila (Republic Act No. 409 of June 18, 1949, 17 PAL § 166) are typical:

"Sec. 32. Execution of public works and improvements.—All repair or construction of any work or public improvement except parks, boulevards, streets or alleys involving an estimated cost of three thousand pesos or more shall be awarded to the lowest responsible bidder after public advertisement in the Official Gazette for not less than ten days, by the Mayor upon the recommendation of the city engineer: *Provided, however*, That the city engineer may, with the approval of the President of the Philippines upon the recommendation of the Secretary of Public Works and Communications, execute by administration any such public work costing three thousand pesos or more.

"In case of public works involving an expenditure of less than three thousand pesos, it shall be discretionary with the city engineer either to proceed with the work himself or to let the contract to the lowest bidder after such publication and notice as shall be deemed appropriate or as may be, by regulation, prescribed."

Principal sources

(1) Cobacho and Lucenaro, Law on Public Bidding and Government Contracts (Manila, 1960).

(2) Foreign Service Despatch No. 369 dated November 17, 1961, from the United States Embassy in Manila, entitled "Philippine Government Bids".

(3) Airgram No. A-376 dated October 31, 1962, from the United States Embassy in Manila, entitled "Angat Dam Construction Contract", with which is enclosed a copy of the opinion dated November 23, 1962, of the Government Corporation Counsel referred to above.

(4) Airgram No. A-737 dated February 15, 1963, from the United States Embassy in Manila, entitled "Bidding Requirements in the Philippines-Marikina Dam Project".

(5) Letters dated February 2 and February 17, 1965, from Enrique Belo, Esq., of Ponce Enrile, Siguion Reyna, Monticello & Belo, attorneys of Manila, to Cravath, Swaine, & Moore, New York.

(6) United States Department of Commerce, Summary and Text of Revised United States-Philippines Trade Agreement, World Trade Information Service, Part 1, No. 55-95 (September 1955).

(7) United States Department of Commerce, Establishing a Business in the Philippines, Overseas Business Reports, OBR No. 64-11 (February 1964).

SCHEDULE A. THE PHILIPPINES

(Executive Order No. 298 of August 12, 1940 (38 O.G. 2455) as last amended¹ by Executive Order No. 40 of June 1, 1963 (59 O.G. 3579))

(By the President of the Philippines, Malacañan Palace, Manila)

Executive Order prohibiting the automatic renewal of contracts, requiring public bidding before entering into new contracts, and providing exceptions therefor

Whereas, as a matter of general policy, it is in the interest of the public service that Government contracts for public services or for furnishing supplies, materials, and equipment to the Government be submitted to public bidding;

Whereas, when a Government contract has expired, to continue it automatically without again calling for bids is contrary to such policy;

Now, therefore, I, Diosdado Macapagal, President of the Philippines, by virtue of the powers in me vested by law, do hereby direct that no contract for public service or for furnishing supplies, materials and equipment to the government or any of its branches, agencies or instrumentalities shall be renewed or entered into without public bidding except for very extraordinary reasons to be determined by a Committee composed of the Executive Secretary, as Chairman, and the Auditor General and the Secretary of Justice, as Members: *Provided*, That when there is a tie in the voting of the Committee, the case shall be submitted to the President for decision: *Provided, further*, That when the Head of the Department concerned certifies on the requisition that the supplies, materials or equipment are urgently needed to meet an emergency which may involve the loss of, or damage to, life and/or property or are to be used in connection with a project or activity which cannot be delayed without causing detriment to the public service, the Director of Supply may purchase the supplies, materials or equipment so requisitioned without public bidding, but only after thorough canvass of the market. The Director of Supply may likewise purchase without public bidding supplies, materials or equipment which are sold by an exclusive dealer or manufacturer which does not have sub-dealers selling at lower prices and for which no suitable substitutes can be obtained elsewhere at more advantageous terms to the Government.

However, highway district engineers, city engineers, or project engineers and headquarters engineers in division offices and in Manila can make direct legitimate emergency purchases with any known company in their province, or in nearby provinces, or in Manila, of spare parts for machinery and equipment used in public works which are of the make of the company and/or locally manufactured spare parts of any make which have been tested and found satisfactory by the Secretary of Public Works and Communications and at their prices, less the usual discount extended to government offices and another discount for cash purchases, provided that if a spare part being purchased in Manila will cost \$50.00 or more, the representative of the Department of Public Works and Communications shall be accompanied by a representative of the Bureau of Supply Coordination; provided further that if such purchases exceed \$3,000 per month, prior authority shall be secured from the Secretary of Public Works and Communications; and, provided finally, that except in cases of urgently needed spare parts for immediate use and not for the purpose of carrying them in stock, the approval of the Auditor General or his authorized representative shall be secured before such direct purchases are made.

¹ Previously amended by Executive Order No. 146 of December 27, 1955 (52 Official Gazette [O.G.] 2), Executive Order No. 212 of November 6, 1958 (52 O.G. 6455), Executive Order No. 318 of September 17, 1958 (54 O.G. 6399) and Executive Order No. 358 of September 23, 1959 (55 O.G. 8259).

This Order shall not in any way affect the regulations contained in Department Orders Numbered Seventy-three and Seventy-four of the former Department of Commerce and Communications, which will continue in full force and effect; and it contemplates that the provisions of Department Order Numbered Two, dated January fourteenth, nineteen hundred and thirty-six, of the Department of Finance, are hereby followed by all concerned.

Executive Order Numbered Sixteen, dated February third, nineteen hundred and thirty-six, as amended by Executive Order Numbered Ninety-eight, dated April twenty-fourth, nineteen hundred and thirty-seven, is hereby revoked.

SCHEDULE B. THE PHILIPPINES

(Revised Administrative Code, Section 1917)

§ 1917. Letting of contracts for National Public Works.—When any national public works of construction or repair involves an estimated cost of ten thousand pesos or more, the contract therefor, shall, except as hereinbelow provided, be awarded by the Director of Public Works to the lowest responsible bidder after publication in the Official Gazette, in accordance with Commonwealth Act Numbered Six hundred and thirty-eight, for at least three times extending over a period of at least ten days: *Provided, however*, That in case of urgent necessity, the Director of Public Works may, with the approval of the President of the Philippines, upon the recommendation of the Secretary of Public Works and Communications, execute by administration and without advertising for bids any public work costing ten thousand pesos or more.

In the case of national public works involving an expenditure of less than ten thousand pesos, it shall be discretionary with the Director of Public Works either to proceed with the work himself or to let the contract to the lowest bidder after such publication and notice as shall be deemed appropriate or as may be, by regulation, prescribed.

SCHEDULE C. THE PHILIPPINES

(Commonwealth Act No. 138 of November 7, 1936 (36 PAL §§ 12-15))

Commonwealth Act No. 138.—An Act to give native products and domestic entities the preference in the purchase of articles for the Government.

Be it enacted by the National Assembly of the Philippines:

SECTION 1. The Purchase and Equipment Division of the Government of the Philippines and other officers and employees of the municipal and provincial governments and the Government of the Philippines and of chartered cities, boards, commissions, bureaus, departments, offices, agencies, branches, and bodies of any description, including government-owned companies, authorized to requisition, purchase, or contract or make disbursements for articles, materials, and supplies for public use, public buildings, or public works, shall give preference to materials and supplies produced, made, and manufactured in the Philippines or in the United States, and to domestic entities, subject to the conditions hereinbelow specified.

SEC. 2. For the purposes of this Act, the terms hereunder are hereby defined as follows:

(a) The term "United States" includes the United States of America, the District of Columbia, and any State or territory of the North American Union;

(b) The term "domestic entity" means any citizen of the Philippines or of the United States habitually established in business and engaged in the manufacture or sale of the merchandise covered by his bid, or any corporate body or commercial company duly organized and registered under the laws of the Philippines of whose capital 75 per centum is owned by citizens of the Philippines or of the United States, or both;

(c) The term "domestic bidder" means any person or entity offering unmanufactured articles, materials, or supplies of the growth, or production of the Philippines or of the United States, or manufactured articles, materials or supplies manufactured or to be manufactured in the Philippines or in the United States, substantially from articles, materials or supplies of the growth, production or manufacture, as the case may be, of the Philippines or of the United States;

(d) The term "foreign bid" means any offer of articles, materials, or supplies not of the growth or production of the Philippines or of the United States, or of manufactured articles, materials, or supplies not manufactured or to be manufactured in the Philippines or in the United States, substantially from articles, materials, or supplies of the growth, production, or manufacture, as the case may be, of the Philippines or of the United States.

Sec. 3. Only unmanufactured articles, materials, or supplies of the growth or production of the Philippines or of the United States, and only such manufactured articles, materials, and supplies as have been manufactured in the Philippines or in the United States, substantially from articles, materials, or supplies of the growth, production, or manufacture, as the case may be, of the Philippines or of the United States, shall be purchased for public use and, in the case of bidding, subject to the following conditions:

(a) When the lowest foreign bid, including customs duties, does not exceed two pesos, the award shall be made to the lowest domestic bidder, provided his bid is not more than one hundred per centum in excess of the foreign bid;

(b) When the lowest foreign bid, including customs duties, exceeds two pesos but does not exceed twenty pesos, the award shall be made to the lowest domestic bidder, provided his bid is not more than fifty per centum in excess of the lowest foreign bid;

(c) When the lowest foreign bid, including customs duties, exceeds twenty pesos but does not exceed two hundred pesos, the award shall be made to the lowest domestic bidder, provided his bid is not more than twenty-five per centum in excess of the lowest foreign bid;

(d) When the lowest foreign bid, including customs duties, exceeds two hundred pesos but does not exceed two thousand pesos, the award shall be made to the lowest domestic bidder, provided his bid is not more than twenty per centum in excess of the lowest foreign bid;

(e) When the lowest foreign bid, including customs duties, exceeds two thousand pesos, the award shall be made to the lowest domestic bidder, provided his bid is not more than fifteen per centum in excess of the lowest foreign bid.

Sec. 4. Whenever several bidders shall participate in the bidding for supplying articles, materials, and equipment for any of the dependencies mentioned in section one of this Act for public use, public buildings, or public works, the award shall be made to the domestic entity making the lowest bid, provided it is not more than fifteen per centum

in excess of the lowest bid made by a bidder other than a domestic entity, as the term "domestic entity" is defined in section two of this Act.

Sec. 5. This Act shall take effect on its approval.

Approved, November 7, 1936.

SCHEDULE D. THE PHILIPPINES

(Commonwealth Act No. 541 of May 26, 1940
(36 PAL §§ 325-326))

(Commonwealth Act No. 541)

An Act to regulate the awarding of contracts for the construction or repair of public works

Be it enacted by the National Assembly of the Philippines,

SECTION 1. All branches, offices, and subdivisions of the Government and all government-owned or controlled companies, authorized to contract and make disbursements for the construction or repair of public works, shall give preference in awarding contracts for such works to Filipino or American contractors and domestic entities when the lowest bid of a domestic bidder is not more than fifteen per centum in excess of the lowest foreign bid: *Provided, however,* That for the construction of land, air, and seacoast defenses, arsenals, barracks, depots, hangars, landing fields, quarters, hospitals, and all other buildings and structures required for the national defense of the Philippines, no foreign bids shall be allowed.

Sec. 2. For the purposes of this Act, the following terms shall be taken in the sense hereinbelow indicated:

(a) The term "Filipino or American contractor" means any citizen of the Philippines or of the United States habitually established in business and engaged in general construction work.

(b) The term "domestic entity" means any corporate body or commercial company duly organized and registered under the laws of the Philippines seventy-five per centum of the capital of which is owned by citizens of the Philippines or of the United States, or by citizens of both countries.

(c) The term "domestic bidder" means any Filipino or American contractor or domestic entity which bids for any public work or work of construction or repair for the Government of the Philippines and/or any of its instrumentalities as enumerated in section one of this Act.

(d) The term "foreign bid" means the bid of any other contractor or entity, not included in subsection (a) of this section.

Sec. 3. This Act shall take effect upon its approval.

Approved, May 26, 1940.

SCHEDULE E. THE PHILIPPINES

(Republic Act No. 912 of June 20, 1953
(36 PAL §§ 16-20))

(Republic Act No. 912)

An Act to require the use, under certain conditions, of Philippine made materials or products in government projects or public works construction, whether done directly by the government or awarded thru contracts

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled,

SECTION 1. In construction or repair work undertaken by the Government, whether done directly or thru contract awards, Philippine made materials and products, whenever available, practicable and usable, and will serve the purpose as equally well as foreign made products or materials, shall be used in said construction or repair work upon the proper certification of the availability, practicability, usability and durability of said materials or products by the Director of the Bureau of Public Works and/or his assistants.

Sec. 2. For the purpose of carrying into effect the purposes of this Act, the Director of Public Works shall prepare or cause to be prepared, from time to time, a list of building and construction materials and products made in the Philippines that are available, durable, usable and practicable for construction and building purposes.

Sec. 3. No contract may be awarded under the provisions of this Act unless the contractor agrees to comply with the requirements of this Act, and a contract already awarded may be rescinded for unjustified failure to so comply.

Sec. 4. It shall be the duty of the Director of Public Works and/or his assistants, including the district engineers, to see to it that the requirements of this Act are faithfully complied with by the persons concerned, and failure on their part to do so shall subject them to dismissal from the government service or other disciplinary action.

SCHEDULE F. REPUBLIC OF THE PHILIPPINES DEPARTMENT OF PUBLIC WORKS AND COMMUNICATION BUREAU OF PUBLIC WORKS, MANILA

(Administrative Order No. 3)

Rules governing the filing of contractor's confidential qualification statements, issuance of plans, specifications, and/or proposal book, submission of bids, opening and consideration of same and recommendations.

1. General information for bidders:

Pursuant to requirements of law, bidders for the construction of public buildings and other public works and structures should meet one of the following requirements:

(a) Be a citizen of the Philippines; or if not such a citizen.

(b) Be a citizen of a country the laws of which grant similar right or privilege to citizens of the Philippines. To prove the latter, he is required to produce his citizenship papers and other proper evidence showing that the laws of his country grant similar right or privilege to citizens of the Philippines. (Act 4239 & Adm. Ord. No. 96, s. 1935.)

(c) Be an association or corporation duly registered or incorporated under the laws of the Philippines and of which at least 75 percent of the capital stock belongs wholly to citizens of the Philippines. Act 4239 & Com. Act No. 541. The Manager or head or other duly authorized representative of said association or corporation should be required to file evidence of registration or incorporation and that at least 75 percent of the capital stock belongs wholly to citizens of the Philippines.

What foreign entities or individuals are allowed to bid in the Philippines?

(1) Citizens of foreign countries who have proved that the laws of their country grant similar right or privilege to citizens of the Philippines.

(2) Associations or corporation duly registered or incorporated under the laws of the Philippines, of which less than 75 percent of its capital stock, or of any interest in said capital stock, belongs wholly to citizens of the Philippines.

Flag law applicable to foreign bidders

Pursuant to Act 4239, as modified by Com. Act No. 541 and Republic Act No. 76, foreign bidders of the above classifications (1) and (2), otherwise qualified, may bid for public works (except defense works) but preference shall be given in awarding contracts for such works to Filipino citizens or domestic entities when the lowest bid of such domestic bid is not more than 15 percent in excess of the lowest foreign bid.

What foreign entities or individuals are disqualified from bidding?

1. Citizens of foreign countries who have not proved by proper evidence that the laws

of their country grant similar right or privilege to citizens of the Philippines.

2. Foreign corporations or associations not duly organized, registered, or incorporated under the laws of the Philippines.

Purchase of materials

For the application of the Flag Law to purchase of materials and supplies, please see Com. Act No. 138.

2. Technical qualifications of personnel:

In addition to either of the foregoing requirements, a bidder must also qualify in any one of the following:

(a) An individual contractor should be a registered and currently licensed civil engineer. In case of buildings, a registered and currently licensed architect may take the place of a civil engineer. In the case of the installation or construction of machinery, or electrical apparatus or plant, the services of a duly registered and licensed professional mechanical engineer or electrical engineer shall be necessary.

(b) Subject to the above conditions, an association of duly registered civil engineers and/or of architects duly registered and licensed professional mechanical engineers or electrical engineers, may also submit bids for projects for which they are qualified individually.

(c) Individuals, associations and/or corporations, duly qualified to enter into these kinds of contracts, although lacking by themselves the above qualifications, may also submit bids provided that they engage the services of persons qualified to assume responsibility for the proper prosecution of the project for which a bid is being submitted.

In this case, the contract of employment, or a valid contract to employ, duly signed by the prospective bidders and the civil engineer, architect, mechanical or electrical engineer, as the case may require, whom he has already employed or has contracted to employ for the project under consideration, should be presented.

3. Financial resources:

A prospective bidder must convince the Committee that he has financial resources in the form of cash on hand, or usable materials, fixed or current deposit in a reputable bank, or a credit line granted by such a bank, in the amount specified in the Advertisement, exclusively available for use on the project for which his bid is being submitted.

A certificate of the bank where the deposit is kept, or with which the credit line has been arranged, shall be acceptable evidence of the bidder's financial resources.

4. Necessary machinery and equipment:

The prospective bidder must also prove through his answers to the Equipment Questionnaire in his Confidential Statements (Pre-C-1 & 2) that adequate working machinery and other equipment or tools, both in number and in kind, are owned by him, or available to him through actual lease contract or contract to lease, copy of which shall be presented, for the efficient and speedy accomplishment of the project on which he proposes to bid.

For the guidance and information of prospective bidders, the minimum requirements in this connection for the specific project should be enumerated, if necessary, in the Notice or Advertisement calling for bids on the Project.

5. Proposal bond:

The bidder shall also present a duly accomplished cash or surety proposal or bid bond, in an amount equivalent to at least 5 percent of his total bid price. Any bid supported by a bid bond in an amount less than 5 percent of the total bid price shall be disqualified and will not be considered in the award.

The bond shall be made out specifically and exclusively for the definite project for which the bid is submitted, by a duly li-

censed bonding company or firm, in favor of the Director of Public Works, and conditioned to the effect that it shall be forfeited totally to the Bureau of Public Works, if the bidder should refuse or fail to enter into contract with the said Bureau, if his bid is accepted and the Contract is ordered awarded to him.

6. Confidential qualifications statements to be submitted by prospective bidders to the Committee on Prequalification and Awards:

(1) The contractors' confidential qualification statement (Form No. Pre-C-1) shall be submitted to the executive officer and secretary of the Committee on Prequalification and Awards once every calendar year, not later than the 15th day immediately preceding the opening of bids in which the Contractor proposes to participate for the first time, provided that, for bids scheduled to be opened during the first twenty (20) days of any calendar year, the contractor's confidential qualification statement (Form No. Pre-C-1) of the previous year, if any had been previously filed, will be sufficient.

(2) To obtain a copy of the plans, specifications and/or proposal book from the Division concerned, a prospective bidder should present to the chairman of the Committee on Prequalification and Awards an additional statement entitled contractors' confidential statement for the issuance of plans, specifications and/or proposal book (Form Pre-C-2), not later than the deadline set by the corresponding committee, after which date no other statements will be received by the said committee.

7. Prequalification:

The committee, together with the Representatives of the other entities concerned in the project, shall examine the qualifications statements (Form Pre-C-1 & 2) and all the other papers filed by the prospective bidders, with a view to determining who of the prospective bidders are to be deemed prequalified or pre-disqualified by the committee for this particular project, in the light of the requirements stated in the advertisement and of these Rules.

8. Reservations:

The Bureau of Public Works reserves the right to waive any stated requirements or impose additional ones for certain projects, or disqualify a bidder on account of poor performance in previous contracts, or for such other causes as it may deem adequate, as the best interests of the government may require.

9. Issuance of plans, specifications and/or proposal book:

The Plans, specifications and/or proposal book for the Project scheduled for bidding shall be issued only by the Office of Division concerned to prospective bidders who have been prequalified by the committee as evidenced by the presentation of the prospective bidder's confidential statement for the issuance of plans, specifications and/or proposal book (Pre-C-2) duly stamped or marked "Prequalified by the committee" and signed by the chairman of the committee on prequalification and awards of the Division concerned. The official receipt evidencing deposit of the necessary amount to guarantee return of such plans, specifications and/or proposal book, when necessary, shall also be presented.

10. Opening of bids and preparation of abstract and tabulation:

The sealed bids will be received by the Chief of the Administrative Division or his representative as heretofore done, and opened as scheduled in the presence of a representative of the General Auditing Office and the Division concerned. The abstract of bids shall be prepared and signed immediately after the opening of bids. Then the tabulation of bids shall be prepared by the cor-

responding Division of the bureau of public works as heretofore done. The abstract, together with the tabulation shall be submitted without unnecessary delay to the executive officer and secretary of the Committee on Prequalification and Awards of the Division concerned.

11. Deliberation and recommendations: Reservation.

Said committee, together with the representative of the other entities concerned, shall meet to examine and consider in all its particulars all the bids received.

The comments, suggestions, observations and other manifestations, if any, of the representatives of the other entities concerned, should be accorded due consideration, and, if necessary, noted in the minutes of the proceedings of the committee.

The committee by a vote of at least two (2) of its three (3) members, shall recommend award of the Contract to the Bidder whose proposal appears to be the most advantageous to the Government, but the right is reserved to reject any or all bids, to waive any defect or informality in the bids received, and to accept or reject any bid, as the best interests of the Government may warrant. The committee may also disregard any bid which is obviously unbalanced or below what the work can be done for. Reasonable grounds for supposing that any bidder is interested in more than one bid for the proposed work under this bidding will be a sufficient cause for the rejection of all bids in which he is interested; likewise, where there is reason to suspect that there is evident collusion on the part of the bidders, then the right to reject may be freely exercised.

12. The recommendations of the committee shall be indicated on the tabulation; which shall be signed by the committee, and then submitted to the Chief of the Administrative Division for preparation of the corresponding Contract and transmittal papers. The whole set of papers will then be presented to the Director of Public Works to serve as basis for his recommendation to the Secretary of Public Works and Communications.

At its option, when necessary, the committee may require the winning bidder to fill out and submit a supplementary Contractor's Confidential Qualification Statement (Pre-C-3), before forwarding its recommendation.

13. Scope of application of these rules:

These rules shall govern all construction, reconstruction and major repair works prosecuted under contract, financed, wholly or partly, by national funds.

For national public works projects, bids for which are called for solely in the provinces and cities, the Committee on Prequalification and Awards shall be composed of the District/City Engineer, as Chairman, the Senior Civil Engineer, as Member, and Chief Clerk, as Member and Secretary.

These committee shall have the powers and duties specified in these rules, and such others as may be necessary and proper for the accomplishment of the stated duties.

14. Effectivity:

These regulations shall be uniformly followed by all divisions effective upon being furnished a copy hereof, for all projects then still under consideration.

15. Repealing clause:

All previous orders, rules or regulations of this Office inconsistent herewith, are hereby revoked. Those not in conflict herewith are to be deemed still in effect.

(SGD.) ISAIAS FERNANDO,
Director of Public Works.

SCHEDULE G. THE PHILIPPINES

(Revised Administrative Code, Section 1919)

§ 1919. Letting of contracts for provincial work.—Except in the case of work upon roads

or trails, every provincial work of construction or repair involving an estimated expenditure of ten thousand pesos or more shall be let to the lowest responsible bidder, after advertisement for not less than ten days in the Official Gazette, and by notice posted for not less than ten days at the main entrance of the provincial building, but nothing herein shall be construed to prevent the giving of such further notice or making such further publication as will secure ample publicity for all invitations for bids: *Provided, however*, That in case of urgent necessity, the provincial board may, with the approval of the President of the Philippines upon the recommendation of the Secretary of Public Works and Communications, execute by administration and without advertising for bids any public work costing ten thousand pesos or more.

Provincial work not within the purview of the preceding paragraph may be prosecuted upon provincial account or may be let without advertisement, subject to the regulation of the Bureau of Public Works.

The district engineer shall perform the duties incident to advertising for bids for provincial public work, and the letting of contracts therefor; and with the approval of the provincial board, he may reject any or all bids received, in which case he may advertise anew or, with the approval of the board, may proceed with the execution of the work upon provincial account.

SEC. 5. The Director of Public Works, subject to the approval of the Secretary of Public Works and Communications, is hereby empowered to promulgate such rules and regulations as may be necessary to carry into effect the purposes of this Act.

SEC. 6. This Act shall take effect upon its approval.

Approved, June 20, 1953.

LATIN AMERICAN FREE TRADE ASSOCIATION (LAFTA)

Unlike the various European regional economic treaties, the Treaty of Montevideo establishing the Latin American Free Trade Association (LAFTA) does not contain any specific provision for the elimination of, or any provisions which could form a direct basis for action to eliminate, legislative, regulatory administrative provisions, practices and policies of the contracting parties discriminating against foreigners and foreign products in the field of public contracts.

The treaty was signed on February 18, 1960, by Argentina, Brazil, Chile, Mexico, Paraguay, Peru, and Uruguay. All the signatory governments deposited their instruments of accession on May 2, 1960, except Paraguay (June 21, 1961). Colombia and Ecuador acceded by instruments of accession deposited on September 30, 1961, and November 3, 1961, respectively. Article 58 of the treaty leaves the way open for accession by any other Latin American country but thus far only Venezuela appears to have given serious consideration to acceding.

Basically, the treaty provides for the creation of a free trade area during the 12-year period following the entry of the treaty into force by the gradual and progressive elimination by the members of LAFTA, "in respect of substantially all of their reciprocal trade", of such duties, charges and restrictions that may be applied to imports of goods originating in the territory of any contracting party. The contracting parties have also agreed to attempt to harmonize their import and export regimes, to establish consistent treatment for capital, goods and services entering the free trade area, and to coordinate their plans for industrial development. Until 1973 each contracting party will continue to set its own tariffs against nonmembers, but at that time all the contracting parties will review what they have created, and, if the results justify such action, they have

agreed to multilateral negotiations to adapt the treaty to a new stage of economic integration.

The treaty establishes three interrelated devices by which the contracting parties will reduce tariffs and other barriers to interarea trade. Those devices are (1) annual negotiations of reciprocal concessions on particular products; (2) triennial negotiations of a "common" list of products that the parties irrevocably agree will circulate free of all barriers by no later than 1973; and (3) negotiations from time to time by two or more contracting parties of so-called "complementarity" or "integration" agreements providing for preferential treatment for particular products or for the products of particular industries.

The supreme organ of LAFTA is the Conference of the Contracting Parties, which "shall adopt all decisions in matters requiring joint action". The permanent organ of LAFTA is the Standing Executive Committee, which acts as the executive branch. Its membership consists of a permanent representative from each Contracting Party, which has a single vote, and a Secretariat headed by an Executive Secretary.

The theme which is expressed in the preamble to the Treaty and runs throughout the Treaty is the desire of the Contracting Parties to pool their efforts to achieve the progressive complementarity and integration of their national economies on the basis of an effective reciprocity of benefits. Conceivably, application of that theme in the course of the evolution of the free trade area toward full operation in 1973 may give rise to action to eliminate national discriminations in the field of public contracts. For example, although "dumping" is not referred to in the Treaty, the Second Session of the Contracting Parties adopted a resolution (No. 65 (II)) declaring "dumping" and other unfair commercial practices in international trade to be incompatible with the Treaty and containing an undertaking by the Contracting Parties to use all their power to prevent such practices and to enact national legislation to that end.

Thus far, however, no action appears to have been taken in the field of public contracts, although all the Contracting Parties discriminate in one way or another against foreigners and foreign products in the letting of public contracts.

Principal sources

(1) Association of the Bar of the City of New York, Committee on Foreign Law, Economic Integration in Latin America, 17 Record (Supplement, June 1962).

(2) Business International, Latin America's Merging Market: The Challenge of Economic Integration (New York, 1964).

(3) Hoagland, The Latin America Free Trade Association, in Surrey and Shaw (eds.), A Lawyer's Guide to International Business Transactions (Philadelphia, 1963).

(4) United Nations, Multilateral Economic Co-operation in Latin America, Vol. 1: Text and documents (1962).

(5) Wionczek, Latin American Free Trade Association, International Conciliation, No. 551 (January 1965).

ARGENTINA

(Member of LAFTA)

The basic Argentine legal provision relating to public supply and public works contracts is Chapter VI of the Accountability Law (Ley de Contabilidad) (Decree-Law No. 23,354 of 1956), as last amended by Decree No. 2554 of April 4, 1961 (Boletín Oficial, April 7, 1961). The Decree-Law is regulated by Decree No. 9,400 of August 12, 1957 (Boletín Oficial, August 23, 1957), to which are attached the General Specifications for Public Tenders, Private Tenders and Direct Contracting—General Clauses.

Article 55 of the Decree-Law establishes the general principle that every purchase or sale for the account of the Nation as well as every contract concerning the giving on lease (locación), and the taking on lease (arrendamiento), of works or supplies shall be made after public bidding (licitación pública). Article 56 authorizes private bidding (licitación privada) for small contracts and direct contracting (contratación directa) in 13 cases, including the case in which, for urgent reasons, there is no time for tendering. The exceptions are capable of being broadly construed. All contracts exceeding 5,000,000 pesos (about \$33,000 in January, 1965) must be approved by the Executive Power.

Paragraph 40 of the Regulations under Article 61 provides that as a general rule bidders must be enrolled in the Register of State Suppliers maintained by the General Administration for State Supplies under the provisions of Paragraph 1. Under Paragraph 41, however, enrollment is not necessary in the case of foreign firms which do not have representatives or agents in Argentina. In order to comply with technical tender requirements and procedure, however, it is almost imperative that a foreign firm have a representative or agent in Argentina.

The quotation of each bidder must, under Paragraph 47, specify whether products of Argentina or foreign industry are involved and Article 48 implies that bids contemplating products to be imported will be accepted only if so provided in the bid proposal.

Paragraph 68 of the Regulations under Article 61 provides that the most advantageous (más conveniente) offer shall be accepted, it being understood that such offer, quality being equal, is the one that is lowest in price. Nevertheless, the way is left open for discrimination against foreign materials by providing exceptionally that the contracting authority may award the contract to a higher bidder if it is determined that the quality of his product is better. Moreover, Paragraph 69 permits the rejection of all bids.

The General Conditions attached to the Regulations require that bidders establish legal domicile in Argentina.

A strong "By Argentine" policy is in effect by virtue of Decree-Law No. 5340 of July 1, 1963 (Boletín Oficial, July 5, 1963), as amended by Decree-Law No. 6672 of August 9, 1963 (Boletín Oficial, August 16, 1963). An unofficial translation from Spanish of Decree-Law No. 5340, as so amended, is attached hereto.

Article 1 of Decree-Law (page 4 of the translation) requires all Government departments, agencies, autonomous State entities, State enterprises, public service concessionaires and their contractors to purchase only merchandise, materials and products of Argentine origin when available at "reasonable" prices. Article 13 provides for the extension of the policy to the provinces.

The Decree-Law is complemented by a circular of the same date of the Central Bank of Argentina to commercial banks which states that, in order to put domestic suppliers on a more competitive footing with regard to credit terms, the Bank will finance up to 80 per cent. of the payments contracted by national and provincial agencies for periods of up to five years.

The criteria set forth in Article 3 (pages 5-7 of the translation) for price comparison purposes are obviously discriminating against foreign bidders and foreign products. Particularly discriminating is the provision that an amount equivalent to the sales and profits taxes shall be included in the price of the imported product, even though the latter is destined for the importer's own use and hence is not subject to those taxes.

Moreover, Article 4 gives a distinct advantage to products originating elsewhere in the Latin American Free Trade Association over products originating elsewhere.

Principal sources

(1) Airgram No. 177 dated August 14, 1963, from the United States Embassy in Buenos Aires.

(2) Letter dated November 12, 1964, from the Bureau of International Commerce, United States Department of Commerce, to Cravath, Swaine & Moore, New York.

(3) United States Department of Commerce, Basic Data on the Economy of Argentina, Overseas Business Reports, No. OBR 63-84 (1963).

(4) United States Department of Commerce, Establishing a Business in Argentina, Overseas Business Reports, No. OBR 64-33 (1964).

ARGENTINA DECREE-LAW NO. 5340 OF JULY 1, 1963

(Boletín Oficial, July 5, 1963)

(Unofficial translation from Spanish)

Whereas in order to promote the general welfare, which is one of the essential aims of the Government, measures may be enacted, which are conducive to the prosperity of the country and to the advancement and welfare of all the provinces, for the promotion of the existing industries and the introduction and establishment of new industries through laws for the protection of these purposes, as expressed in the Preamble to the National Constitution and its Article 67, paragraph 16;

Whereas it is considered absolutely essential and urgent to take certain measures to promote domestic activities for the production of goods;

Whereas purchases abroad of goods which could be acquired in the domestic market unnecessarily increase the deficit in the balance of international payments of the Republic, since they require payments in foreign exchange which can be avoided;

Whereas the larger the sales on the domestic market, the more employment there will be and the larger the degree to which the causes for employment will be eliminated;

Whereas a larger volume of sales is generally accompanied by a reduction in cost, which in turn is reflected in a reduction of sales prices;

Whereas a strengthening of the domestic market encourages new investments and, consequently, creates an element of competition which is the basic mechanism for improving production and lowering the costs thereof;

Whereas purchases to be made by the public administration, the agencies, departments and economically independent and self-governing entities, the State enterprises and public service enterprises operating under license represent a very large volume;

Whereas it is essential to take measures to insure that the purchasing potential of the State, of the State organizations and of those rendering public services is directed toward the domestic market by acquiring to the largest extent possible products, merchandise and materials of domestic origin where their price level is reasonable compared to similar products, merchandise and materials acquired abroad;

Whereas the customs duties and exchange surcharges on imports tend to establish a balance between the prices for domestic products and for imported products within reasonable margins and in consideration of the convenience of the establishment of certain production activities;

Whereas since the public administration, the State organizations and enterprises and the public service enterprises operating under license are, in some instances, exempt from

payment of customs duties and import surcharges and, in other instances, are granted financial facilities for payment thereof, there naturally exists a tendency to acquire imported materials, merchandise and products;

Whereas for these purposes it seems the most appropriate to establish absolute preference in favor of materials, merchandise and products of domestic origin for direct or indirect acquisitions by the public administration, the State organizations and enterprises and public service enterprises operating under license where the price is reasonable, a reasonable price to be deemed a price which is not higher than that of the imported materials, merchandise or products after computing all exchange surcharges, duties, imposts, taxes and charges which a non-privileged importer would have to pay, i.e., a person who cannot claim the exemptions or privileges of the State;

Whereas in this manner, the same policy is followed which the industrialized countries have adopted and which secured for their own industries a market for public investment;

Whereas with the establishment of this system, the National Government proposes to secure permanently an important sector of the domestic market for supply with production of domestic origin, without disregarding the commitments under the Treaty of Montevideo which established the Latin American Free Trade Association; and now therefore,

The President of the Argentine Nation decrees with force of law:

Article 1. The Public Administration, the agencies, departments, economically independent or self-governing bodies, the public service enterprises operating under license and the State enterprises shall exclusively acquire materials, merchandise and products of domestic origin, provided the price be reasonable.

Under the same obligation shall be persons who enter into works or services contracts with the public administration, the agencies, departments, economically independent or self-governing bodies and State enterprises.

Article 2. For purposes of Article 1, it shall be understood that a material, merchandise or product is of domestic origin when it is:

(a) a mineral extracted from mines situated within the national territory and processed within said territory;

(b) a farm product produced within the national territory;

(c) an industrial product manufactured in the Argentine Republic for the finishing of which raw materials, semi-finished products or parts produced in the national territory are used;

(d) an industrial product manufactured in the Argentine Republic for the finishing of which raw materials, semi-finished products or parts produced abroad and which are not, or cannot be, produced within the national territory at reasonable prices are used;

(e) an industrial product manufactured in the Argentine Republic by industrial plants which are developing a plan of industrial integration approved or established by competent authority, even though the product may not comply with the requirement of paragraph (d) above.

Article 3. The cost shall be considered reasonable when the price of the materials, merchandise or products of domestic origin is not higher than the price of imported materials, merchandise or products which, for purposes of price comparison only, shall include:

(a) value c.i.f. Argentine port (cost, insurance, freight);

(b) the exchange surcharges established for import of the materials, merchandise or products in question which must be paid

by a non-privileged importer; the minimum surcharge shall be computed at 25 percent if the established surcharge should be less or should not exist;

(c) the imposts, duties and customs charges which would have to be paid by a non-privileged importer;

(d)¹ all remaining imposts, duties, taxes or charges which are payable by a non-privileged importer, and an amount equivalent to the sales and profitable activities tax, even though the import may consist of goods intended for the personal use of the importer;

(e) any interests, commissions and financial charges which the purchaser must pay if term payment for the imported materials, merchandise and products may have been offered, in the amount which may exceed the current percentage in the country of origin for financed exports, on the value of the delivered materials, merchandise and products; there shall also be computed in this context the income tax payable on remittance of interest abroad where it is imposed on the purchaser.

Article 4. On materials, merchandise and products originating in countries belonging to the Latin American Free Trade Association, only the surcharges and customs tariffs in force on the Argentine national list shall be computed.

Article 5. If the Ministry of Industry and Mines, upon request by an interested party or ex officio, should validly determine that the price in the internal market of the country of origin of the imported material, merchandise or product which may have been offered is at least 10% higher than the export price and provided that there does not exist an established index price, the price C.I.F. Argentine port shall be substituted, for purposes of price comparison, by the current price in the internal market of the country of origin, increased by the factors necessary to determine the value C.I.F. Argentine port.

Article 6. For purposes of the price comparison provided for in Article 3, if the amount of all the taxes on the imported finished product which the non-privileged importer would have to pay should be less than the total amount of taxes paid on the imported component parts of the domestic finished product, that difference shall decrease the price of the material, merchandise or product of domestic origin included in paragraph d) and e) of Article 2. That amount shall be determined by the Ministry of Industry and Mines, and the lesser amount determined shall be applied to each one of the various similar materials, merchandise or products of domestic origin offered in public bid if imported raw materials, semi-finished products or parts had been used to differing extents in the finishing.

Article 7. A certificate by the Ministry of Industry and Mines to the effect that a material, merchandise or product is of domestic origin pursuant to the provisions of Article 2 and stating the amount determined in accordance with Article 6 shall be a prerequisite for the application of the regulations established. The Ministry of Industry and Mines shall issue the certificates within 10 business days from the date of request, and the certificates shall be permanently valid as long as they are not rectified or modified ex officio or at the request of an interested party.

Article 8. The official banks may grant credits, endorsements, or guarantees for the financing of the purchase in foreign countries of materials, merchandise, or products by the provincial or municipal public ad-

¹ As amended by Decree Law No. 6672, dated August 9, 1963, published in the Boletín Oficial of August 16, 1963.

ministrations, departments, economically independent or self-governing bodies or State, provincial, or municipal enterprises only after issuance of the joint resolution to which Article 12 refers.

Article 9. Exemption from exchange surcharges or customs duties requested by the provinces, municipalities, or any other public body for the import of materials, merchandise or products shall not be granted if the conditions established in this decree do not prevail.

Article 10. The regulations established are hereby declared of public order, and any contracts entered into in violation thereof are declared absolutely null. Nullity may be declared ex officio or at the request by an interested party, considering as such also a party offering materials, merchandise or products of domestic origin.

Article 11. There is hereby established, under the jurisdiction of the Ministry of Economy, an Honorary Advisory Commission formed by representatives of State organizations and private activities, which shall supervise compliance with the provisions of these regulations by advice to said Ministry. An internal regulation to be issued shall establish the number of members, the organizations represented and the procedure under which it must discharge its assignment.

Article 12. Upon receipt of advice from the Commission to be created, import permits may be granted by joint resolution of the Ministry of Economy and the Ministry of Industry and Mines in the following cases:

(a) Where the provisions of the regulations established by this decree have been complied with and the price C.I.F. Buenos Aires for the imported materials, merchandise or products is more advantageous in accordance with the criterion for comparison established under Article 3.

(b) Where the object on which international public bids have been made is protected by an exchange surcharge in excess of 25 percent and, after a cost study, including a reasonable profit for the Argentine manufacturer, the conclusion was reached that the existing protection exceeds the protection that would be necessary for purposes of the comparison mentioned in Article 3, paragraph (b), the surcharge may be reduced to the extent of the amount in excess and the new charge shall under no circumstances be lower than 25 percent.

(c) Where there is an urgent reason and it is validly proven that the local suppliers are not in a position to deliver the product involved within the required time.

(d) Where imports from countries which are members of the Latin American Free Trade Association are involved and it is believed that a specified import will promote exports in other sectors.

(e) Where operations financed by foreign governmental agencies or international credit organizations are involved, provided that, after the corresponding economic studies have been undertaken, the production or work to be financed is considered of high priority and that, as a consequence thereof, a correlative increase in general domestic activities and an adequate participation by the Argentine industry will occur.

(f) Where it is validly proven that the quality of the domestic product is not satisfactory or that the technical specifications demanded by the purchasing entity substantially differ from those of the domestic product and cannot be adapted to those of the domestic industry without serious detriment to the buyer.

(g) Where the previous business transactions of the domestic supplier have, in the judgment of the Commission, not been satisfactory as to his ability to comply with the terms and conditions of his offer.

(h) Where the bidder, by virtue of the benefits granted by the State, has committed himself to operate at a level of protection below that which is established by these regulations.

Article 13. The Ministry of the Interior shall invite the provincial governors to enact standards similar to those of these regulations in their respective jurisdictions.

Article 14. The provisions of this decree shall not apply to comparisons to be made in international tenders undertaken under financings already agreed upon with foreign government agencies or international credit organizations in which the corresponding contingencies had especially been provided for.

Article 15. This decree shall be countersigned by the Ministers and Department Heads in the Departments of Economy; Public Works and Services; National Defense; and Interior, and signed by the Secretaries of State for Energy and Fuels; Industry and Mines; Commerce; and Finance.

Article 16. To be communicated, published, passed on to the Office of the Director General of the Official Bulletin and Printing, and deposited in the archives.

Gumpo.—José A. Martínez de Hoz.—Horacio J. Zubiri.—José M. Astigueta.—Osiris G. Villegas.—Jorge Bermúdez Emparanza.—Luis Gottheil.—Juan B. Martín.—Eduardo B. M. Tiscornia.

BRAZIL

(Member of LAFTA and GATT)

Article 244 of Decree No. 4536 of January 28, 1922, as amended, containing the General Regulations for Public Accounts establishes the basic principle that contracts for supplies or the furnishing of services exceeding 5,000,000 cruzeiros (about \$2,825 in January 1965 at the free rate) and all public works contracts exceeding 10,000,000 cruzeiros (about \$5,650) must be awarded through public tendering (concorrência pública) in accordance with Chapter I of Title VII of the Decree.

Notices of calls for public tenders must be published in the official newspaper (Diário Oficial) of the Federal Government or the official newspapers of the States. Article 750 contains the somewhat unusual provision that all bids must be published in their entirety in the same official newspaper or newspapers in which the notices were published.

Restricted tendering (concorrência administrativa) is permitted in cases of "emergency" and for contracts the amount of which are less than those stated above. That method is subject to the same rules as public tendering except for the publication of notices and bids. Written notices must, however, be delivered or mailed to all suppliers of the article desired.

In the case of ordinary supplies the procurement authorities may effect direct purchases through what is called standing tendering (concorrência permanente). Under this method suppliers file in advance their names and other details, the prices at which they are willing to sell the supplies and information as to quality, delivery, etc.

The contracting authorities have the legal right to cancel any call for tenders as well as to reject bidders not deemed to be suitable (idoneidade). Under Article 743 the contract must be awarded to the lowest bid (a proposta mais barata), however small the difference between such bid and any other bid.

Preferences

Article 742 of the Accountability Decree provides that Federal Government departments shall always prefer domestic bidders, conditions being equal (em igualdade de condições).

Article 744 of the Decree provides as follows (unofficial translation from Portuguese):

"Article 744: It is permitted that the Government stipulate a second condition which, in the case of absolute equality between the two proposals, with right to better classification, will serve to decide to which falls the preference."

A check made by the United States Embassy in Rio de Janeiro of government tenders published in the Diário Oficial during January 1965 showed that, when conditions were stipulated under Article 744, first preference was given to bidders of Brazilian nationality. For example, in a tender published by the Ministry of Aviation, the condition was as follows:

"In cases of equality of prices, the decision will obey the following preferential order (Art. 744 of R.G.C.P.):

1. National bidder;
2. Reduction of prices;
3. Supplier of article or labor during the past year;
4. Drawing [i.e., by lot]."

Another tender for sale of used equipment stated that, in the event of equality of offers between a national firm and a foreign firm, preference would be given to the former.

According to information supplied by the United States Department of Commerce and the United States Embassy in Rio de Janeiro, the Government and its agencies and autonomous entities are required to purchase articles of domestic origin similar to foreign articles (artigos de produção nacional similares aos estrangeiros), rather than making purchases abroad, if the products are included in the list of equivalent domestic products ("similars") determined by the Customs Policy Council. Articles so included are automatically ineligible for exemption from, or reduction of, import duties, and are, moreover, transferred to the least favorable category of exchange.

Basic exemptions from, or reductions of, import duties are regulated by Decree-Law No. 300 of February 24, 1938, as supplemented by Law No. 3244 of August 14, 1957, which established a new tariff system listing items according to the Brussels nomenclature. Additional exemptions or reductions are granted by other laws and decrees, either permanently or temporarily, for specified articles, but all exemptions or reductions are dependent upon the fact that the imported article has no equivalent produced domestically in a quantity sufficient to supply the market. Moreover, Article 3 of Law No. 3244 provides that the Customs Policy Council may increase by a maximum of 30 per cent. the import duty on items of a type registered as "similars".

The basic provisions relating to the determination of "similars" are contained in Chapter XXVI of Decree-Law No. 300. The Commission on Similars established under its provisions was superseded by the Customs Policy Council under the provisions of Law No. 3244.

The basic regulation requiring the use of "similars" in public procurement, unless special permission is obtained, is reported by the United States Embassy in Rio de Janeiro to be Circular No. 7 of February 26, 1942, of the Director of Customs Revenue, which reads as follows (unofficial translation from Portuguese by the Embassy):

"In accordance with a decision rendered by his excellency the Minister of Finance in a document filed with the Treasury Department as No. 9,159 of this year, which resulted in the issuance of Official Memorandum No. PL/53/561.1(P.1.1.176) of January 29, 1942, from the Federal Foreign Trade Council, I hereby inform all Customs Inspectors and other Customs Boards of the country, for their guidance and necessary action that, in accordance with recommendations made by His Excellency the President of the Republic, preference should be given to the na-

tional similar products in all purchases made by the Public Administration of the Country."

Preference for products of the products of the Volta Redonda steel plant of the National Steel Company is provided by Circular No. 36 of December 18, 1947, of the Director General of National Finance, which reads as follows (unofficial translation from Portuguese by the Embassy):

"The Director General of the National Finances, taking into consideration the resolution of His Excellency the President of the Republic, to be implemented by order of the Minister of Finance, recommends to all chiefs of departments and services of this Ministry, as well as all autonomous agencies, that in their operations they shall not purchase from other sources those products manufactured by Volta Redonda steel plant of National Steel Company [Cia Siderurgica Nacional].

"It is further declared that the National Steel Company has already been requested to provide a list of products which it manufactures and that this list will be published so that the importation of similar products for use by government agencies can be completely discontinued."

The Government regularly encourages both its own entities and Brazilian private industry to develop national "similar". As an example, Petrobras, the Government petroleum monopoly, as a special division for developing information on, and specifications for, "similar".

Principal sources

(1) Letters dated December 16, 1964, January 22, 1965, and February 10, 1965, from the United States Embassy in Rio de Janeiro to Cravath, Swaine & Moore, New York.

(2) Letter dated November 12, 1964, from the Bureau of International Commerce, United States Department of Commerce, to Cravath, Swaine & Moore, New York.

(3) Foreign Service Dispatch No. 1635 dated June 16, 1955, from the United States Embassy in Rio de Janeiro, entitled "Protection Against Imports of 'Similar' Products".

(4) American Chamber of Commerce for Brazil, São Paulo, Supplement No. 28 dated October 9, 1957, entitled "Registration of Similar".

(5) United States Department of Commerce, Establishing a Business in Brazil, Overseas Business Reports, No. OBR 63-149 (December 1963).

(6) United States Department of Commerce, Foreign Trade Regulations of Brazil, Overseas Business Reports, OBR 63-150 (December 1963).

(7) Harvard Law School (World Tax Series), Taxation in Brazil (Cambridge, 1957).

CHILE

(Member of LAFTA and GATT)

In principle, Chilean law requires that public supply and public works contracts be awarded through public tendering, but there are many exceptions.

The two most important procurement agencies are the State Purchasing Department (Dirección de Aprovisionamiento del Estado) and the Ministry of Public Works. Under the provisions of Article 1 of Decree with Force of Law No. 353 dated April 5, 1960 (Diario Oficial, April 6, 1960), the Purchasing Department, a public organism dependent on the Ministry of Finance, is in charge of the purchase, storage and distribution of all materials, machinery and other equipment required by the Government, including the armed forces, as well as of office supplies, material and equipment required by semi-governmental institutions, regardless of the origin of the funds with which the purchases are made. Under the provisions of Article 1 of Law No. 15,840 of November

2, 1964 (Diario Oficial, November 9, 1964), the Ministry of Public Works is charged, among other things, with the construction, improvement and repair of public works financed by the Treasury. Under Article 2 Ministries which have legal power to construct works, the State institutions and Government enterprises (such as the State Railways) and the municipalities can entrust to the Ministry the construction, etc., of works, agreeing with it on the conditions, the methods and the financing thereof.

Article 2 of Decree with Force of Law No. 353 requires that, as a general rule, the State Purchasing Department make its purchases through public or private tendering (licitación pública o privada). Public tendering may be omitted, however, in a number of specified cases, including those involving a purchase of not more than 5,000 escudos (about \$2,100 at the official rate) and in urgent and emergency cases.

Article 50 of Law No. 25,985 provides that public works shall be executed by means of contracts awarded through public bids. The Article provides, however, for a number of exceptions which permit works to be executed by direct negotiation (por trato directo), by contracts awarded through private tendering (por cotización privada), by administration (por administración) or by delegated administration (por administración delegada), all as determined by the Regulations. Works executed by administration are carried out by the department or entity concerned. Those executed by delegated administration are carried out as a rule by contractors on a cost plus fixed fee or cost plus percentage basis, or a combination of the two.

There are a number of legal provisions which contain preferences for Chilean bidders and Chilean products and materials. Article 4 of Decree with Force of Law No. 353 provides as follows concerning purchases of the State Purchasing Department (unofficial translation from Spanish):

"The Department shall give preference in the purchases which it makes to materials, supplies, and equipment of domestic manufacture, price and quality being equal and giving protection to the national [fiscal] interest.

"Conditions being equal, the manufacture of materials, furniture, fixtures, and equipment by national [i.e., Government] factories will be preferred."

By virtue of the registration requirements of the Regulations for Public Works Contracts approved by Decree No. 1,240 of June 6, 1961 (Diario Oficial, October 14, 1961), as amended by Decree No. 539 of March 7, 1963 (Diario Oficial, May 8, 1963), and Decree No. 2,193 of August 27, 1964 (Diario Oficial, September 22, 1964), contracts for public works can be awarded only to Chilean firms that are enrolled in the General Register of Contractors or in the Registers of Minor Works and Specialized Works maintained by the Divisions of the Ministry of Public Works. Contractors are enrolled in the General Register according to one or more principal specialties and are also classified in five categories according to the maximum amounts of the contracts which they are deemed qualified, ranging from the First Category of 2,000,000 escudos (about \$840,000) to the Fifth Category of 100,000 escudos (about \$42,000).

In order to be registered in the First Category of the General Register, a corporation must be organized by public instrument and its constitutive document must require that at least one of its directors be a professional Chilean civil engineer. Less restrictive requirements apply to the other Categories but at least one director must enjoy specified professional status. The Regulations also provide for numerous other technical and financial qualifications.

A Special Register is maintained for contractors deemed qualified to execute a work amounting to more than 1,000,000 escudos. The prerequisites for registration are fixed for each work by the officials of the Ministry; hence, the possibility exists for the registration of foreign contractors. Even if the amount is less than 1,000,000 escudos, a Special Register may be established, if the technical characteristics of the work justify it.

Decree No. 1,250 of October 20, 1964 (Diario Oficial, November 18, 1964), an unofficial translation from Spanish of which is attached hereto as Schedule A, requires all governmental and semi-governmental entities to purchase domestic metallurgical products or parts in preference to similar imports.

Article 2 provides that domestic metallurgical products "of equal price and quality" must be given preference over similar imports and that, for purposes of price comparison, the amount of the duties levied by the customs authorities shall be added to the price of the goods of foreign origin, even though the purchasing entity may bear such duties. According to reports from the United States Embassy in Santiago, the Chilean Metallurgical Trade Association (ASIMET) takes the position that such duties must be included, even though the purchasing entity may be exempt from paying such duties.

Reasons for purchasing foreign metallurgical products must be certified to the Department of Industry and Commerce in the Ministry of Economy. The certification must show that there are no equivalent domestic products, that no bids for similar domestic products were received, or that there exist acceptable reasons justifying metallurgical imports. A maximum amount of domestic components shall be incorporated in the imported products, if the complete product is not available domestically. Preference must be given to foreign offers of equal "price" and "quality" which would permit maximum incorporation of domestic components in the final product.

Most unfinished metallurgical products manufactured in Chile are already protected by prohibited lists or high surcharges.

Finally, Circular No. 30 dated August 4, 1961, of the Ministers of Economy and the Treasury, an unofficial translation from Spanish of which is attached hereto as Schedule B, contains instructions to State enterprises (empresas del Estado), such as the State Railways, concerning the letting of bids and provides that, in cases where there exists domestic production of the article required, bids should be limited to Chilean suppliers.

Principal sources

(1) Letters dated November 9, 1964, and January 15, 1965, from the United States Embassy in Santiago to Cravath, Swaine & Moore, New York.

(2) Letter dated February 5, 1965, from Dr. Gustavo Serrano M. of Price Waterhouse Peat & Co., Santiago, to Cravath, Swaine & Moore, New York.

(3) United States Department of Commerce, Market for U.S. Products in Chile (December 1961).

(4) United States Department of Commerce, Licensing and Exchange Controls—Chile, World Trade Information Service, Part 2, No. 62-18 (May 1962).

SCHEDULE A. CHILE

Decree No. 1250 of October 20, 1964, concerning preference to be given to the National Metallurgical Industry in public bids

(Diario Oficial, November 18, 1964)

(Unofficial translation from Spanish)

(No. 1250)

SANTIAGO, October 20, 1964.

Today the following has been decreed:

Whereas it is necessary to stimulate the development of the national metallurgical

industry, for which purpose it is appropriate to broaden its internal market;

Acquisition of its products by the public sector will furthermore diminish the outflow of foreign exchange; and in view of:

The provisions contained in Articles 1, para. (b), and 4, Nos. 15 and 18, of the Decree with Effect of Law No. 88, dated May 12, 1953; Article 1 of Decree No. 1,272, dated September 7, 1961, which established the definitive text of the Law concerning Exports, Imports and International Currencies;

I decree:

Article 1. In addition to those special provisions which may apply in each case, acquisitions of machinery, tools, equipment and appliances made by governmental and semigovernmental institutions shall be governed by this Regulation.

Article 2. Where equality of price and quality exists and the interests of the purchasing institution have been safeguarded, domestically produced goods shall be given preference.

For the purposes of price comparison, the amount of duties levied by the Customs Authorities shall be added to the price of the goods of foreign origin, even where the purchasing institution may bear such duties.

Article 3. If an offer for sale of goods of foreign origin is accepted, it must be stated that, in accordance with information received from the Department of Industry and Commerce, no adequate domestic production exists and that no offers for goods of domestic origin had been submitted, or the reasons for which offers that had been submitted were not accepted must be given.

Article 4. In the absence of an adequate domestic offer, preference shall be given to that foreign offer which, where equality of price and quality exists and the interests of the purchasing institution have been safeguarded, offers to integrate the largest proportion of its value with parts or elements of domestic production.

Article 5. The value of the foreign offer referred to in the previous article shall be only that part which relates to the price offered for machinery, tools, equipment or appliances. Thus, the price for assembling, for construction on the land and other work of a secondary nature shall be excluded.

Article 6. For the purposes of Article 4, a part or element of domestic production shall be understood to be a part or element in which the principal raw material originates in Chile and those with respect to which, although they are of foreign origin, the aggregate value in Chile produced by their processing is at least equal to 50% of the price offered for the finished product. That percentage must be proven in the offer by the bidder.

Article 7. For the effects of controlling the quality and uniformity of specifications between parts and elements of domestic production and of foreign origin which must be integrated, the Quality Standards to be used for such control must be specified in the conditions of the bid.

Article 8. The foreign bidder whose offer may be given preference pursuant to Article 4 must guarantee the material, efficiency, production and quality of the final products of the entire integrated project.

To be recorded, communicated and published.

J. ALESSANDRI R.,
MANUEL PEREIRA Y.,

Minister of Economy, Development and Reconstruction.

What is transcribed is for your information.

Very truly yours,

CARLOS GREBE HERNÁNDEZ,
Undersecretary of Economy, Development and Reconstruction.

SCHEDULE B. CHILE

Circular No. 30 dated August 4, 1961, of the Ministers of Economy and the Treasury

(Unofficial translation from Spanish)

Bearing in mind:

(a) The need for avoiding in so far as possible the outflow of foreign exchange from the country;

(b) The advisability of stimulating the development of national industry, improving its competitive position with relation to foreign industry;

(c) The intentions of the Government of acquiring the greatest volume of national products without detrimentally affecting the consumer;

(d) The importance of progressively substituting imported products with those of national origin;

The Government has decided to give the following instructions to State Enterprises [Empresas del Estado] concerning the handling of bids:

(1) In the case where there exists domestic production of the article required, bids should be limited to domestic suppliers.

(2) In such bids all quotations should be requested on the basis of the normal conditions of payment utilized by the Enterprise for domestic purchases, but in no case may payment be extended beyond date of delivery of the merchandise.

(3) Whenever performance of the preceding clause brings about financial difficulties to the purchasing Enterprise, it should advise the Budget Division of its additional financing requirements.

(4) The Enterprise should place special emphasis on the requirements of quality that the material must meet, indicating them with the greatest preciseness at the time that bids are called for.

(5) At the same time that bids are called for, the Enterprise should take the necessary steps to determine the international market prices for similar articles. In determining the price of the imported article, there should be taken into account, in addition to freight, insurance and taxes and import and export duties, all the expenses, such as import deposits, which a private individual would incur if he himself had effected the operation.

(6) Should the cost of the domestic product prove to be greater than that of the imported product, calculated on the basis established in paragraph No. 5, the Enterprise should send the record to the Budget Division. This organization will advise as to the financial implications of the transaction, with special relation to paragraph 3 of this circular. The Budget Division will answer within a maximum of 10 days. In case that no answer is received within 10 days, the Enterprise will be free to request bids with the participation to foreign suppliers.

Should the Enterprise run into legal obstacles in the application of these instructions, it is requested that the Minister of Economy be advised concerning the particular point as soon as possible.

We communicate this to you with the certainty that it will be strictly observed by the Enterprise under your direction.

JULIO PHILIPPI,
Minister of Economy.

EDUARDO FIGUEROA,
Minister of the Treasury.

COLOMBIA

(Member of LAFTA)

Article 21 of the Fiscal Code establishes the general principle that contracts shall be awarded only through public tendering (licitación pública). Direct contracting with a selected firm is authorized, however, in a number of cases. The most important is when the Council of Ministers has approved a declaration of urgency to the effect that

there is insufficient time in the particular case to carry out the tendering procedure.

Various specific laws and decrees also permit deviation from the general principle. Decree No. 2880 of October 24, 1959 (Diario Oficial, November 10, 1959), relating to the National Supply Service, permits the use of private tendering (licitación privada) for the awarding of contracts which involve the procurement of goods or supplies for national defense or those which by virtue of their nature or the service for which they are intended are not appropriate for public tendering.

Also, Law No. 4 of September 30, 1964 (Diario Oficial, October 6, 1964), which relates to the awarding of public works contracts by the Nation, the Institutes, the decentralized public undertakings or establishments and other government and semi-government entities, authorizes public tendering to be dispensed with in the awarding of very small contracts (less than 200 pesos) and in cases of imminent paralyzation or suspension of, or damage to, a public service. Those circumstances must be verified, however, by a declaration of the Council of Ministers, if national works are involved, and otherwise by a "motivated" resolution of the entity concerned.

Under Colombian law and practice the contract is awarded to the person whose bid is most advantageous (más conveniente), which is not necessarily the one that is lowest in price. Law No. 4 of 1964 provides that the Government will regulate the form in which, in addition to the amount of the bid, there should be weighed the equitable distribution of work, the technical capability, experience, organization, economic responsibility and the equipment and facilities of each bidder, in order that those factors may be taken into account in the award.

Colombian public contract law is characterized by two unusual features: (1) all contracts exceeding 100,000 pesos (about \$8,000) are subject to review and revision by the Council of State and (2) the complete text of all contracts must be published in the official newspaper.

The basic discrimination in favor of domestic bidders and domestic products stems from Colombia's import policy, which is aimed not only at conserving foreign exchange but also at protecting domestic industries. The policy applies as a rule to all Government and semi-Government agencies as well as to the private sector of the economy.

Imports are classified in three lists: (1) free, (2) prior license, and (3) prohibited. So-called free imports are considered essential and may be imported without quantitative restriction. The prior license list includes a vast number of items which may be imported only upon the issuance of a license by the Superintendency of Imports. They include iron and steel products and most machines and equipment. Prohibited imports are those that are considered luxuries and nonessentials or those that are produced in Colombia and in quantities sufficient to meet demand.

As an example, a Government agency can obtain a license to import foreign steel for a construction project only if it obtains a certificate from the Government steel plant that the particular steel product is not produced by it or is produced by it in quantities insufficient to meet domestic demand.

Various laws and regulations specifically discriminate against foreign firms and foreign products. Thus, Article 14 of Law No. 4 of 1964 provides as follows (unofficial translation from Spanish):

"The construction industry and the engineering and architectural callings in all their branches are activities useful and nec-

essary for the economic development of the country, for which reason the State ought to stimulate and protect domestic natural and juridical persons devoted to them.

"The Government will regulate the form in which this protection and stimulus should be given and that which should be encompassed within the term 'domestic juridical persons' for those purposes."

Article 25 of Decree No. 2880 of October 24, 1959, requires persons who wish to enter into public supply contracts to be registered with the Supply Division of the National Supply Service and with the Ministries and Administrative Departments authorized to make special purchases. Registration requires compliance with the following prerequisites:

(1) Proof of registration in the Public Commercial Register (which, for a foreign corporation, entails almost the same formalities as the incorporation of a Colombian corporation);

(2) If a juridical person is involved, proof of its constitution, existence and legal representation; and

(3) Establishment of antecedents of good commercial reputation by means of a certificate of a bank or the National Federation of Distributors or the National Association of Manufacturers.

Upon being registered, the registrant, under the provisions of Article 26, must submit to the Supply Division and the Ministries and Administrative Departments price lists of the goods, or merchandise which it wishes to sell and must inform the same entities, in a permanent fashion, concerning variations in such prices. Compliance with the requirement is indispensable if the bids of the registrant are to be taken into account in any class of purchases.

Compliance with the foregoing requirements is obviously very difficult for any foreign corporation which has not already established a branch in Colombia and complied with the registration provisions.

Furthermore, Article 42 of the Fiscal Code provides that all contracts made by the Government in Colombia with foreign persons are subject to Colombian law and the jurisdiction of the Colombian courts and that such contracts must contain a clause stating that the foreigner subjects himself to the Colombian courts and laws and waives the right to make a diplomatic claim, except in case of denial of justice. Such a denial is not considered as existing if the remedies allowed by Colombia were available to the foreigner.

Principal sources

(1) Letter dated November 10, 1964, from the United States Embassy in Bogotá to Cravath, Swaine & Moore, New York.

(2) Vidal Perdomo, *Derecho Administrativo* [General Administrative Law] (Bogotá 1961).

(3) Sarria, *Derecho Administrativo* [Administrative Law] (4th ed., Bogotá, 1962).

(4) United States Department of Commerce, Colombia: A Market for U.S. Products (1964).

(5) United States Department of Commerce, Foreign Trade Regulations of Colombia, Overseas Business Reports, OBR No. 64-3 (January 1964).

MEXICO

(Member of LAFTA)

Article 134 of the Mexican Constitution provides as follows (unofficial translation from Spanish):

"All the contracts which it is necessary that the Government enter into for the execution of public works will be awarded by competitive bidding through notice in order that proposals may be submitted in sealed envelopes which will be opened in public."

In practice, however, open public tendering is used only infrequently, largely because

of the absence of adequate implementary legislation. Most contracts are awarded through private invitations for offers or by direct negotiation.

According to the U.S. Embassy in Mexico, there is a wide divergence among government agencies in the procedure for inviting bids, which, by virtue of the registration requirements described below, is almost never done by advertisement. Some agencies inform all registrants of a proposed contract or order. Others select only a few registrants and give them invitations to bid. In either case, once the bids have been received, the contracting authority is not required to accept the lowest bid.

Under the provisions of the Presidential Decree of January 13, 1959 (*Diario Oficial*, January 29, 1959), an unofficial translation from Spanish of which is attached hereto, all Mexican ministries and departments of state, decentralized federal entities and enterprises with state participation are required generally to acquire goods, equipment, materials and merchandise that are of Mexican origin and are permitted to acquire articles of foreign origin only in exceptional cases. Imports of foreign origin are permitted only in cases in which the material is unavailable in Mexico or is not available in sufficient quantity or satisfactory quality.

The Decree establishes a Committee on Government Imports composed of the Director General of the National Foreign Trade Bank as Chairman and representatives of four ministries and the Bank of Mexico for the purpose of screening all requests for imports by government agencies. Only those imports which are authorized by the Committee are permitted.

National credit institutions which extend financial assistance, either themselves or through guarantees of the Federal Government, to state and municipal governments which are intended for acquisition of goods of foreign origin are required by Article 11 of the Decree to prescribe as a condition precedent that the provisions of the Decree are satisfied.

Under the provisions of the Presidential Decree of April 27, 1962 (*Diario Oficial*, May 22, 1962), all natural and juridical persons which desire to enter into public works and supply contracts with the Federal Government, must register once a year in the Register of Contractors and Suppliers of the Federal Government maintained by the Department of National Property (*Secretaría del Patrimonio Nacional*).

In order to be registered, foreign corporations must obtain the authorization of the Department of Industry and Commerce after complying with the following requirements:

(1) Proof that they have been legally constituted according to their domestic laws.

(2) Proof that their Articles of Incorporation and other constitutive documents are not contrary to the precepts of public order established by Mexican laws.

(3) Registration in Mexico as a foreign corporation or the appointment of an agent in Mexico.

Foreign corporations must also comply with other requirements. For example, in an announcement issued in the Fall of 1963 by the Department of Public Works outlining procedures for qualifying for bidding for contracts for machinery and other equipment during the remainder of 1963 and 1964, the following requirements were specified:

(a) Registration in the Public Commercial Register of the City of Mexico (which entails compliance with the same requirements or those for registration in the Register of Contractors and Suppliers) as well as registration in the latter Register.

(b) Permission of the Secretary of Foreign Relations to operate in Mexico, in accordance with Article 33 of the Law of Nationality and Naturalization, which requires

an agreement by the corporation to consider itself as Mexican for the purposes of any contract awarded to it and an undertaking not to invoke the protection of its government in any dispute.

(c) Compliance with Mexican legal formalities for the appointment of any agent. To be effective the power of attorney must be legalized and stamped and recorded in the Public Commercial Register of the City of Mexico. If the agent is a foreigner, he must demonstrate his legal status in Mexico in accordance with the procedures established by the General Law of Population.

The situation is summarized in the following excerpt from a letter dated February 15, 1965, from the United States Embassy in Mexico:

"It is believed that the registry of the Secretariat of National Property consists exclusively of persons or companies resident in and/or organized under Mexican law. Foreign companies are represented on the list through local firms organized in accordance with Mexican law and domiciled in Mexico. No foreign companies domiciled outside Mexico are on the registry. Foreign firms wishing to be registered must apply through a Mexican firm (usually a subsidiary or affiliate) or buy into a local firm which is or can be registered.

"Having one's name on the registry merely permits a supplier or contractor to compete with other firms. Except where international contracting requires the receipt of competitive bids, the letting of contracts is usually handled on a restricted basis, with only domestic firms entering the bidding."

Principal sources

(1) Letter dated February 15, 1965, from the Commercial Officer, United States Embassy in Mexico, to Cravath, Swaine & Moore, New York.

(2) Foreign Service Despatch No. 684 dated January 27, 1959, from the United States Embassy in Mexico, entitled "Mexican Government Entities Required to Purchase Mexican Goods in Preference to Imports."

(3) Foreign Service Despatch No. 1104 dated May 19, 1959, from the United States Embassy in Mexico, entitled "Government Controls; Establishment of Register of Suppliers and Contractors to the Mexican Federal Government."

(4) Foreign Service Despatch No. 1157 dated May 29, 1959, from the United States Embassy in Mexico, entitled "Data Regarding Conditions and Requirements Confronting Foreign Contractors and/or Engineering Firms Desiring to Operate in Mexico."

(5) Foreign Service Despatch No. 952 dated February 29, 1960, from the United States Embassy in Mexico, entitled "Procurement Policies and Practices of Foreign Governments."

(6) Airgram No. A-430 dated October 8, 1963, from the United States Embassy in Mexico, entitled "Mexican Government Invitations to Bid—Procedures for Qualifying."

(7) United States Department of Commerce, Establishing a Business in Mexico, Overseas Business Reports, No. OBR 64-82 (July 1964).

(8) Gabino Fraga, *Derecho Administrativo* [Administrative Law] (9th ed., México, 1962).

(9) Marentes, *Contratos Administrativos* [Administrative Contracts] (México, 1962).

MEXICO

Decree of January 13, 1959, providing for the establishment of a Committee of Imports of the Public Sector

(*Diario Oficial*, January 29, 1959)

(Unofficial translation from Spanish)

THE EXECUTIVE,

DEPARTMENT OF THE INTERIOR.

Decree: for the establishment of a Committee on Imports of the Public Sector, which shall be in charge of resolving on the

exceptions for import or purchase in the country of articles of foreign origin which the Ministries and Departments of State, decentralized organizations and enterprises with State participation must make, in the discharge of their duties, of goods, equipment, materials and merchandise.

In the margin, a seal with the National Coat of Arms, which reads: Mexican United States. Presidency of the Republic.

To all Ministries and Departments of State:

Whereas purchases of articles of foreign origin made by the entities of the public sector have rapidly increased to the point where they represent a high proportion of the total imports of the country;

Acquisitions of domestic products by the State, the decentralized organizations and the enterprises with State participation must contribute to the stimulation of internal production and to the development of the domestic market;

The scattering of the purchases of the public sector and, in particular, the lack of uniformity in demand and supply vis-a-vis foreign countries limit the buying capacity and affect the negotiation possibilities of the country in foreign markets;

The absence of a mechanism which would permit an adequate channelling of imports of the public sector has to date prevented an adjustment of such purchases to the real needs and to the financial potential of the State;

In order to have acquisitions of the public sector stimulate to a larger extent the domestic production and keep them from exercising unjustified pressures on the trade balance, it is imperative to use flexible instruments which will contribute to a better use of available foreign exchange;

The strengthening of the domestic economy demands, not only the ever increasing cooperation by individuals, but the better organization and larger responsibility of the State:

I have seen fit to enact the following Decree:

1. In the discharge of their duties, the Ministries and Departments of State, decentralized organizations and enterprises with State participation must, in general, acquire goods, equipment, materials and merchandise produced in the country. Articles of foreign origin may be acquired only in exceptional cases, provided that the requisites established in this Decree and applicable both to direct imports and to internal purchases of articles of foreign origin are fulfilled.

2. In order to study and resolve on the exceptional cases referred to in Item 1, there shall be created a Committee on Imports of the Public Sector presided over by the Director General of the National Foreign Trade Bank and consisting also of a representative of each of the following entities: Ministry of Foreign Affairs, Ministry of Finance and Public Credit, Ministry of National Property, Ministry of Industry and Commerce and the Bank of Mexico, S.A.

3. The Ministries, Departments, decentralized organizations and enterprises with state participation must request from the Committee authorization for direct imports and local purchases of articles entirely of foreign origin, or of articles assembled, bottled or packaged in Mexico which, in the opinion of the Committee, contain a high proportion of foreign products.

Said information shall be submitted to the National Foreign Trade Bank and contain the following data:

(a) Amount of imports proposed to be made, including purchases to be made within the outside of the country of articles of foreign origin described under Item 3, as well as their volume or the number of units which it is proposed to import;

(b) Name and firm name of suppliers, indicating, where applicable, existing previous commercial transactions and the reasons for which a specified supplier is preferred;

(c) Technical and commercial specifications of the products;

(d) Chronological account of the dates of purchase, deliveries of the articles and their utilization;

(e) Unit prices of the products;

(f) Country or countries of origin of imported goods;

(g) Forms and terms of payment;

(h) Financing and sources of payment for the purchases;

(i) Proof, at the discretion of the Committee, for the effects of paragraph (e) of Item 4, that the articles which it is proposed to import are not produced in the country or are produced in a quantity which is insufficient, or a quality which is unsatisfactory, for supplying the national market;

(j) Reasons justifying the need for direct imports or purchases in the country of articles of foreign origin.

4. The Committee shall decide on the applications which are presented to it, taking into account, in addition to the requisites listed in the preceding item, the following:

(a) General trends of production, employment and prices in the country and abroad;

(b) Foreign trade trends and the commercial policy of the country;

(c) The balances of trade and payments;

(d) The possibilities of effecting offsetting barter or exchange transactions and the arrangements or measures of a commercial or financial character which the Federal Government may be projecting or negotiating with other countries;

(e) The potential production and supply, by domestic companies, of the articles which form the subject of the petition;

(f) The capacity for payment and financial situation of the Federal Government and of the public sector in general;

(g) The availability of assets in the possession of entities which form part of the public sector, as well as the possibility of a better use of said assets, especially where capital assets are involved;

(h) The productivity of the investments, their economic and social importance, and the degree of urgency of making the purchases for which authorization is requested.

5. For the purpose of facilitating as much as possible the supply with products of foreign origin to the department, decentralized organizations and enterprises with State participation, and so that the procedure established by this Decree may be as effective as it should be, import applications shall be decided according to the following system:

(a) The applications must be made on special forms which the Committee will approve for this purpose and which the National Foreign Trade Bank will distribute;

(b) The Committee shall make its decisions and shall notify the applicants thereof within 15 days, counting from the date on which the applications are submitted or, where applicable, from the time at which the respective file may have been duly completed, in the discretion of the Committee;

(c) The decisions of the Committee shall be made by a majority of votes. In case of tie, the Chairman will have the deciding vote;

(d) The Committee shall meet as frequently as it may deem convenient to fulfill its functions with the highest degree of efficiency, and shall establish the working procedures and operating rules that it may deem most expeditious and efficient;

(e) The Chairman of the Committee shall have the power to convoke the Committee as often as may be necessary and must propose the administrative organization and the rules and procedures required for effective compliance with this Decree.

6. Where imports included within the investment program of the public sector are involved, once the steps referred to in the previous articles have been concluded, the National Foreign Trade Bank must obtain from the Department of the Presidency a confirmation to the effect that said investment program has been approved.

In every case in which transactions involving the acquisition of foreign products are authorized, these transactions must be carried out through, and with the intervention of, the National Foreign Trade Bank, which shall be the only institution authorized to open and establish credits and to participate in the resulting financial arrangements.

7. The Ministry of Finance and Public Credit and, where applicable, the Ministry of National Property shall not authorize within their respective jurisdictions expenditures for the acquisition of goods which the Agencies of the Federal Executive or decentralized organizations or enterprises with State participation may acquire, if the requisites of this Decree have not been previously met.

The Ministries mentioned in the preceding paragraph as well as the Department of the Presidency must contribute, through the functions of planning, coordination and supervision legally vested in them, to the accomplishment of an application of this Decree to the fullest extent.

Customs offices shall not process any customs declaration for the import of goods acquired abroad until the interested agency submits to them proof, issued by the National Foreign Trade Bank, of the fact that such import has been authorized.

8. The national credit institutions shall make financings which they grant to the Federal Government, to decentralized organizations and enterprises with State participation, and to accredited individuals, or to associations and corporations of any kind formed by them, subject to the terms of this Decree, in so far as they may cause purchases of articles of foreign origin.

9. The Cabinet Ministers, Heads of Departments, counsellors, commissioners, directors, managers, officials and employees of the decentralized organizations, national credit institutions and other enterprises with State participation shall be directly responsible for non-compliance with the terms of this Decree, within their respective spheres of action.

The Committee concerned shall be informed of all cases of non-compliance referred to in the preceding paragraph, and shall propose to the President of the Republic the measures which it considers appropriate to ensure complete compliance with this Decree.

10. The preceding provisions shall be applicable also in the case of direct imports or purchases in the country of articles of foreign origin made by the Federal Government, decentralized organizations and enterprises with State participation within the free perimeters or zones.

11. In order that the National Credit Institutions may grant financings, either of their own or guaranteed by the Federal Government, to the Governments of the States and Municipalities, which are intended for the acquisition of goods of foreign origin, they must demand as a prior requisite that the rules established in this Decree are satisfied.

12. The National Foreign Trade Bank shall be in charge of the preparation and management of the budget of the Committee.

The annual budget of expenditures as well as any amendments thereto shall be submitted, after authorization by the Committee, for the approval of the Ministry of Finance and Public Credit, which shall propose to the President of the Republic the

form in which the expenses brought about by the application of this Decree shall be covered.

Done in the Palace of the Federal Executive, in Mexico, D.F., on January 13, 1959, The President of the Republic, Adolfo Lopez Mateos. [Here follow the signatures of fifteen Ministers and three Chiefs of Departments.]

PERU

(Member of LAFT and GATT)

Peru has no central procurement agency for government purchases, and the various government industries, agencies, and entities are generally free to purchase their own requirements. Competitive bidding is required where possible, but there are many exceptions.

The general regulations for bidding and contracts for public works were promulgated by Supreme Decree No. 36 of October 6, 1961. Article 4 provides for a Register of Public Works Contractors in which contractors are classified according to financial capacity. Registration entails compliance with numerous formalities and only those who are registered may submit bids for most public works contracts. All invitations for bids must be published in the Official Gazette ("El Peruano") and in other media. Contracts usually are awarded to the lowest bidder.

Article 55 of the Industrial Development Law (No. 13270 of November 30, 1959) contains the following preferential provisions (unofficial translation from Spanish):

"The Government, branches of the public administration, including quasi-governmental, municipal, and benevolent organizations, and any institution receiving financial support from the Government, may not buy foreign articles similar to those manufactured in the country. If domestic production is not sufficient, acquisition of imported articles will be in order, but only for the balance [required] which will be authorized in each case by the Bureau of Industries and Electricity [of the Ministry of Development and Public Works]."

Article 17 of the Peruvian Constitution of 1933 provides as follows (unofficial Pan American Union translation from Spanish):

"Art. 17. Commercial companies, national or foreign, are subject, without restrictions, to the laws of the Republic. In every state contract with foreigners, or in the concessions which grant them in the latter's favor, it must be expressly stated that they will submit to the laws and courts of the Republic and renounce all diplomatic claims."

Principal sources

(1) Letter dated February 10, 1965, from Dr. Luis Echecopar Rey, attorney of Lima, Peru, to Cravath, Swaine & Moore, New York.

(2) Letter dated November 12, 1964, from the American Republics Division, Bureau of International Commerce, United States Department of Commerce, to Cravath, Swaine & Moore, New York.

(3) United States Department of Commerce, Market for United States Products in Peru (July 1961).

(4) United States Department of Commerce, Establishing a Business in Peru, World Trade Information Service, Part 1, No. 62-78 (1962).

URUGUAY

(Member of LAFTA and GATT)

The basic Uruguayan law concerning the awarding of public contracts is Law No. 9,542 of December 31, 1935, as amended by Law No. 11,185 of December 20, 1948. The 1935 Law establishes public invitation for offers (licitación pública) as the basic method for the awarding of contracts by the Government and the autonomous entities and decentralized services relating to public works or the investment of funds (except where

the amount involved is small). If the contract does not relate to a public work or the investment of funds or if it falls within one of the special exceptions provided for by the Law, then the contracting authority may award the contract by direct negotiation.

The 1935 Law also recognizes the use in some cases of the restricted invitation for offers method (licitación restringida), in which invitations for tenders are issued only to selected firms.

In the case of both public and restricted tendering, the contracting authority has the duty of accepting the offer which it deems the most advantageous (más ventajosa), which is not necessarily the one which is lowest in price. Moreover, if all the offers are deemed unsuitable, the contracting authority can reject all of them and order a new invitation for offers.

Law No. 11,232 of January 8, 1949, specifically provides that in all public works the acquisition of all materials, apparatus, fixtures, installations, etc., and the procurement of services therefor shall be effected by means of a public invitation for offers, except as provided in the 1935 Law and with three further exceptions.

Article 374 of Law No. 13,032 of December 7, 1961 (Diario Oficial, December 22, 1961), contains the following preferential provision (unofficial translation from Spanish):

"In all tenders or direct purchases to be performed by the Executive Power, Departmental Governments, Autonomous Public Enterprises and the Decentralized Public Service Departments, preference shall be given to locally produced goods, products, machinery, equipment and articles, always provided that this procedure should not become unadvisable as a result of duly justified technical considerations or that their price does not exceed by more than 40% similar offers from foreign sources.

"The same procedure shall be followed in case that only part or parts of the locally produced goods, products, machinery, equipment or articles, offered by the bidders, were manufactured in the country. If this should occur, the tolerance in the price margin shall only be calculated on said part or parts.

"The protection accorded by this article is with regard to the surcharges which the Administration might impose on [imported] goods, products, machinery and articles, in use of the faculty granted to it under the Law of December 17, 1959."

Principal sources

(1) Sayagués, Enrique, Tratado de Derecho Administrativo [Treatise on Administrative Law] (Montevideo, 1953).

(2) Information supplied by the Bureau of International Commerce of the United States Department of Commerce.

VENEZUELA

Venezuela has no general statute governing public contracts and there is no central procurement agency. The various ministries and agencies and autonomous entities and establishments generally make their own purchases. Public bids tenders usually invited by advertisement for supplies and materials and for the execution of government works in accordance with the requirements of Article 427 of the Finance Law of March 17, 1961 (Gaceta Oficial, March 17, 1961). Article 427 exempts from those provisions contracts involving national defense, those relating to technical services and those not amounting to more than 10,000 bolívares (about \$2,200 at the free rate in January 1965).

Article 428 contains the following provision concerning the awarding of contracts (unofficial translation from Spanish):

"The award shall be made to the bid which offers bigger advantages [mayores ventajas], these conditions being stated in the record.

If it is determined that none of the bids fulfills the required conditions, the bidding shall be declared void."

The various ministries and agencies generally require that local manufacturers or dealers and agents of foreign suppliers who wish to qualify as bidders must first register. In order to be registered they must, among other things, establish that they are current in the payment of Venezuelan taxes and that financially and technically they are qualified to participate in government bidding.

Under the rules and regulations for bidding on government contracts for public works adopted by Resolution No. 623 of August 12, 1964, of the Ministry of Public Works (Gaceta Oficial, August 13, 1964), all contracts must be let through public bidding (licitación pública), except those amounting to not more than 1,000,000 bolívares (about \$220,000 at the free rate in January, 1965). Exceptions are also provided in the case of emergency works necessitated by public calamities, such as earthquakes and floods, and those involving state security or national defense, subject to the approval of the Cabinet. The Minister of Public Works is also authorized to dispense with the requirement of public bidding in situations which, according to his determination, affect the public or social interest.

Subject to the applicability of the other exceptions, if the amount of the contract is more than 200,000 bolívares (about \$44,000 at the free rate in January 1965) but less than 1,000,000 bolívares, it must be awarded by means of private bidding (concurso privado) with the participation of at least three firms enrolled in the Register of Public Works Contractors.

The rules and regulations provide for a Tender Commission (Comisión de Licitación) for each contract for the purpose of selecting eligible bidders from among those enrolled in the Register, the filing of bids, the selection of the successful bidder and the awarding of the contract. Provision is made for the rejection by the particular Commission of unqualified bids. Of the remaining bids, the contract must be awarded (Article 34) to the bid determined to be, all things considered, the most beneficial (más conveniente) to the interests of the Nation. Article 35 requires the Commission, in making that determination, to take into account not only the lowest price but also the experience, technical capability and economic status of the bidder, thereby permitting the exercise of considerable discretion and possible discrimination against foreign bidders.

Article 53 contains detailed provisions as to the prerequisites for enrollment in the Register of Public Works Contractors maintained by the Ministry.

Obstacles are placed in the way of foreign bidders not only by the prior registration requirements of the various ministries and agencies but also by the fact that all firms submitting bids on government contracts must be domiciled in Venezuela. In the case of foreign corporations, that requirement entails domiciliation under the provisions of Articles 354 through 358 of the Venezuelan Commercial Code. Those provisions require, among other things, the filing of certified copies of the articles of incorporation (or corresponding documents) and the by-laws of the foreign corporation and the translation into Spanish and publication of the articles of incorporation, as well as the appointment of a representative in Venezuela with full powers to act in Venezuela for the foreign corporation, except the power to dispose of the business of the corporation.

Accordingly, foreign corporations which are not already registered with a ministry or agency and are not domiciled in Venezuela are at a substantial disadvantage, particu-

larly if the period allowed for the submission of bids is relatively short.

The protection of existing national industry and the encouragement of new industries is the declared policy of the Venezuelan Government. In furtherance of that policy, the "Buy Venezuelan" Decree of January 9, 1959 (Decree No. 512, *Gaceta Oficial*, January 13, 1959), a copy of an unofficial translation from Spanish of which is attached hereto, requires all government departments and agencies and autonomous entities and establishments to purchase Venezuelan products, provided the domestic price is not over 25% greater than that of the imported product.

Principal sources

(1) Foreign Service Despatch No. 328 dated November 3, 1961, from the United States Embassy in Caracas, entitled "EXPORT: Government Tenders".

(2) Airgram No. A-171 dated September 18, 1964, from the United States Embassy in Caracas, entitled "Rules and Regulations for Bidding on Government Contracts for Public Work".

(3) Airgram No. A-217 dated October 7, 1964, from the United States Embassy in Caracas, entitled "Venezuelan Law Governing Bids on Government Contracts".

(4) Letter dated November 12, 1964, from Bureau of International Commerce, United States Department of Commerce, to Cravath, Swaine & Moore, New York.

(5) United States Department of Commerce, Venezuela: A Market for U.S. Products (1964).

VENEZUELA

Decree No. 512 of January 9, 1959

(*Gaceta Oficial*, January 13, 1959)

(Unofficial translation from Spanish)

The Government Junta of the Republic of Venezuela, in exercise of the authority conferred upon it by its Constitutive Act, in Council of Ministers,

Whereas one of the major obstacles for our industrial and economic development consists in the insufficient capacity of the internal market;

Whereas a large part of the national consumption is vested in the Public Administration; and

Whereas as part of the protection policy which the National Government has developed in favor of the production of the country, the adoption of measures to channel the purchases of the Public Administration towards the market of national products is necessary;

Decrees:

Article 1. The Public Administration shall not be allowed to acquire goods abroad at prices which, added to the corresponding duties which regular import causes, plus a surcharge up to 25 percent ad valorem, will be higher than, or equal to, the prices paid for similar articles or adequate substitutes in the internal market. Prices for the goods to which the article refers shall be determined in the corresponding port of entry into the country.

Article 2. Acquisitions of nationalized goods shall be subject to the provisions of the preceding article. In that case, only the surcharge provided for shall be applied to the price of said goods in the internal market.

Article 3. The Autonomous Official Institutes and Establishments of the Public Administration shall expressly be subject to the provisions of this Ordinance.

Article 4. The Industrial Council shall determine the goods to which this Decree shall be applied and the surcharges in each case.

Article 5. The provisions of this Decree shall not be applicable to cases in which the acquisition of goods produced abroad will be a particular necessity in the judgment of the Ministry of the branch in question. For

this purpose, the Ministry which may have ordered or authorized the acquisition must state to the office of the Controller of the Nation the reasons on which it bases its resolution.

Article 6. When inspecting ["Al fiscalizar"] the acquisition of goods pursuant to the Law, the Office of the Controller of the Nation shall apply the provisions contained herein.

Article 7. Decree number 131 dated May 20, 1949, is hereby repealed.

Article 8. This Decree shall become effective 120 days after its publication.

Palace of Miraflores, Caracas, the ninth of January of nineteen hundred fifty nine. The 149th Year of the Independence and 100th Year of the Federation.

The Government Junta,

EDGARD SANABRIA,

President.

CENTRAL AMERICAN COMMON MARKET (CACM)

The five Central American countries—Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua—are parties to a number of agreements which comprise or relate to the Central American Economic Integration Program. The two main agreements—the General Treaty of Central American Economic Integration signed on December 13, 1960, and the Multilateral Treaty on Free Trade and Central American Economic Integration signed on June 10, 1958—deal specifically with eliminating trade barriers within the group (the "common market" or CACM), and generally with the whole problem of economic integration.

Article XVI of the General Treaty contains the following provisions with regard to national treatment for construction enterprises (unofficial United Nations translation):

"The Contracting States shall grant national treatment to enterprises of other Signatory States engaged in the construction of roads, bridges, dams, irrigation systems, electrification, housing and other works intended to further the development of the Central American economic infrastructure."

Article III of the General Treaty contains the following provision with regard to national treatment of goods (unofficial United Nations translation):

"Goods originating in the territory of any of the Signatory States shall be accorded national treatment in all of them and shall be exempt from all quantitative or other restrictions or measures, except for such measures as may be legally applicable in the territories of the Contracting States for reasons of health, security or police control."

To encourage investment, the concept of "integrated industries" has been developed. Integrated industries are regulated by the Multilateral Agreement of June 10, 1958, which was validated by Article XVII of the General Treaty. An integrated industry is one that, even at minimum capacity, must have access to the entire Central American market in order to operate under reasonably competitive conditions. An integrated industry is granted a number of special incentives. Article VII provides in part that "the Government and other State bodies shall also give preference in their official imports to the products of the Central American integration industries."

Like LAFTA, CACM has an Executive Council consisting of a representative from each member country, and a permanent secretariat that carries out the administrative functions. The latter is under the direction of a Secretary General. Unlike LAFTA, the supreme authority of CACM is the Central American Council, consisting of the Ministers of Economy of the five member countries.

Principal sources

(1) Association of the Bar of the City of New York, Committee on Foreign Law,

Economic Integration in Latin America, 17 Record (Supplement, June 1962).

(2) Business International, Latin America's Merging Market: The Challenge of Economic Integration (New York, 1964).

(3) Duvall, Latin American Integration Developments, 9 International and Comparative Law Bulletin 34 (December 1964) (published by Section of International and Comparative Law, American Bar Association).

(4) Nattier, The Central American Program of Economic Integration, in Surrey and Shaw (eds.), A Lawyer's Guide to International Business Transactions (Philadelphia, 1963).

(5) Pincus, The Central American Common Market (U.S. Department of State, Agency for International Development, Washington, D.C., 1962).

(6) United Nations, Multilateral Economic Cooperation in Latin America, Vol. 1: Text and documents (1962).

AUSTRALIA—MEMBER OF GATT

Departments of the Commonwealth Government are required to purchase their supplies and equipment in accordance with the Treasury Regulations (Statutory Rules, 1942, No. 523, as amended by No. 32 of 1943, No. 3 of 1953, No. 9 of 1959, and No. 77 and No. 122 of 1961), which were issued under the provisions of the Audit Act, 1904-60. Article 52 of the regulations provides that, except in special circumstances, public tenders are required for all purchases within the Commonwealth exceeding LA500. Such tenders are normally open to suppliers both in Australia and overseas and are usually advertised in the Commonwealth Gazette and in the principal daily papers.

Preference is given to Australian manufacturers and products by the addition, for purposes of comparison, of duty to any price quoted by a foreign bidder, as if it were a normal commercial transaction, even though the Commonwealth does not pay duty. When the prices quoted by foreign bidders have been adjusted to take account of duty, all other things being equal, the lowest suitable tender is normally accepted.

The practice of discriminating in favor of Australian suppliers and products is part of the announced policy of the Government to offer protection under the customs tariff to economic and efficient local industries.

The Australian customs tariff has three columns—the British preferential tariff, the intermediate tariff, and the general tariff. Where different rates of duty are provided under the three columns of the tariff, the lowest rates are under the British preferential tariff. For the most part, it applies to imports from the United Kingdom and to certain specified imports from members of the Commonwealth and British colonies. The intermediate tariff provides for higher rates, which have been established for a large number of products, and applies to imports from countries accorded most-favored-nation status, including the United States. The general tariff, with still higher rates, applies to imports from the few remaining countries. As an example of the operation of the tariff, for most machine tools and machinery the intermediate rate applicable to imports from the United States is 55 percent, while the British preferential rate is at least 7½ percent lower.

Accordingly, the policy of the Government discriminates not only in favor of Australian suppliers and products but also in favor of suppliers and products of the United Kingdom and other members of the Commonwealth.

According to unofficial reports, the Government calls on Australian steel companies to supply all its steel requirements which are within the manufacturing range of such companies.

There are a number of Commonwealth public corporations owned by the Commonwealth the purchasing procedures of which are not usually subject to treasury regulations. Nevertheless, many of them follow the contract procedures of the Commonwealth Government and a number of them compare prices of foreign and local bids on a duty-paid basis, even when they are not required to pay duty.

The individual States have considerable authority in making their own purchases. They are reported to follow substantially the same policy as the Commonwealth Government.

The policy followed by Victoria, the second most populous State, is succinctly described in the following excerpt from a letter dated February 4, 1965, from the Secretary of the Premier's Department:

"I desire to refer to your letter of January 20, relative to the award of public supply and public works contracts in the State of Victoria, and to inform you that there is no specific form of preference applicable in this State.

"However, with the object of promoting local production and providing more employment in Victoria the Government has directed that wherever possible, preference is to be given by Victorian departments and instrumentalities to goods manufactured in Victoria.

"Likewise preference is to be given to goods manufactured in the Commonwealth of Australia over goods manufactured in the United Kingdom and other parts of the British Commonwealth.

"Preference is also to be given to goods manufactured in the United Kingdom and other parts of the British Commonwealth over those from other countries.

"So far as other local authorities are concerned such as municipal councils and water-works and sewerage trusts, etc., these are also bound to give some form of preference under the provisions of section 504 of the Local Government Act 1958, No. 6299, and section 4(1) of the Public Contracts Act 1958, No. 6347."

Section 504 of the Local Government Act, 1958, of Victoria (Act No. 6299) provides as follows:

"(1) In purchasing or obtaining any goods machinery or material for any municipality the Council thereof shall give effective and substantial preference to goods machinery or material manufactured or produced in the Commonwealth.

"(2) If goods machinery or material manufactured or produced in the Commonwealth cannot be purchased or can only be purchased in insufficient quantities or of a quality unsuitable for the work the Council shall give substantial and effective preference to goods machinery or material produced and manufactured in the United Kingdom as against those of foreign manufacture."

Section 4(1) of the Public Contracts Act, 1958, of Victoria, provides as follows:

"(1) All goods machinery or materials purchased to the amount of five hundred pounds or upwards at any one time by any local authority or by any contractor with the local authority for any works undertaken by or on behalf of the local authority shall be goods machinery or materials manufactured or produced in the Commonwealth unless the Minister first certifies in writing under his hand that he is satisfied that goods machinery or materials (as the case may be) manufactured or produced in the Commonwealth cannot be purchased or can only be purchased at an unreasonable price or within an unreasonable time or in insufficient quantities or of a quality unsuitable for the works."

PRINCIPAL SOURCES

1. Letter dated December 4, 1963, from the U.S. Embassy in Canberra to Cravath, Swaine & Moore, Paris.

2. Airgram No. A-195 dated September 6, 1963, from the U.S. Embassy in Canberra, entitled "Australian Government Policy on Bidding for Government Contracts."

3. Letter dated February 18, 1965, from the Director of Contracts, Contracts and Disposals Branch, Department of Supply, Canberra, to Cravath, Swaine & Moore, New York.

4. Letter dated February 17, 1965, from the First Assistant Secretary, Commonwealth Treasury, Canberra, to Cravath, Swaine & Moore, New York.

5. Letter dated February 5, 1965, from the Secretary, Premier's Department, State of Victoria, Melbourne, to Cravath, Swaine & Moore, New York.

6. U.S. Department of Commerce, "Report of the 1964 Trade Commission to Australia" (1964).

7. U.S. Department of Commerce, "Foreign Trade Regulations of Australia," Overseas Business Reports, No. OBR 63-129 (1963).

8. U.S. Department of Commerce, "Import Tariff System of Australia," Overseas Business Reports, No. OBR 62-43 (1962).

NEW ZEALAND—MEMBER OF GATT

The established policy in New Zealand is to give preference to domestic and Commonwealth bidders in the award of public supply contracts. The policy is not based on any specified law but is carried out administratively by the particular government department making the purchase.

The application of the policy is best described in the following excerpt from the letter dated December 4, 1964, cited *infra* from the New Zealand Government Stores Board:

"The Government Stores Board is responsible for the supervision and coordination of all Government supply work. However, most of the day-to-day buying, including by far the majority of items purchased direct from overseas, is conducted by the various Government agencies and departments themselves in accordance with rules and instructions issued by the board from time to time.

"The basic method of purchase is by written competitive tender although there are obvious exceptions to this in the case of items procurable from one source only, such as many items of spare parts and accessories. There is a distinct preference for purchase ex local merchants stocks but this of course is not practicable for many stores items used by Government and when direct import is warranted or necessary the general policy applicable is to invite tenders on a worldwide basis.

"Departments maintain indexes of suppliers for particular commodity groups and normally send invitations to all firms listed. These lists are culled periodically to remove the names of those suppliers who have not shown interest in tenders or who have failed consistently to meet specifications. In practice overseas manufacturers appear to rely heavily on local agents in New Zealand to keep them informed on tenders but departments also send copies of invitations to the trade missions and representatives of overseas countries domiciled in New Zealand and also to New Zealand Government trade representatives overseas.

"For comparative purposes all tenders are brought to a common basis by the addition of shipping charges and ocean freight and are then loaded with appropriate rates of duty prescribed by the New Zealand tariff. In normal circumstances the tariff is regarded as a true reflection of Government policy with regard to the various preferences accorded to British and most-favored nations and to

local manufacture. The board itself may however in certain cases direct purchase from a local source where this is deemed necessary in the light of current import policy."

New Zealand operates under a multicol-umn tariff in which three tariff rates exist—the British preferential, the most-favored-nation, and the general—plus special rates which apply to certain items imported from Australia, Canada, and South Africa that are not placed under the British preferential tariff. With those exceptions the British preferential rates apply to members of the Commonwealth and British colonies. The most favored nation, or intermediate rates, which have most established for a large number of items, apply to most other countries, including the United States. The still higher rates under the general tariff apply to the few remaining countries. It is estimated that the rate of duty for goods under the intermediate tariff is on the average 18 percent higher than the rate of duty under the British preferential tariff.

Accordingly, it is clear that the application of the above-described policy results in a substantial preference to domestic and Commonwealth bidders, since the Government does not, of course, actually pay any duty.

Bids for supply to Government departments operating as commercial enterprises, such as the railways department and the hydroelectric department, are on the basis of landed cost, including the customs duty which is paid by the particular enterprise. As a result, domestic and Commonwealth bidders also have an obvious advantage.

According to the commissioner of works, who is responsible for the execution of all Government works, no domestic or Commonwealth preferences are available in respect of contracts for building or engineering construction contracts. The usual method of awarding contracts is by public tender after advertisement, either locally or, in the case of exceptionally large works, through the press of all Commonwealth and certain other countries, including the United States. The most satisfactory tender in every respect is accepted and in general this is the lowest tender unless there are good and valid reasons to the contrary. Nevertheless, according to the U.S. Department of Commerce, domestic and Commonwealth bidders are accorded a preference of up to 10 percent.

PRINCIPAL SOURCES

1. Letter dated December 4, 1964, from the Government Stores Board, Wellington, New Zealand, to Cravath, Swaine & Moore, New York.

2. Letter dated December 15, 1964, from the Commissioner of Works, Ministry of Works, Wellington, New Zealand, to Cravath, Swaine & Moore, New York.

3. Letter dated November 19, 1964, from the senior New Zealand trade commissioner in the United States, Washington, D.C., to Cravath, Swaine & Moore, New York.

4. U.S. Department of Commerce, "Basic Data on the Economy of New Zealand," World Trade Information Service, part 1, No. 62-72 (1962).

5. U.S. Department of Commerce, "Foreign Trade Regulations of New Zealand," Overseas Business Reports, No. OBR 64-4 (1964).

6. U.S. Department of Commerce, "Selling to New Zealand: Report of the 1964 Trade Mission to New Zealand" (1964).

REPUBLIC OF SOUTH AFRICA—MEMBER OF GATT

The usual method of awarding Government contracts on all levels in the Republic of South Africa is competitive bidding on invitations for tenders published in official newspapers.

The largest share of Government procurement is carried out by the State Tender

Board of the Central Government. The provisions of State Tender Board regulations, a copy of the English version of which is attached hereto as Schedule A, govern the procedure for the procurement of supplies and services (including works) and the disposal of stores by the Government (excluding the South African Railways and Harbors Administration, the Provincial Administrations and the South West Africa Administration).

Invitations for tenders and the arrangement of contracts are centralized in the State buyer's office under the direction of the State buyer, who is also an ex officio deputy chairman of the State Tender Board. The functions of the latter include the definition of general procurement policy and the issuance of invitations for, and acceptance of, formal tenders.

With the exceptions specified in regulation 13, formal tenders must be invited where the estimated value exceeds 2,500 rands (R) (\$3,500). Tender notices are published only in the Republic in such manner as the board deems expedient.

Regulations 33 and 34 contain a number of preference provisions designed to implement the policy of the Government to encourage local industry to the maximum extent possible without disrupting the economy. The most important are those contained in regulation 34, which authorize the board to grant preferences to commodities produced, manufactured, or assembled within the Republic according to the percentage of local content, that is, the landed cost at factory in the Republic of that portion of the tender price which does not comprise components, parts, or materials which have been or are still to be imported by the tenderer or by his suppliers or subcontractors. The sliding scale of preference reaches a maximum of 10 percent, where the local content of the article exceeds 80 percent of the price.

In addition to the normal scale of preference, the board has discretion to introduce an additional scale of preference, inclusive of customs duty, of not to exceed 15 percent. For example, locally produced steel products have a local content exceeding 80 percent, and are, therefore, accorded a preference of 10 percent. Since the customs duty is 3 percent, the board may grant an additional preference of up to 12 percent (15 percent, less customs duty of 3 percent).

Moreover, the board is empowered to grant further preference over and above those preferences after consultation with, and on the recommendation of, the board of trade and industries.

Another provision of regulation 33 empowers the board to grant preferences to commodities produced in the Commonwealth by adding to the respective prices the customs duties ordinarily payable, even though not actually payable, since the commodities are destined for Government use. South Africa has a three-column tariff consisting of minimum, intermediate, and maximum rates. The minimum or preferential rate applies to specified items imported from the United Kingdom, Canada, Ireland, and other Commonwealth countries. The intermediate rate applies to most dutiable items imported from the United States.

The Department of the South African Railways and Harbors is also an important procurement factor. Its tender board regulations and instructions, a copy of selected excerpts from the English version of which is attached hereto as schedule B, are patterned after the regulations of the state tender board, and instructions 30 and 31 correspond generally to regulations 33 and 34 of the state tender board, with the same sliding scale of preferences.

The four provinces—Cape of Good Hope, Natal, Orange Free State, and Transvaal—conduct a considerable amount of procurement activity under the provisions of tender

regulations which correspond generally to those of the state tender board. Copies of selected excerpts from the English version of the regulations of the Cape of Good Hope, Natal, Orange Free State, and Transvaal are attached hereto as schedules C, D, E, and F, respectively. All four provide for preferences for articles manufactured in the Republic and the regulations of the latter two Provinces also provide for preferences for articles manufactured within the Province, "all things being equal."

PRINCIPAL SOURCES

1. Letter dated December 26, 1963, from the Acting Director, Africa Division, Bureau of International Commerce, U.S. Department of Commerce to Cravath, Swaine & Moore, Paris.

2. Airgram dated December 18, 1962, from the U.S. Embassy in Pretoria, entitled "State Tender Board Increases Preferences for Local Bidders."

3. U.S. Department of Commerce, "Basic Data on the Economy of the Republic of South Africa," Overseas Business Reports, No. OBR 63-3 (January 1963).

4. U.S. Department of Commerce, "Foreign Trade Regulations of the Republic of South Africa," Overseas Business Reports, No. OBR 64-92 (August 1964).

SCHEDULE A

REPUBLIC OF SOUTH AFRICA, STATE TENDER BOARD REGULATIONS, 1964

It is hereby notified that the Minister of Finance has, in terms of section 61 bis of the Exchequer and Audit Act, 1956 (Act No. 23 of 1956), made the regulations as contained in the schedule to this notice to provide for the appointment of the State tender board and the procedure for the procurement of supplies and services and the disposal of stores by the Government of the Republic of South Africa (excluding the South African Railways and Harbors Administration, the Provincial Administrations, and the South West Africa Administration).

Government Notice No. R. 171 of the 30th June, 1961, as amended by Government Notices Nos. R. 2022, dated the 7th December, 1962, R. 445, dated the 29th March, 1963, R. 859, dated the 14th June, 1963, R. 1503, dated the 27th September, 1963, R. 1775, dated the 15th November, 1963, and R. 421, dated the 20th March, 1964, is hereby withdrawn.

SCHEDULE

Definition of terms

1. In these regulations, unless the context otherwise indicates:

"Board" means the State tender board referred to in regulation 2;

"Chairman" means the Chairman of the State tender board;

"Current domestic value", in relation to supplies imported or to be imported into the Republic means the market price at which, at the time of tendering, such or similar supplies are freely offered for sale, for consumption in the territory from which exportation took place or is to take place, in the usual wholesale quantities in the ordinary course of trade to all purchasers in the principal markets of that territory, including the cost of packages ordinarily used in those markets plus the extra cost of packing and packages for export, carriage to the port of shipment or other place of final despatch in that territory, and all other expenses incidental to placing the supplies on board ship or vehicle at that port or place, ready for export to the Republic, but excluding excise duties or sales taxes imposed by the government of that territory.

"Due date and hour" means the date and hour specified in the tender form for the receipt of tenders.

"Formal tender" means a tender for purchases, services or sales the estimated value of which exceeds R2,500.

"General contract" means a contract entered into for the supply of commodities, the rendering of services or the disposal of Government stores over a specified period.

"Government" means the Government of the Republic of South Africa.

"Imported content" means the landed cost at factory in the Republic of South Africa, of that portion of the tender price which comprises components, parts or materials which have been or are still to be imported whether by the tenderer or by his suppliers or subcontractors.

"Informal tender" means a tender for purchases, services, or sales the estimated value of which does not exceed R2,500.

"Landed cost of factory" means the overseas costs plus direct importation costs such as freight, all landing charges, dock dues, import duties and the like at the South African port of entry as well as inward transportation and handling to factory in the Republic of South Africa where the supplies tendered for are manufactured or assembled.

"Local content" means that portion of the tender price which is not included in the definition "imported content."

"Minister" means the Minister of Finance.

"Republic" means the Republic of South Africa and includes the territory of south-west Africa.

"Secretary" means the Secretary to the Board referred to in subregulation (8) of regulation 2.

"State buyer" means the State buyer referred to in regulation 10.

"State buyer's office" means the State buyer's office referred to in regulation 10.

State tender board

2. (1) There shall be a State tender board, which shall consist of a chairman, a deputy chairman who shall be the State buyer, and not more than 14 other members and their alternates.

(2) Except as provided in subregulation (3), the other members and their alternates shall be appointed from persons who are officers or employees in the public service.

(3) One member and an alternate shall be appointed in respect of each of the following organizations from a list of nominations submitted by them to the Minister for the purpose:

(a) the Association of Chamber of Commerce of South Africa;

(b) the South African Federated Chamber of Industries;

(c) the Afrikaanse Handelsinstituut;

(d) the South African Agricultural Union.

And in addition one member and an alternate shall be appointed to represent the trade unions in the Republic.

(4) The chairman and the other members (excluding the deputy chairman) and their alternates shall be appointed by the Minister for such period as the Minister may determine in the case of the chairman and for a period of 3 years in the case of the other members and their alternates, and they shall be eligible for reappointment at the expiry of their respective terms of office: *Provided*, That the period of 3 years in respect of those members and their alternates referred to in subregulation (2) who are appointed as such prior to the 1st day of October 1963, shall be deemed to commence on that date.

(5) The deputy chairman shall act as chairman in the absence of the latter and the Minister shall appoint a member to act as chairman in the absence of both the chairman and the deputy chairman.

(6) In the absence at any particular meeting of the chairman, the deputy chairman and the member referred to in subregulation (5), the members present shall elect from amongst themselves a member to act as chairman at that meeting.

(7) In the absence of the State buyer the officer referred to in regulation 12 shall be co-opted as a member of the board.

(8) There shall be a secretary to the board appointed by the State buyer from the State buyer's office staff who shall keep full records of the meetings of the board and perform such other duties as may be assigned to him by these regulations or by the State buyer.

(9) The board shall meet at such intervals and on such special occasions as may be determined by the chairman or, in his absence, by the deputy chairman or, in the absence of both of them, by the member referred to in subregulation (5), and any meeting thus called may be adjourned or postponed by the chairman, the deputy chairman or the member, as the case may be.

3. In the event of equality of votes at a board meeting, the chairman shall have a casting vote as well as a deliberative vote. Five members shall form a quorum, but if only four members are available consideration of the business on hand may be proceeded with and in the latter case any decision arrived at unanimously shall be regarded as the decision of the board.

4. (1) Votes may be cast either at a meeting of the board or by individual members being circularized but in the latter case any member may demand that a meeting of the board be convened.

(2) A resolution taken by circularizing members shall be recorded in the minutes of the next board meeting.

(3) The number of members voting for or against any resolution shall be entered in the minutes if so decided by the meeting. Any member may demand that a record of his vote shall likewise be entered.

5. When a matter affecting a department or organization represented on the board is under consideration, the member representing such department or organization shall be considered as being present at the meeting in an advisory capacity only and shall not be entitled to vote on the matter under discussion.

6. (1) All discussions at board meetings and matters considered and decisions arrived at by the board shall be treated as confidential and shall not be disclosed by any member of the board or of the State buyer's office staff, without the prior consent of the board.

(2) Decisions of the board shall be communicated to those concerned by the chairman or State buyer.

7. Expert advice may be engaged by the board with the consent of the Treasury. Any Government official may be required by the board to give expert or technical advice.

8. The functions of the board shall be, *inter alia*—

(a) To define the general policy to be followed in the invitation and acceptance of tenders for supplies, services and sales and in the placing of orders;

(b) To invite and accept formal tenders;

(c) To decide for what supplies, services and sales common to more than one department general contracts shall be arranged;

(d) To insure that proper specifications and descriptions are prepared for all supplies, services and sales submitted to competition;

(e) To standardize requirements as far as possible by eliminating unnecessary articles and unnecessary grades and varieties of articles and to provide for the procurement of such articles as are best suited to the requirements of the Government;

(f) To insure that the conditions of contract for supplies, services and sales are framed on uniform lines and to provide adequate safeguards for due delivery, cancellation necessitated by breach of contract and any other matter in the interest of the Government;

(g) To deal with breaches of the conditions of tenders or contracts and to decide what action, if any, shall be taken against defaulters.

(h) To grant extension of contract delivery periods;

(i) To approve, *ex post facto*, of emergency purchases, services or sales by departments where the board is satisfied that the action of the department was in the best interests of the Government: *Provided*, That where the delay in taking timely action is due to negligence or where fruitless expenditure is involved, the matter shall be submitted by the department concerned to the Treasury for approval;

(j) To authorize departments to invite formal tenders;

(k) To dispense with the invitation of tenders or letter quotations when such action is considered to be in the interests of the Government; and

(l) To exercise such other powers or duties as may be conferred or imposed by these regulations.

9. (1) The board may, with the approval of the Minister, institute one or more committees of the board and may at its discretion delegate to any committee so instituted such of its powers and functions as may from time to time deem expedient.

(2) Any committee instituted in terms of subregulation (1) shall consist of the chairman, the deputy chairman, and at least two other members and the provisions of subregulations (5), (6), (7), (8), and (9) of regulation 2 and of regulations 3, 5, 6, and 7 shall apply *mutatis mutandis* in respect of any such committee.

State buyer and State buyer's office

10. (1) There shall be a State buyer's office under the direction of the State buyer.

(2) Subject to the provisions of regulation 13, the invitation of all tenders and the arrangement of contracts on behalf of the Government and all other matters incidental thereto shall be centralized in that office.

11. The functions of the State buyer shall be, *inter alia*—

(a) To authorize, where necessary, communication between departments and tenderers in order to elucidate doubtful points in tenders;

(b) To award contracts by the spin of a coin or by the drawing of lots in the case of equal tenders not in excess of the maximum amount laid down for an informal tender in these regulations;

(c) To dispense with the invitation of informal tenders when such action is considered to be in the interests of the Government, and to authorize the invitation of letter quotations or to make the best arrangements in terms of paragraph (a) of regulation 14;

(d) To authorize departments to invite informal tenders in terms of paragraph (b) of subregulation (2) of regulation 13;

(e) To grant authority in terms of the second proviso to paragraph (c) of subregulation (2) of regulation 13;

(f) To admit late tenders for consideration as offers in terms of subregulation (a) of regulation 31;

(g) To accord additional preference in terms of paragraph (a) of subregulation (2) of regulation 34 to tenders the value of which does not exceed the maximum amount laid down for an informal tender in these regulations;

(h) To authorize the placing of indents in terms of regulation 43;

(i) To enter into written contracts in terms of regulation 46;

(j) To vary the amount of the security to be provided in terms of regulation 47;

(k) To approve the cession of contracts in terms of regulation 48;

(l) To insure that contracts are properly executed;

(m) To determine in consultation with departments which supplies or services are best suited to the particular requirement;

(n) To exercise supervision over the sale of Government property by public auction subject to such directions as may be given by the Treasury; and

(o) To exercise such other powers or perform such duties as may be conferred or imposed upon him by the Minister or the board.

12. In the absence of the State buyer, a senior officer in the State buyer's office nominated for the purpose by the State buyer in consultation with the Treasury or failing such nomination, by the Treasury, shall perform the functions assigned to the State buyer in terms of regulation 11 and carry out the authorities delegated to the latter by the Minister or the board.

Tenders

13. (1) The procedure laid down in paragraphs (a), (b), and (c) of subregulation (2) shall govern the procurement of all supplies and services required by the Government or the disposal of Government stores, except—

(a) Where supplies are indented for in terms of regulation 43;

(b) Where tenders for items appearing on approved lists are invited in terms of regulation 44;

(c) Where authority for the disposal of stores by public auction or out of hand has been obtained from the Treasury; or

(d) Where authority has been given to dispense with the invitation of tenders or letter quotations in terms of regulation 14.

(2) (a) Where the estimated value exceeds the maximum amount laid down for an informal tender in these regulations, formal tenders shall be invited by the State buyer on behalf of the board, unless prior approval has been granted by the board for a department to invite such tenders.

(b) Where the estimated value does not exceed the maximum amount laid down for an informal tender, the State buyer shall invite informal tenders, unless prior approval has been granted by him for a department to invite such tenders.

(c) Where the estimated value does not exceed R100, tenders shall, where practicable, be invited locally: *Provided*, That tenders may be dispensed with if a department considers this course to be more advantageous or convenient in the interests of the Government: *Provided further*, That the State buyer may authorize an increase of the said amount from R100 to R250 in certain instances and at the request of departments which have obtained Treasury approval for such request.

(3) (a) The estimated value shall cover or include the total value of all items on a requisition or order and not the value of any individual item appearing thereon.

(b) A supply, service or sale shall not be subdivided in order to bring the estimated value within the limits of paragraph (b) or (c) of subregulation (2).

14. Where it is considered to be impracticable or not in the interests of the Government to invite tenders in terms of regulation 13, prior authority to dispense with such tenders and to invite one or more letter quotations or to make the best arrangements for the supply, service or sale shall be obtained from the state buyer, if the estimated value exceeds R100 (or R250 in terms of the second proviso to paragraph (c) of subregulation (2) of regulation 13) but does not exceed the maximum amount laid down for an informal tender:

(b) The board, if the estimated value exceeds the maximum amount laid down for an informal tender.

Informal tenders and letter quotations

15. (1) Subject to the provisions of paragraphs (b) and (c) of subregulation (2) of regulation 13, the state buyer shall invite informal tenders or letter quotations from likely tenderers.

(2) Informal tenders or letter quotations received shall be decided upon by the state buyer in cases where the total value of the tenders or quotations recommended for acceptance does not exceed the maximum laid down for an informal tender in these regulations and by the board in all other cases.

(3) The procedure hereinafter prescribed for formal tenders shall, have insofar as such procedure is inconsistent with the concept of informal tenders or letter quotations, also apply to informal tenders, and for the purposes of such application any reference in the regulations to the board shall be construed as a reference to the state buyer.

*Formal tenders**(1) Invitation of Tenders*

16. (1) Tenders shall be invited in the Republic only and shall indicate the place at and the latest date and hour up to which they will be received and give such further particulars as may be necessary.

(2) Tender notices shall be published in such manner as the board may deem expedient.

17. Departments shall not divulge information about their anticipated requirements nor shall any communication take place between departments and likely tenderers in regard to tenders invited by the state buyer without the prior consent of the latter.

18. (1) Where the contract necessitates the use of transport for its fulfillment, the successful tenderer shall, in cases where he does not own transport vehicles used solely for the purpose of his business, use South African Railways and Harbors Administration transport wherever available, but the services of public haulers as provided for in the Motor Carrier Transportation Act, 1930 (No. 39 of 1930), as amended, sea transport or parcel post may also be used.

(2) The successful tenderer shall also comply with the terms of any shipping freight agreement to which the Government is a party.

19. The use of trade names and reference to proprietary articles in tender forms shall be avoided as far as possible but where this is not possible, the words "similar or equal" shall be added to indicate the style, type, or quality of the article required.

20. (1) Samples supplied to prospective tenderers, shall be charged for at prices determined by the board.

(2) A nominal charge may be made for prints, specifications, and tender forms, which will be refunded in the event of the return of the documents so issued in the form of a bona fide tender, or if a bona fide tender is not submitted, within such period as may be specified in the tender form for the return of the documents.

21. (1) Samples in support of a tender shall be supplied by the tenderer at his own cost and risk. There shall be no obligation on the Government to keep or purchase such samples. Samples of value may be purchased by the Government at the tendered price, but if not so purchased, they shall be re-consigned to the tenderer at a place within the Republic at Government expense, but at the tenderers risk.

(2) Where samples are destroyed or damaged in the process of testing or examination the Government shall not accept liability for the cost of such samples unless so specified in the tender form and approved by the Treasury.

(3) Samples made up from materials supplied by the Government shall not be re-

turned to the tenderer, nor shall the Government accept any liability for the cost of such samples, unless so specified in the tender form and approved by the Treasury.

22. (1) The due dates of formal tenders shall be determined as follows:

(a) For supplies ex stocks held in the Republic or to be manufactured in the Republic from materials already in the Republic, not less than 21 days from the date of first publication; and

(b) In cases not covered by (a), not less than 30 days from date of first publication.

(2) The board may vary these periods in its discretion if circumstances make this expedient in the interests of the Government.

23. Unless otherwise directed by the board, tenderers shall be required to hold their offers good for 30 days from the due date of the tenders.

24. (1) Tenderers may tender for one or more items specified in the tender form.

(2) If it is necessary to accept a larger or a lesser quantity than called for against any item, the tenderer shall have the option of refusing acceptance.

25. When the date for the receipt of tenders falls on a Sunday or public holiday, tenders shall be received up to the stipulated hour on the following working day of the office of the State buyer.

26. Tenders invited by the board shall be addressed to the secretary of the State tender board and shall be submitted by the tenderer under sealed cover with the tender number, due date and name and address of the tenderer endorsed on the outside.

27. Tenders received open or without the endorsement on the cover referred to in regulation 26 shall, after the tender reference has been ascertained, be sealed and a note shall be made on the envelope indicating—

(a) The date and time of receipt;

(b) The relative tender number and due date; and

(c) The condition in which it was received.

28. Tenders received by telegraph on or before the due date and hour shall be admitted if the name of the tenderer, the tender number, the price against each item tendered for and the delivery period offered, are clearly stated therein: *Provided, That—*

(a) Such tender shall be confirmed on the prescribed official tender form or in any other bona fide manner; and

(b) Such confirmation shall be posted or delivered within 24 hours after the due date and hour of the tender.

(2) Opening of Tenders

29. As soon as practicable after the due date and hour for receiving tenders, the officials to whom that duty shall be assigned by the State buyer shall open in public all tenders duly received. If a member of the public so desires, the names of the tenderers shall be read out, but not the prices, unless the prior authority of the board has been obtained.

30. All tenders after being opened and listed by the officials to whom that duty has been assigned by the State Buyer, shall be forwarded to the State Buyer for consideration and, if deemed necessary, consultation with the department concerned.

31. Any tender arriving after the due date and hour for receiving it shall not be considered and, where practicable, shall be returned immediately to the tenderer unopened with an explanatory letter: *Provided, That—*

(a) If no tender has been received on or before the due date and hour, and a tender is received subsequently, the State buyer may in his discretion admit the late tender as an offer;

(b) If there is evidence that the tender should have, but for unavoidable reasons,

has not reached the secretary in time, such tender shall be submitted to the board at the first opportunity for a decision as to whether it should be admitted or not.

(3) Submission of Tenders to Board With Recommendations

32. (1) All tenders duly received or admitted in terms of these regulations shall be submitted, together with the recommendations of the State buyer, to the board for consideration but the board shall not be obliged to consider any tender which does not comply with the advertisement in response to which it is submitted.

(2) The board may, in its discretion, consider any tender received in response to a tender invitation although it does not comply with the conditions of tender.

(4) Preferences

33. (1) (a) Where tenders for good manufactured in the Republic and tenders for imported goods are compared, any preference to be accorded in terms of regulation 34 shall be deducted from the former, whilst to the latter (if not already allowed for in the tender) shall be added freight, insurance, duty, landing charges and railrage.

(b) Where tenders for imported goods only are being compared a preference of 1 percent shall be allowed on supplies offered from stocks already held in the Republic.

(c) Where tenders for imported goods only are to be compared there shall be added to the respective prices the customs dues ordinarily payable, in order that countries entitled thereto may receive the benefit of any customs preference, and there shall also be added any difference there may be in the ordinary freight charges from the different ports of shipment.

(d) Where tenders on an f.o.r. basis for goods manufactured in the Republic are to be compared, railrage to the point of delivery shall be added.

(2) Where transport is involved, calculations for purposes of comparison of prices shall be based on rates normally paid by the public.

34. (1) In the comparison of tenders for supplies produced, manufactured or assembled within the republic from imported and local materials, the following preferences shall be allowed:

(i) One percent if the local content in relation to the tender price is not in excess of 5 percent.

(ii) Two percent if the local content in relation to the tender price is more than 5 percent but not in excess of 10 percent.

(iii) Three percent if the local content in relation to the tender price is more than 10 percent but not in excess of 20 percent.

(iv) Four percent if the local content in relation to the tender price is more than 20 percent but not in excess of 30 percent.

(v) Five percent if the local content in relation to the tender price is more than 30 percent but not in excess of 40 percent.

(vi) Six percent if the local content in relation to the tender price is more than 40 percent but not in excess of 50 percent.

(vii) Seven percent if the local content in relation to the tender price is more than 50 percent but not in excess of 60 percent.

(viii) Eight percent if the local content in relation to the tender price is more than 60 percent but not in excess of 70 percent.

(ix) Nine percent if the local content in relation to the tender price is more than 70 percent but not in excess of 80 percent.

(x) Ten percent if the local content constitutes more than 80 percent of the tender price.

(2) In addition to the foregoing preferences the board may in its discretion accord—

(a) Additional preference, provided such additional preference together with the exist-

ing customs duty on the supplies concerned does not exceed 15 percent;

(b) Further additional preference after consultation with and on the recommendation of the board of trade and industries.

(3) (a) For the purpose of determining the degree of preference to be accorded to supplies produced, manufactured or assembled within the republic, tenders shall be requested to embody in their tenders a certificate showing the classification under which the supplies offered fall in terms of subregulation (1).

(b) The question of bona fide manufacture or assembly of supplies in the Republic and of current domestic value of imported supplies shall be considered when tenders are compared, and in case of doubt documentary evidence may be called for to substantiate any claims or statements made. Furthermore, any other steps may be taken, then or later, to verify the authenticity of claims and statements made.

(c) Where a contract has been awarded as a result of a preference claimed, the contractor shall, before final payment of the contract price is made to him, be required to furnish an affidavit to the effect that the claim for preference made in the certificate is correct and that the local content of the items supplied in execution of the contract is as classified in the certificate.

(d) Where the supplies tendered for originate from a country other than the Republic, the board may, in its discretion, require the tenderer to furnish the current domestic value of the supplies offered.

(e) Should the current domestic value of the supplies be greater than the price tendered, the board may, when considering the additional preference provided for in paragraph (a) of subregulation (2), draw a comparison between the current domestic value of such supplies plus freight and all other charges incidental to the transport of such supplies to and within the Republic, and the tendered price of the supplies produced, manufactured, or assembled in the Republic.

(4) The board may, in its discretion, exclude from the operation of this regulation such products as it may from time to time deem necessary or expedient to exclude.

(5) In addition to the foregoing preferences, such further preference as may be decided upon by the Minister from time to time shall be accorded to items bearing the mark of the South African Bureau of Standards.

35. (1) In case of equality after the provisions of regulations 33 and 34 have been applied, the order of preference in the award of contracts shall be as follows:

(a) Tenders for supplies entirely or mainly produced within the Republic;

(b) Tenders for supplies manufactured from raw or nonfabricated materials entirely or mainly imported;

(c) Tenders for supplies assembled in the Republic from components entirely or mainly imported;

(d) Tenders for supplies from imported stocks held in the Republic;

(e) Tenders from accredited agents for goods for import who are in position to give expert advice or service;

(f) Tenders from overseas firms (preference being given to firms having branches or agencies and carrying stocks in the Republic).

(2) All things still being equal, the award may be made in the following order:

(a) To cooperative societies;

(b) To tenderers quoting for delivery from points of dispatch nearest to the centers at which delivery is required;

(c) By the spin of a coin or the drawing of lots.

36. Notwithstanding the provisions of regulations 33, 34, and 35, articles of a perishable

nature shall, as far as practicable and in the interest of economy, be purchased at, or as near as possible to, the center where the supplies are required.

(5) Board's Decision

37. The board shall not necessarily accept the lowest or any tender, or assign any reason for the acceptance or rejection of any tender, and shall have the right to accept the whole or part of any tender or in the event of a number of items being tendered for, any item of a tender.

38. (1) Any decision of the board regarding the acceptance of tenders shall be final.

(2) If the state buyer does not agree with any decision of the board regarding any matter other than that referred to in subregulation (1), he may refer such decision for review to the treasury whose decision shall be final. The state buyer shall in such a case intimate to the board his intention to defer the execution of the board's decision pending the treasury's ruling.

(6) Notification of Acceptance of Tenders

39. Successful tenderers shall be promptly notified by the state buyer or the department of the acceptance of their tenders, and the unsuccessful tenderers shall be informed accordingly.

40. The acceptance of a tender may be notified to the tenderer by letter or by telegram or by placing an order and in such case the posting of such letter or order or the delivery of such telegram to the post office or telegraph office shall be regarded as notification of such acceptance to the tenderer.

(7) Information Which May Be Made Available

41. (1) After the acceptance of tenders, the tender documents shall not be made available to the public but the following information may on request be furnished by the State buyer:

(a) The names and addresses of all tenderers;

(b) The prices and bases of delivery quoted by all tenderers;

(c) The brands and the names of manufacturers, if available, in respect of the accepted tenders only; and

(d) Where applicable the percentage of preference claimed by the successful tenderer in terms of subregulation (1) of regulation 34 for supplies produced, manufactured or assembled in the Republic of South Africa.

(2) Where no tender has been accepted particulars of the tenders received shall not be made public.

(8) Amendments to Tenders

42. (1) If it is considered desirable to amend, alter or substitute samples, specifications, prints, or conditions after tenders are returnable and before acceptance has been notified, fresh tenders shall, if so directed by the board be invited. The board may, however, in its discretion and subject to the provisions of regulation 24 authorize an increase or decrease in the number of articles ordinarily involved without calling for fresh tenders when it considers that the interests of the Government will be best served thereby.

(2) When it is found necessary in the interests of the Government to alter the conditions after a tender has been accepted the board may, in its discretion, authorize the best arrangement practicable with the contractor, provided that if such arrangement is to the disadvantage of the Government, Treasury approval shall be obtained.

Indents

43. When prices quoted in a tender invited in terms of these regulations for supplies are considered to be excessive or when supplies cannot be obtained in the Republic, or through agents in the Republic, such sup-

plies may be indented for by the State buyer through the Republic's representatives abroad.

Lists of approved tenderers

44. (1) Where the board considers it advisable that tendering for specific articles or services should be limited to tenderers who comply with the requirements of subregulation (3) hereof, lists of approved tenderers for such specific items or services may be framed by the board.

(2) Before framing such a list, the board shall cause to have published in such manner as may be deemed expedient, a notice inviting manufacturers and others interested to submit applications on or before a stated date for inclusion in the list.

(3) After consultation with the Department of Labor and other departments concerned and other public bodies where considered necessary, the board shall include in the list of approved tenderers the names of such companies, firms, or persons as it considers suitable in all respects to undertake Government contracts.

(4) The board may at any time in like manner remove from an approved list the name of any company, firm, or person whom it considers to be no longer suitable in all respects to undertake Government contracts.

(5) The board may at any time after an approved list has been framed consider further applications for inclusion therein.

(6) The board shall publish from time to time in such manner as it may deem expedient lists of commodities and services in respect of which there are lists of approved tenderers.

(7) Tenders for items appearing on approved lists shall be invited only from the companies, firms, or persons whose names are included in the relative approved list.

(8) The names of the companies, firms, or persons appearing in the approved lists concerned may be made available on request.

Contracts, securities, and deliveries

45. General contracts may be entered into on any of the following bases:

(a) For a definite quantity which may not be varied without mutual consent;

(b) For an estimated quantity subject to an increase or decrease of 10 percent;

(c) For a maximum quantity where the minimum quantity ordered cannot be guaranteed but where the maximum quantity may not be exceeded without the consent of the contractor; or

(d) For a quantity not specified or an estimated quantity not guaranteed.

46. When the value of a supply, service, or sale exceeds R2,500 and is for other than immediate delivery of execution, security shall be provided and, unless otherwise directed by the board, a written contract shall be entered into with the contractor by the State buyer. Such contract shall be signed and administered on behalf of the department concerned by the State buyer or an officer appointed by him.

47. (1) When security is required to be provided by successful tenderers, it shall be preferably in the form of a guarantee by a bank or approved guarantee corporation or the deposit with the State buyer of cash or Government or approved municipal stock in negotiable form.

(2) The security shall represent 10 percent of the value of the contract unless otherwise decided by the State buyer.

48. The State buyer may authorize the cession of a contract after satisfying himself as to the sufficiency of the cessionary's security (if any is required).

49. Where imported supplies are to be inspected before shipment or where shipment is to be arranged by one of the Republic's representatives abroad, the successful tenderer shall request his principals to notify the Republic's representative abroad con-

cerned when consignments are available so that arrangements for inspection or shipment may be made.

50. Unless in special cases the board agrees to the contrary, the law of the Republic of South Africa shall govern the contract created by the acceptance of a tender and the tenderer shall choose a domicilium citandi et executandi at a place in the Republic to be specified by the tenderer in his tender at which all legal process may be served on the tenderer who shall agree to the jurisdiction of the courts of the Republic. A tenderer abroad shall also state in his tender the name of his accredited agent in the Republic duly appointed to sign the contract in case the tender is accepted and to act in all respects on behalf of the contractor.

51. (1) (a) Deliveries of suppliers shall be systematically inspected, sampled and tested by the purchasing department, institution or a testing house as directed by the board and shall not be accepted unless they comply with the specifications or approved samples or conform to the quality indicated in the contract.

(b) In the event of rejection the supplier shall be responsible for all costs and expenses incurred as a result of such rejection.

(c) The board may arrange for any additional inspections, analyses or tests considered necessary and any representative of the State buyer's office shall be afforded immediate access to any stores for inspection purposes on exhibiting a written authority from the State buyer.

(d) Results of inspections, analyses and tests and particulars of rejection shall be reported to the State buyer.

(2) The board or the State buyer may in their discretion authorize the acceptance of supplies not conforming strictly to the specification provided such acceptance is not to the disadvantage of the Government.

Penalties

52. (1) If a tenderer varies or withdraws his tender after the due date and hour but before he is notified of its acceptance or if a tenderer, when notified that his tender has been accepted—

(a) Notifies the State buyer of his inability to execute the contract in terms of his tender; or

(b) Fails within the period stipulated in the conditions of tender or such extended period as the State buyer may allow to sign a contract and to provide security in terms of regulation 46; or

(c) Fails to execute the contract; he shall forfeit any deposit which may have been required with the tender or pay the Government any additional expense incurred by its having to invite fresh tenders or to accept any less favorable tender or to make any less favorable arrangements: *Provided*, That the board may in its discretion waive or vary the enforcement of this subregulation as circumstances may warrant: *Provided further*, That where such waiver or variation is to the disadvantage of the Government or where the deposit forfeited is less than the additional expense incurred, Treasury approval shall be obtained.

(2) When the successful tenderer—

(a) Notifies the State buyer of his inability to execute the contract; or

(b) Fails within the period allowed to sign the contract or to provide the required security; or

(c) Fails to execute the contract; and it is not practicable within the available time to invite fresh tenders, the State buyer may negotiate for the acceptance of the next most acceptable tender and shall, after consultation, where necessary, with the department concerned, submit to the board for decision his recommendations either for the acceptance of such tender or, if no other tender is acceptable, for the making of such

other arrangements as he considers to be in the best interests of the Government.

(3) Where a contract has been awarded to a tenderer because of preferences claimed by him and allowed in terms of subregulation (1) of regulation 34, and it is subsequently shown to the satisfaction of the board that the preferences claimed were too high, the board may, in addition to any restrictions it may impose in terms of regulation 54, or any other remedy it may have—

(a) Recover from the contractor all costs, losses or damages incurred or sustained by the Government as a result of the award of the contract to him, and/or

(b) For good cause shown impose on the contractor a penalty not exceeding 5 percent of the value of the contract.

53. For the purpose of the application of the procedure prescribed in regulation 52, any reference to the board shall, insofar as it concerns contracts arising out of the invitation of informal tenders as defined in these regulations or letter quotations the value of which does not exceed the maximum laid down for informal tenders, be construed as a reference to the State buyer.

54. (1) If the board is satisfied that—

(a) The execution of a Government contract by a person, firm, or company has been unsatisfactory; or

(b) A person, firm, or company has offered, promised, or given a bribe or any other consideration to an official in the service of the Government in relation to the obtaining or the execution of a contract; or

(c) A person, firm, or company has acted fraudulently or in bad faith or in any other unsatisfactory manner in the obtaining or execution of any contract with the Government, any public body or company or firm or person, or has in the conduct of his or its business failed to observe statutory requirements resulting in a criminal conviction; or

(d) A person, firm, or company has varied or withdrawn his or its tender after the due date and hour but before he or it has been notified of its acceptance; or

(e) A person, firm, or company, when notified that his or its tender has been accepted, has notified the State buyer of his or its inability to execute the contract in terms of his or its tender or has failed to execute the contract or has failed within the period stipulated in the conditions of tender or such extended period as the State buyer may allow, to sign a contract or to provide security in terms of the tender form.

the board may in its discretion after consideration of all the circumstances resolve—

(1) Subject to the provisions of regulation 52 that the particular contract and any other contract held by the person, firm, or company be canceled; or

(ii) That no tender from that person, firm, or company shall be considered during such a period as it may decide.

(2) The board may, after further consideration, at any time rescind or vary a resolution passed by it relative to the restriction of tenderers.

(3) Any restriction relative to tendering imposed upon any person, firm, or company shall apply also to any other enterprise under the same or different name with which the person, firm, or company restricted is actively associated.

(4) For the purpose of this regulation the term person, firm, or company shall include an authorized employee or agent of such person, firm, or company.

(5) The board may, in its discretion, apply any decision of any other governmental tender board, including those of the South Africa Railways and Harbors, the provincial administrations, and the administration of South-West Africa relative to the restriction of tenders, to the person, firm, or company so restricted.

55. The State buyer shall inform State departments, the South African Railways and Harbors Tender Board, provincial administrations, the South-West Africa administration, and, where necessary, the Republic's representatives abroad of any resolution relative to the restriction of tenderers passed under regulation 54 and any rescission or variation thereof.

General

56. Whenever under these regulations any power is to be exercised or any duty is to be performed by a department or by the State buyer such power or duty shall be exercised or performed by the accounting officer of the department concerned or the State buyer as the case may be or by any officer delegated thereto by them.

57. The financial standing of tenderers and their ability to manufacture or supply shall be considered before acceptance of their tenders is recommended.

58. Without the express prior permission of the State buyer, no communication of any nature shall take place between any official of the Government or of a duly appointed testing house and a member of the public on a question affecting a tender during the period between the due date of tenders and the date of notification of the successful tenderer.

59. Nothing in these regulations shall be deemed to prohibit the purchase of stores by one department from another, and stocks surplus to the requirements of a department shall be offered to other departments and provincial administrations before being disposed of to the public.

60. In the event of a contract being placed for the supply of products of the Republic of South Africa the successful tenderer shall not be permitted to substitute imported products without the prior consent of the board.

61. Articles manufactured in the Republic, purchased by the Government, shall be marked by the supplier "Made in the Republic of South Africa" whenever practicable.

62. (1) When a tender or quotation for a supply or service to the Government is received from an official of the public service, this fact shall be specifically stated if the tender is recommended for acceptance. The acceptance of such tender shall be subject to Treasury approval.

(2) Unless otherwise prescribed, however, an official of the public service shall not be precluded from making purchases from the Government by tender, at auction sales or at tariffs prescribed for sales to members of the public.

63. If, in exceptional circumstances, the Treasury deems it expedient in the interest of the Government to depart from the provisions of these regulations, it may, after consultation with the chairman and the State buyer, authorize such departure and at the first meeting of the board held after such departure has been so authorized, the board shall be fully informed thereof.

64. The State buyer shall furnish the controller and auditor general with full particulars of all authorities granted and decisions taken under these regulations.

SCHEDULE B

SELECTED EXCERPTS FROM REGULATIONS AND INSTRUCTIONS OF THE SOUTH AFRICAN RAILWAYS AND HARBORS TENDER BOARD

REGULATIONS: GOVERNMENT NOTICE NO. R. 273 OF JULY 21, 1961, AS AMENDED BY NOTICE NO. 1481 OF SEPTEMBER 27, 1963

Under the powers vested in me by subsection (2) of section 2 of the Railway Board Act, 1916 (Act No. 17 of 1916), I, Barend Jacobus Schoeman, Minister of Transport of the Republic of South Africa, do hereby after consultation with the Railways and Harbors Board, make the following regulations with

regard to the composition, functions, powers, and duties of the South African Railways and Harbors Tender Board:

Definitions

1. In these regulations—

"Administration" means the railway administration according to the meaning assigned to that expression by section 2 of the Railway Board Act, 1916 (Act No. 17 of 1916);

"Board" means the South African Railways and Harbors Tender Board;

"Chairman" means the chairman of the South African Railways and Harbors Tender Board;

"General Manager" means the General Manager of the South African Railways and Harbors;

"Instructions" means the instructions issued in terms of regulation No. 29;

"Minister" means the Minister of Transport; and any expression to which a meaning is assigned in the Railways and Harbors Service Act, 1960 (Act No. 22 of 1960), or in the regulations framed thereunder shall, when used in these regulations, bear the meaning so assigned thereto.

Cancellation of previous regulations

2. The regulations governing the South African Railways and Harbors Tender Board published under Government Gazette No. 3998, dated July 16, 1948, are hereby cancelled and any action lawfully taken under any provision of the said regulations shall be deemed to have been taken under the corresponding provisions of these regulations.

Policy

3. It shall be the policy of the Administration to purchase its requirements, obtain its services and dispose of surplus stores with a maximum of economy and efficiency, due regard being had to the importance of encouraging industrial and commercial undertakings established in the Republic of South Africa.

Transactions which must be arranged by tender

4. Unless exemption has been obtained under these regulations or unless the supply, service or sale is being dealt with under the provisions of regulation Nos. 24, 25, 26 or 27, all services, supplies, purchases, sales or trading concessions shall be arranged through the medium of public tenders duly advertised in the Gazette and in such newspapers as the general manager may prescribe from time to time; provided that the general manager may in his discretion arrange, outside the scope of these regulations, for the following:

(a) The services of professional consultants;

(b) The erection of buildings under the house ownership scheme;

(c) The purchase and lease of immovable property;

(d) Authorization of tariffs for trading concessions, leases, rentals, hire charges, and prices to be charged for permanent way material sold for use in private sidings;

(e) The purchase of goods at auction sales;

(f) Advertising;

(g) The purchase of the products of sheltered employment factories under the control of the Department of Social Welfare;

(h) The disposal of surplus, dormant or obsolete aircraft spares.

Framing lists of approved tenderers for specified goods or services

5. Notwithstanding anything in regulation No. 4 contained, the general manager may in his discretion direct that tendering for specific articles or services or classes of articles or services for which there is a constant demand, shall be limited to tenderers, or to the products or services of tenderers,

who comply with the relevant requirements laid down from time to time in the instructions, and may frame lists of approved products or approved tenderers for specified articles, products or services. The invitation of tenders for such specified articles, products or services shall be confined to the tenderers or products appearing on the relevant list.

Constitution of board

6. There shall be a South African Railways and Harbors Tender Board, which shall consist of the following members who shall be appointed by the Minister for such period as he may determine:

(a) A chairman;

(b) A deputy chairman, who shall be one of the senior officers mentioned in paragraph (c) hereof whose office is located in Johannesburg;

(c) Six senior officers of the Administration, with alternates; and

(d) Four other members, of whom one shall be nominated by the Association of Chambers of Commerce of South Africa, one by the South African Federated Chamber of Industries, one by Die Afrikaanse Handelsinstituut, and one by the South African Bureau of Standards, with alternates.

When general manager dispenses with calling for tenders (value not exceeding R20,000)

24. (1) If the General Manager is satisfied that it would not be in the administration's interest to call for tenders for a service, or the sale of stores or materials, or for the supply of stores, when the need for the service, sale or supply is very urgent, or when there is only one source of supply, or when the stores or materials are in short supply, and the transaction is not one that can be dealt with in terms of Regulation No. 4, 5, 25, 26 or 27, the general manager may authorise the head of the department concerned to dispense with the procedure prescribed in respect of the invitation of tenders and to obtain instead one or more quotations, depending on the circumstances, and may—

(a) When the value of the service or of the stores or materials to be sold or supplied, does not exceed R20,000 give authority for such service, sale or supply to be arranged, after consideration and recommendation by the Board; provided that the General Manager may, in cases of urgency or in exceptional circumstances, give authority for such service, sale or supply to be arranged even though the matter has not been referred to the Board, provided the prior consent of the Minister has been obtained; and

(b) When the value of the service or of the stores or materials to be sold or supplied exceeds R20,000 give authority for such service, sale or supply to be arranged, subject to the prior consent of the Minister being obtained.

(2) Whenever in terms of the proviso to paragraph (a), or of paragraph (b) of sub-regulation (1), the general manager is required to obtain the consent of the minister before giving authority for a service, sale or supply to be arranged, he shall have power to act without such consent in any case where for good and sufficient reasons, he considers that the delay involved in obtaining the minister's consent will cause loss to the administration, provided that in every such case the Minister's confirmation shall be obtained at the earliest opportunity.

(3) In every case dealt with in terms of paragraph (b) of subregulation (1), the quotation or quotations, together with the recommendation of the head of the department concerned, shall, whenever practicable, and in any event whenever the general manager so directs, be submitted to the board for consideration and recommendation before any such quotation is submitted by the

general manager to the minister for his consent.

(4) Every case dealt with in terms of the proviso to paragraph (a) or of paragraph (b) of subregulation (1) (where the procedure prescribed in sub-regulation (3) has not been followed), shall be reported to the chairman for the information of the board at the earliest opportunity, and any subsequent variation of the terms and conditions of the contract entered into in any such case shall likewise be so reported at the earliest opportunity.

DELEGATION OF AUTHORITY

25. The general manager may grant to the chairman and to such officers of the administration as he may determine, such standing authority for inviting and accepting tenders, obtaining services and supplies and for the sale or the disposal of stores or materials as the general manager may from time to time prescribe after having obtained the recommendation of the board.

Proprietary articles

26. Subject to any standing authority granted under Regulation No. 25, every proposal to purchase any specified proprietary article or articles—

(a) Where the value of any one such article exceeds R400; or

(b) Where the aggregate value of all such articles covered by the proposal exceeds R400,

shall, unless it falls under the exceptions mentioned in Regulation No. 27, be referred to the chairman for submission to the board, together with a certificate that no other suitable article is available, and a statement from the head or sub-head of the department concerned as to whether or not the prices quoted are considered to be fair and reasonable. If the board recommends the purchase and the general manager approves thereof, the purchase may be effected.

Exceptions in respect of proprietary articles

27. Spare parts for proprietary makes of aircraft, vehicles, machines, and similar appliances, or requirements of proprietary drugs as specified by the sick fund, may be purchased by the officers thereto authorized only, without the prior concurrence of the board, and without limit as to the value, but all such purchases—

(a) Where the value of any one such article purchased exceeds R400; or

(b) Where the aggregate value of all such articles covered by the purchase exceeds R400;

shall be reported to the board at the earliest opportunity accompanied by a statement from the head or subhead of the department concerned as to whether or not the prices quoted are considered to be fair and reasonable.

No contact with tenderers without authority

28. In cases where tenders are returnable to the chairman, a tenderer may at any time communicate with the chairman on any matter relating to his tender, inquiry, quotation or offer, but, in the absence of written authority from the chairman, no communication on a question affecting a service, supply, sale or disposal which is the subject of a tender, inquiry, offer or quotation shall take place between a tenderer or other potential supplier and any member of the board or servant of the administration during the period between the closing date for the receipt of the tender and the date of the notification of the successful tenderer. Every such case of unauthorized communication shall forthwith be reported to the board. A tender in respect of which such communication has occurred, may be disqualified.

Instructions

29. These regulations shall be carried out and applied in conformity with such instructions as may be issued by the administration from time to time.

Law governing contract

30. The law of the Republic of South Africa shall govern the contract created by the acceptance of a tender, and the domicilium citandi et executandi shall be at a place in the Republic of South Africa to be specified by the tenderer in his tender, at which all legal process may be served on the tenderer who shall agree to submit to the jurisdiction of the courts of the Republic of South Africa. Oversea tenderers shall, therefore, state in their tender forms the name of their accredited agent in the Republic of South Africa who is empowered to sign any contract which may have to be entered into in the event of their tender being accepted, and to act on their behalf in all matters relating to the contract.

INSTRUCTIONS: GOVERNMENT NOTICE NO. R. 118 OF 1961, AS AMENDED BY NOTICE NO. 258 OF FEBRUARY 15, 1963, AND NOTICE NO. 1,000 OF JULY 3, 1964

The following instructions appertaining to purchases and sales by the administration are issued in terms of regulation No. 29 of the tender board regulations and are published for general information:

Indents placed overseas

9. When it is considered that the prices tendered from the sources of the Republic of South Africa will be or are too high for supply from local sources or from overseas through local representatives, or when acceptable tenders cannot be obtained in the Republic of South Africa, or the articles or services are not available in the Republic of South Africa, or the services, delivery, manufacturing or producing conditions are unsatisfactory, such supplies or services may, with the approval of the general manager, be placed on indent overseas or obtained from outside the Republic of South Africa.

(v) Preference

30. In order that a correct comparison may be made between tender prices, the following procedures shall be observed:

South African and overseas tenders

(a) (i) Where the comparison lies between tenders for supplies produced or manufactured within the Republic of South Africa and supplies from overseas, any preferences accorded in terms of instruction No. 31 shall be deducted from the former and rail-age at the departmental rate applicable shall be added from the point at which the supplies are tendered to the place where delivery is required, whilst to the latter shall be added freight, insurance, duty, landing charges, wharfage (if not allowed in the tender) and rail-age at the departmental rate from the port of entry to the place where delivery is required.

(ii) In the case of tenders for supplies manufactured within the Republic of South Africa the difference between rail-age at the public tariff, in respect of material used in the commodities produced by South African manufacturers and rail-age at the departmental rate from the point of supply or from the nearest port, to the point where the supplies are manufactured, shall be deducted.

(iii) In the case of supplies from overseas offered from stock, the preference accorded in terms of instruction No. 31 and rail-age at ordinary public rates from the nearest port to the place at which the supplies are tendered shall be deducted and rail-age at the departmental rate applicable shall be added from the nearest port to the place at which

the supplies are tendered and thence to the place where delivery is required.

Exception: If Lourenço Marques is the nearest port the rail-age adjustments must be made from Ressano Garcia.

Tenders for supplies from overseas

(b) Where a comparison has to be made between tenders for supplies from overseas there shall be added to the respective prices the customs dues ordinarily payable, in order that countries entitled thereto may receive the benefit of any customs preference, and in the case of f.a.s. or f.o.b. offers there shall be added also any difference there may be in the ordinary freight charges from the different ports of shipment.

Adjustment to current exchange rate

(c) For purposes of comparison in (a) and (b) hereof prices shall be adjusted, where necessary, to the current buying rate of exchange.

(d) Where a comparison has to be made between tenders for supplies produced or manufactured within the Republic of South Africa, the various preferences accorded in terms of instruction No. 31 shall be deducted from the respective tendered prices, and rail-age or other transport charges applicable to the point where the supplies are required by the administration shall be added at the rate determined by the administration.

31. (a) As the encouragement of local industries and commercial interests in the Republic of South Africa is the policy of the Government of the Republic of South Africa, departments shall, in comparing tenders received, allow the preferences set out in subparagraph (c) hereunder.

(b) In determining the "local content" of supplies for the purposes of paragraph (c) (iii), the following definitions shall be applied:

"Local content" means that portion of the tender price which is not included in the "imported content", as defined below.

"Imported content" means that portion of the tender price which represents the landed cost at factory (as defined below) in the Republic of South Africa, of components, parts or materials which are to be used in the manufacture, production or assembly of the supplies tendered for, and which have been or are still to be imported, whether by the tenderer or by his suppliers or sub-contractors.

"Landed cost at factory" means the overseas cost plus direct importation costs such as freight, all landing charges, dock dues, import duties and the like at the South African port of entry as well as inward transportation and handling to factory in the Republic of South Africa where the supplies tendered for are manufactured or assembled.

(c) The following rates of preference shall be allowed:

(i) One percent on imported supplies offered from stocks already held in the Republic of South Africa; this is applicable only when a comparison is being made with goods still to be imported.

(ii) One percent on supplies bearing the standardization mark of the South African Bureau of Standards; this is applicable only when comparing tenders for supplies manufactured in the Republic of South Africa.

(iii) (a) One percent if the local content in relation to the tender price is not in excess of 5 percent.

(b) Two percent if the local content in relation to the tender price is more than 5 percent but not in excess of 10 percent.

(c) Three percent if the local content in relation to the tender price is more than 10 percent but not in excess of 20 percent.

(d) Four percent if the local content in relation to the tender price is more than 20 percent but not in excess of 30 percent.

(e) Five percent if the local content in relation to the tender price is more than 30 percent but not in excess of 40 percent.

(f) Six percent if the local content in relation to the tender price is more than 40 percent but not in excess of 50 percent.

(g) Seven percent if the local content in relation to the tender price is more than 50 percent but not in excess of 60 percent.

(h) Eight percent if the local content in relation to the tender price is more than 60 percent but not in excess of 70 percent.

(i) Nine percent if the local content in relation to the tender price is more than 70 percent but not in excess of 80 percent.

(j) Ten percent if the local content constitutes more than 80 percent of the tender price.

Order of preference

32. In case of equality in price and quality after the provisions of Instructions Nos. 30 and 31 have been followed, the order of preference shall be as follows:

(a) South African manufacturers or merchants tendering supplies entirely or mainly produced within the Republic of South Africa.

(b) South African manufacturers or merchants tendering supplies manufactured from raw or nonfabricated materials entirely or mainly imported.

(c) Merchants tendering supplies from imported stocks held in the Republic of South Africa.

(d) Accredited agents for goods for import who are in a position to give expert advice or service.

(e) Oversea firms, preference being given to firms having branches or agencies and carrying stocks in the Republic of South Africa.

*(vii) Recommendations**Compliance with tender conditions*

43. Tenders not complying with the tender conditions may be taken into consideration if other tenderers are not prejudiced thereby and if it is considered to be in the administration's interest to do so, but otherwise they may be rejected. Qualified tenders may be regarded as not complying with tender conditions.

Checking and compilation of schedule

44. All documents must be carefully checked and must be dealt with by all concerned as expeditiously as possible. In order to provide a comparison all tenders for an item shall be reduced on a schedule to a common basis. Any charges to be added, and preferences to be deducted, in terms of Instructions Nos. 30 and 31 must be clearly indicated on the schedule.

Recommendations

45. The lowest or any tender shall not necessarily be recommended for acceptance. The acceptance of the whole or part of any tender, or in the event of a number of items being tendered for, any item or part thereof may be recommended.

Passing over lowest tender

46. Where a tender other than the lowest is recommended for acceptance, the recommending officer shall certify that the recommendation is made in the best interests of, and represents the best value to, the administration and shall give his reasons therefor.

Reasons for recommending tenders

47. The reasons for recommending tenders shall be clearly stated and when only one tender is received and recommended for acceptance, it shall be certified that the prices are fair and reasonable. In the latter case, if the article or service has been previously obtained the price paid on that occasion, the date of such transaction and the delivery conditions shall, where possible, be given for purposes of comparison.

Financial standing

48. A tender shall not be recommended for acceptance if the officer required to make the recommendation has any doubt, based on reasonable grounds, as to whether the tenderer is sufficiently experienced and equipped and is of sufficiently sound financial standing, to enable him to carry out satisfactorily any contract that may be awarded to him pursuant to his tender.

SCHEDULE C

PROVINCE OF THE CAPE OF GOOD HOPE—SELECTED EXCERPTS FROM TENDER REGULATIONS (PROVINCIAL NOTICE NO. 760 OF SEPTEMBER 18, 1953, AS AMENDED BY NOTICE NO. 665 OF NOVEMBER 22, 1957, AND NOTICE NO. 721 OF OCTOBER 14, 1960)

The Administrator has made the subjoined Tender Regulations for the Province of the Cape of Good Hope, which shall come into operation as from the January 1, 1954, as from which date the regulations published under Provincial Notice No. 585 dated August 15, 1952, as amended by Provincial Notice No. 627 dated August 22, 1952, and Provincial Notice No. 60 dated January 23, 1953, are hereby withdrawn.

Chapter I

Definition of Terms

1. In these regulations—
 "Administrator" means the Administrator personally unless otherwise provided in these regulations;
 "Provincial Secretary" shall include Deputy Provincial Secretary;
 "Provincial Hospital" means a hospital conducted, administered, and financed by the administration under the provisions of the hospitals ordinance No. 18 of 1946, as amended.

Method of Obtaining Supplies or Services, and of Disposal of Stores

2. All supplies and services required by the administration of the Cape of Good Hope and all sales of public stores shall be governed by these regulations.

The regulations in chapter II shall apply to all supplies and services and to all public stores, except—

(a) certain supplies and services for Provincial hospitals as specified in regulation 47 of chapter III, and

(b) certain provincial hospital stores as specified in regulation 65 of chapter III, which shall be governed by the provisions of chapter III.

Chapter II

Definition of Terms

6. In this chapter—

"Department" means a department, a subdepartment, a branch of a department, or an institution under the control of the Provincial administration;

"Formal tender" means a tender required to be submitted to the tender board;

"Head of department" means the head of a department, subdepartment or of an institution, to whom power has been delegated by the Provincial secretary to act under these regulations;

"Informal tender" means a tender submitted to and dealt with by the head of department without reference to the tender board.

Formal Tenders for Supply or Service

9. Except as otherwise provided for elsewhere in these regulations, formal tenders shall be invited for every supply or service required by the Provincial administration.

10. All invitations to tender shall be published in the Provincial Gazette and when deemed desirable shall also be advertised in the public press. They shall state to whom the tenders are to be addressed, the date and

hour up to which they will be received, the period for which they shall hold good, and shall contain full information stating where the necessary tender documents and all relevant particulars, including specifications can be obtained, and to whom samples should be sent.

The use of trade names and reference to proprietary articles in tender forms shall be avoided as far as possible, but where this is not possible the words "similar or equal" shall be added to indicate the style, type or quality of the article required.

All tenders shall be made receivable by the chairman of the tender board unless the Provincial secretary shall direct that in any specific case or class of cases they are to be received by some other official.

Immediately after an invitation to tender has been published in the Provincial Gazette, the department concerned shall furnish the chairman of the tender board (or other official by whom the tenders are receivable) with one copy of the relative notice as published in the Provincial Gazette, together with a complete set of the tender documents as issued to prospective tenderers.

In connection with tenders for supplies, tenderers must be requested to specify in detail on the tender form the following particulars:

(a) Whether manufactured locally from supplies entirely or mainly produced within the Union;

(b) Whether manufactured locally from raw materials entirely or mainly imported;

(c) Whether manufactured from imported stocks held in the Union, and if so, the country of origin;

(d) If to be imported, the country of origin.

It shall not be obligatory upon the board to consider any tender unless it complies with the advertisement in response to which it is submitted, and open or qualified tenders may be disregarded.

All tenders shall be subject to the understanding that the tenderer has fully acquainted himself with and undertakes to be bound by the terms of these regulations, and any amendment thereof, as published from time to time in the Provincial Gazette, and all tenders shall be received subject to this condition.

12. (1) All tenders after being opened by the chairman of the tender board or other officer duly authorized thereto shall, together with a copy of the list referred to in regulation 11, be forwarded to the head of the department concerned for scheduling and report and shall be returned by that officer to the chairman with such recommendations as he desires to make for the consideration of the board.

(2) The following shall, in every case, be attached to the tenders when forwarded to the chairman for the board's consideration:

(a) Three copies of the advertisement inviting tenders;

(b) Three copies of the relative specifications;

(c) A comparative schedule in triplicate of the tenders received, incorporating the following particulars in respect of each tender:

(i) Name and address of tenderer.

(ii) Description of article or service required.

(iii) Quantity required (where applicable).

(iv) Price (delivered, f.o.b., f.o.r., c.i.f., etc.).

(v) Name of tendered whose tender is recommended for acceptance, and reasons in support thereof.

(vi) Reasons for rejection of other tenders.

(d) A schedule in triplicate of the tender or tenders recommended for acceptance;

(e) A statement of the surety of nature of the security and the monetary value thereof that it is proposed to demand from the

successful tenderer against any default by him in carrying out his duties and obligations under the contract to be entered into between him and the Cape Provincial Administration.

(3) In the case of the documents referred to in subregulations 2(c), (d) and (e), the original shall be signed by the head of the department concerned or by such officer as may be duly authorized thereto.

(4) For comparative purposes the prices shown on the comparative schedule referred to in subregulation (2) (c) should be brought to a common basis by adding the charges or allowing the preferences, or both, as laid down in regulations 21 and 22. The charges so added and the preferences so allowed shall be clearly indicated in the comparative schedule.

(5) Where a recommendation is based on the fact of the tender being lowest for major requirements although higher for minor requirements, the total quantity of each article likely to be required shall be clearly indicated.

(6) When only one tender is received and is recommended for acceptance, it must be stated whether the rates are fair and reasonable.

(7) When no tenders are received in response to an invitation or when no tender can be recommended for acceptance the department concerned shall report to the tender board whether it recommends—

(a) Postponement of further action for the time being;

(b) Invitation of fresh tenders (formal or informal);

(c) Making the best arrangements for the supply, service or sale without calling for further tenders.

General

Comparison Between Tender Prices

21. When making a comparison, on the one hand, between tender prices of goods to be imported and, on the other hand, tender prices of goods manufactured or otherwise supplied in the Union of South Africa, there shall be added to the price of the goods to be imported freight, insurance, duty, landing charges and railage at rates which are normally paid by the public, and there shall be deducted from the price of the South African goods the preferences provided under regulation 22.

Preference on Locally Manufactured Supplies

22. As it is the Government's policy to encourage local industries and the commercial interests in the Union, departments shall, in comparing tenders received for supplies produced, manufactured or assembled within the Union, from imported and/or local materials, allow the following preferences:

(1) (a) Ten percent if less than 20 per cent of the tendered price constitutes the cost of imported components or materials.

(b) Seven and one-half percent if 20 to 45 percent of the tendered price constitutes the cost of imported components or materials.

(c) Five percent if 46 to 70 percent of the tendered price constitutes the cost of imported components or materials.

(d) Two and one-half percent if more than 70 percent of the tendered price constitutes the cost of imported components or materials.

(2) One percent on imported goods offered from stocks already held in the Union, applicable only when comparison is being made with goods to be imported.

In order to determine the degree of preference to be accorded to supplies produced, manufactured, or assembled within the Union, tenderers shall be required to embody in their tenders a certificate by a managing director or a responsible official of the firm, certifying the classification (a), (b), (c),

or (d) under which the cost of imported components or materials falls.

The question of bona fide manufacture or assembly of goods in the Union shall be carefully observed when tenders are compared, and in case of doubt the matter shall be referred to the board who may call for documentary evidence to substantiate any claims made.

The board may, in its discretion, exclude from operation of this paragraph such products as it may from time to time deem necessary.

PREFERENCE TO COOPERATIVE SOCIETIES AND COMPANIES AND ON GOODS BEARING THE STANDARD MARK OF THE SOUTH AFRICAN BUREAU OF STANDARDS

23. In comparing tenders, heads of departments and the tender board shall—

(a) In case where tenders are equal, give preference to tenders from cooperative societies or cooperative companies registered in terms of the cooperative Societies Act, 1939 (act No. 29 of 1939):

(b) Allow a 2½-percent preference to goods bearing the standard mark of the South African Bureau of Standards.

SCHEDULE D

PROVINCE OF NATAL: SELECTED EXCERPTS FROM RULES RELATING TO TENDERS AND QUOTATIONS (PROVINCIAL NOTICE NO. 368 OF SEPTEMBER 1, 1960, AS AMENDED BY NOTICE NO. 257 DATED JULY 5, 1962, AND NOTICE NO. 263 DATED JULY 11, 1963)

The administrator has been pleased to repeal the rules relating to tenders and contracts for the Natal Provincial administration, published under Provincial notice No. 51 of 1954, as amended, and to substitute the following:

1. In these rules—

"Administrator" means the administrator of the Province of Natal, acting on the advice and with the consent of the executive committee;

"Administration" means the Natal Provincial administration;

"Board" means the Natal Provincial tender advisory board constituted in terms of these rules;

"Current domestic value," in relation to supplies imported or to be imported into the Republic, means the market price at which, at the time of tendering such or similar supplies are freely offered for sale, for consumption in the territory from which exportation took place or is to take place, in the usual wholesale quantities in the ordinary course of trade to all purchasers in the principal markets of that territory, including the cost of packages ordinarily used in those markets plus the extra cost of packing and packages for export, carriage to the port of shipment or other place of final dispatch in that territory, and all other expenses incidental to placing the supplies on board ship or vehicle at that port or place, ready for export to the Republic, but excluding excise duties or sales taxes imposed by the Government of that territory;

"Imported content" means the landed costs at factory in the Republic of South Africa, of that portion of the tender price which comprises components, parts or materials which have been or are still to be imported whether by the tenderer or by his supplier or subcontractors;

"Landed cost at factory" means the overseas cost plus direct importation costs such as freight, all landing charges, dock dues, import duties, and the like at the South African port of entry as well as inward transportation and handling to factory in the Republic of South Africa where the supplies tendered for are manufactured or assembled;

"Local content" means that portion of the tender price which is not included in the definition "imported content";

"Tender" means a formal tender required to be submitted to the board in terms of these rules;

"Quotation" means an informal written tender dealt with without reference to the board.

3. (1) Subject to the provisions of the next succeeding rule and to rule No. 26—

(a) All stores, supplies and services, excluding oversea indents, the value of which can reasonably be anticipated to exceed £500 (R1,000) in the course of any financial year; and

(b) All public works or kindred services which can reasonably be anticipated to exceed £2,000 (R4,000) in value; shall be offered to tender.

7. If urgency or other sufficient reason renders it inexpedient in any specific instance to call for tenders or to dispose of property by tender or quotations or by public auction, the Administrator may authorize the waiver of the provisions of these rules.

8. Tenders shall be invited by notice in the Natal Provincial Gazette and by such advertisement in the press or otherwise as may be necessary.

14. (1) After the opening of tenders in terms of rule 11(2), the Secretary shall forward such tenders to the head of the department/branch by whom tenders have been invited, and after consideration the latter shall return the tender or tenders to the Secretary, together with any recommendation he may wish to make. The Secretary shall thereupon place such tenders before the board for its consideration.

(2) In considering such tenders, the board may, if it thinks fit, require the attendance of the head of the department/branch for which the tenders have been invited or of any technical departmental officers in connection with the consideration of the tenders.

(3) All things being equal, the award shall be by division where practicable or by the spin of a coin or the drawing of lots.

(4) After such consideration the board shall convey its recommendations to the administrator, who shall decide on the acceptance of tenders. If the administrator is not prepared to accept the tender recommended by the board, he shall not depart from such recommendation until such time as he has advised the board of his decision and his reasons therefor for further review by the board.

(5) In any case where the administrator finally accepts a tender other than that recommended by the board, he shall advise the tenderer recommended by the board that he is acting contrary to the board's recommendation.

15. (a) The board need not recommend nor need the administrator necessarily accept the lowest or any tender or assign any reason for the acceptance or rejection of any tender and shall have the right to accept the whole or part of any tender or, in the event of a number of items being tendered for, any item of a tender.

(b) If it is necessary to accept a larger or a lesser quantity than called for against any item, the tenderer shall have the option of refusing acceptance.

22. (1) With a view to the encouragement of local industries and the commercial interests of the Republic, departments shall, in the comparison of tenders for supplies produced, manufactured, or assembled within the Republic from imported and local materials, allow the following preferences:

(a) One percent on imported supplies offered from stocks already held in the Republic, applicable only when comparison is being made with supplies to be imported.

(b) (i) One percent if the local content in relation to the tender price is not in excess of 5 percent.

(ii) Two percent if the local content in relation to the tender price is more than 5 percent but not in excess of 10 percent.

(iii) Three percent if the local content in relation to the tender price is more than 10 percent but not in excess of 20 percent.

(iv) Four percent if the local content in relation to the tender price is more than 20 percent but not in excess of 30 percent.

(v) Five percent if the local content in relation to the tender price is more than 30 percent but not in excess of 40 percent.

(vi) Six percent if the local content in relation to the tender price is more than 40 percent but not in excess of 50 percent.

(vii) Seven percent if the local content in relation to the tender price is more than 50 percent but not in excess of 60 percent.

(viii) Eight percent if the local content in relation to the tender price is more than 60 percent but not in excess of 70 percent.

(ix) Nine percent if the local content in relation to the tender price is more than 70 percent but not in excess of 80 percent.

(x) Ten percent if the local content constitutes more than 80 percent of the tender price.

(xi) Two and one-half percent on goods bearing the standard mark of the South African Bureau of Standards.

(xii) Twenty percent on timber grown within the Republic when competing against imported timber.

The preference prescribed in subparagraph (xi) hereof shall be in addition to those prescribed in this subrule. The preference prescribed in subparagraph (xii) shall be in lieu of any other preferences prescribed in these rules.

(2) In addition to the foregoing preferences the administrator may in his discretion accord—

(a) Additional preference, provided such additional preference together with the existing customs duty on the supplies concerned does not exceed 15 percent.

(b) Further additional preference after consultation with and on the recommendation of the Board of Trade and Industries.

(3) (a) Where the supplies tendered for originate from a country other than the Republic, the administrator may, in his discretion, require the tenderer to furnish the current domestic value of the supplies offered.

(b) Should the current domestic value of the supplies be greater than the price tendered, the administrator may, when considering the additional preference provided for in paragraph (a) of subrule (2), draw a comparison between the current domestic value of such supplies plus freight and all other charges incidental to the transport of such supplies to and within the Republic and the tendered price of supplies produced, manufactured, or assembled in the Republic.

(4) Tenderers offering imported supplies may be requested to certify in an affidavit to the current domestic value of the supplies offered.

(5) For the purpose of determining the degree of preference to be accorded to supplies produced, manufactured, or assembled within the Republic, tenderers shall be requested to embody in their tenders an affidavit certifying to the classification under which the supplies offered fall in terms of subrule (1) and, for the purpose of subrule (2) the existing custom duties on the supplies concerned.

(6) The question of bona fide manufacture or assembly of supplies in the Republic and

of current domestic value of imported supplies shall be carefully considered when tenders are compared, and in case of doubt documentary evidence may be called for to substantiate any claims or statements made, and submitted to the board for consideration whose decision shall be final.

(7) The administrator in his discretion may from time to time exclude from the operation of this rule or any part of it such products as he may deem necessary.

23. (1) Where the competition lies between South African manufacturers or supplies and oversea tenders, any preference to be accorded in terms of rule 22 shall be deducted from the former, whilst to the latter (if not already allowed for in the tender) shall be added freight, insurance, duty, landing charges, and railage at rates which are normally paid by the public.

(2) Where the comparison lies between oversea tenderers only, there shall be added to the respective prices the Customs dues ordinarily payable, in order that countries entitled thereto may receive the benefit of any Customs preference, and there shall be added also any differences there may be in the ordinary freight charges from the different ports of shipment.

(3) Where the comparison lies between South African tenders only (f.o.r.), railage to the point of delivery shall be added at the rate normally paid by the public.

24. In case of equality after the provisions of rules Nos. 22 and 23 have been followed, the order of preference shall be as follows:

(1) South African manufacturers or merchants tendering supplies entirely or mainly produced within the Union.

(2) South African manufacturers or merchants tendering supplies manufactured from raw or nonfabricated materials entirely or mainly imported.

(3) Merchants tendering supplies from imported stocks held in the Union.

(4) Accredited agents for goods for import who are in a position to give expert advice or service.

(5) Oversea firms (preference being given to firms having branches or agencies and carrying stock in the Union).

SCHEDULE E

PROVINCE OF ORANGE FREE STATE PROVINCIAL TENDER BOARD REGULATIONS

ADMINISTRATORS' NOTICE NO. 157 OF 1949 AS AMENDED BY ADMINISTRATOR'S NOTICES NOS. 107 OF 1951 AND 112 OF 1958

Method of obtaining supplies or services and disposal of stores

1. The method of obtaining supplies or services required by the Provincial administration and all sales of public stores shall be governed by these regulations which shall not be varied or departed from except upon the authority of the administrator, through the Provincial secretary, who shall forthwith notify the Provincial Auditor stating the reasons for the departure from the ordinary procedure.

Public officers contravening these regulations will render themselves liable to surcharge.

It shall be competent for the Provincial secretary to arrange for Provincial requirements to be met under Union Government contracts, or through the high commissioner, London, or any other authorised foreign representative of the Union of South Africa, whenever deemed desirable, in which case the Provincial auditor shall be notified and supplied with details.

Definition of terms

2. In these regulations—

"Administrator" means the officer appointed under subsection (1) of section 68

of the South Africa Act of 1909 acting under the executive committee of the Province;

"Board" means the O.F.S. Provincial tender board;

"Department" means a department, branch, or an institution under the control of the O.F.S. Provincial administration;

"Formal tender" means a tender required to be submitted to the Tender Board;

"Informal tender" means a tender to be dealt with without reference to the Tender Board;

"Provincial secretary" shall include the assistant Provincial secretary;

"Manufacture" means bona fide workmanship and construction and not a putting together of pieces of manufactured articles or the making of additions.

Formal tenders for supplies or services

4. (a) Any supply or service the value of which can reasonably be anticipated to exceed £500 shall be put to formal public competition; provided that in the case of works or buildings estimated to cost not more than £1,000 the Provincial secretary may, in order to save delay that would result if formal tenders were called for, determine whether such tenders should be called for or not; provided further that with the approval of the Provincial secretary supplies of proprietary articles or services in connection therewith may be obtained on quotation without calling for tenders. Notwithstanding anything contained in these regulations the Administrator may decide that any service may be undertaken departmentally.

(b) With a view to limiting the number of contracts and in order to secure uniformity in respect of services of a similar nature tenders for the combined requirements of the various department should, as far as possible, be called for and as far as it is practicable they should be for the term of the financial year.

Tender notices

5. (a) In the case of formal tenders all invitations to tender shall be published in the O.F.S. Official Gazette. Such notice shall state clearly at what place, up to what day and at what hour tenders will be received and when deemed desirable notices may also be inserted in the Union Gazette and in the public press giving such further particulars as may be necessary.

(b) In connection with tenders for supplies tenderers must, if so requested, specify in detail on the tender form the following particulars:

(i) Whether manufactured locally from material entirely or mainly produced within the Union of South Africa;

(ii) Whether manufactured locally from raw materials entirely or mainly imported;

(iii) Whether manufactured from imported stocks held in the Union, and, if so, the country of origin;

(iv) The country of origin if the raw material or article is to be or has been imported.

(c) It shall not be obligatory upon the Board to consider any tender unless it complies with the notice of advertisement in response to which it is submitted.

(d) Open or qualified tenders may be disregarded.

(e) The notice inviting tenders shall indicate the period from the date and time of opening such tenders, for which tenders shall hold good; and unless the contrary be stated in any tender, all tenders received shall be valid for the period specified in the notice.

Department's recommendations

11. (a) All tenders after being opened shall be forwarded by the chairman of the tender board or, in case they were received by some

other officer appointed by him, by such officer to the head of the department or branch concerned for report and shall be returned by that officer with such recommendations as he desires to make to the Chairman for the consideration of the Board.

(b) In cases where sureties have been required the officer shall before making a recommendation ascertain and certify whether the sureties are satisfactory.

(c) Financial standing of tenderers and their ability to carry out the tenders must be considered before making recommendations.

12. The following documents shall in every case be attached to the tenders for submission to the Board:

(i) A copy of the advertisement inviting tenders;

(ii) A detailed comparative schedule of tenders received which should also contain:

(a) In the case of recurrent services or supplies rates and prices under existing contracts (if any);

(b) In the case of works the departmental estimates of the cost of the service where available;

(c) Any further information which may be of assistance to the Board in its determinations.

13. The reasons for recommending tenders shall be clearly stated in the remarks column of the comparative schedule and when only one tender is received and is recommended for acceptance, it shall be stated whether the rates are considered fair and reasonable. In cases where the tender recommended is the lowest for the majority of articles, or for those chiefly required, the acceptance thereof as a whole may be recommended, notwithstanding that it may not be the lowest, for all the articles, provided adequate reasons are advanced that the acceptance thereof as a whole will facilitate administration.

14. Where other than the lowest tender is recommended for acceptance the officer in charge of the department or branch concerned shall state that in his opinion the recommendations made are in the best interest of and represent the best value to the administration.

Preferences

15. (a) When considering tenders the country of origin of the articles tendered for shall be taken into consideration and the following preferences may be allowed:

(i) Twenty percent on timber grown within the Union of South Africa when competing against imported timber;

(ii) Ten percent on supplies produced or manufactured within the Union of South Africa from materials mainly or entirely produced in the Union;

(iii) Five percent on supplies manufactured within the Union of South Africa from materials entirely or mainly imported; and

(iv) One percent on imported goods offered from stocks held in the Union—applicable only when comparison is being made with goods to be imported.

(b) In case of equality after the provisions of regulations 15(a) have been applied, the order of preference shall be as follows:

(i) South African manufacturers or merchants tendering supplies entirely or mainly produced within the Union.

(ii) South African manufacturers or merchants tendering supplies manufactured from raw or nonfabricated materials entirely or mainly imported.

(iii) Merchants tendering supplies from imported stocks held in the Union.

(iv) Accredited agents for goods for import who are in a position to give expert advice or service.

(v) Oversea firms (preference being given to firms having branches or agencies and carrying stocks in the Union).

(c) All things being equal, preference may be given in respect of articles produced or manufactured within the Province of the Orange Free State.

(d) The question of bona fide manufacture shall be carefully observed when comparing prices, and in case of doubt the facts shall be reported to the administrator, whose decision shall be final.

SCHEDULE F

TRANSVAAL PROVINCIAL TENDER BOARD REGULATIONS

The administrator-in-executive committee has been pleased to approve the regulations for the Tender Board of the Province of Transvaal as set forth in the schedule hereto with effect from the date of publication of this notice.

The regulations published under Administrator's Notice No. 370, dated June 23, 1948, as amended from time to time, are hereby repealed.—T.A.S. 30/E/1.

PART I.—INTRODUCTION

Method of obtaining supplies or services and of disposal of stores by tender

1. The method of obtaining supplies or services required by the Provincial administration and all sales of public stores, shall be governed by these regulations which shall not be varied or departed from except under the authority of the administrator obtained through the Provincial secretary, who shall forthwith notify the Provincial auditor stating the reasons for departure from the ordinary procedure. It shall be competent for the Provincial secretary to arrange for Provincial requirements to be met under Central Government contracts, through the South African Embassy, London, any South African legation, or other authorized representative of the Republic of South Africa, whenever deemed desirable, in which case the Provincial auditor shall be notified and supplied with copies as the case may be of—

(a) Relative State tender board contracts; or

(b) Advices received in respect of external purchases.

Definitions

3. In these regulations—

"Administrator" means the officer appointed under the provisions of section 36 of the Republic of South Africa Constitution Act of 1961 (act No. 32 of 1961) acting on the advice and with the consent of the executive committee of the Province;

"Formal tender" means a tender required to be submitted to the board.

"Informal tender" means a tender dealt with without reference to the board;

"Provincial secretary" shall include the deputy Provincial secretary, or any other officer to whom authority has been delegated;

"Manufacture" means bona fide workmanship and construction and not a putting together of pieces of manufactured articles or the making of additions to such articles;

"Board" means the Transvaal Provincial Tender Board;

"Branch" includes section, institution, or other subdivision of the Transvaal Provincial administration;

"Officer" means an official of the Transvaal Provincial administration or of the Government of the Republic of South Africa;

"Head of branch" the officer at the head of a branch or other officer to whom the head has delegated authority.

PART II.—FORMAL TENDERS

Tenders for supply or service

4. (a) Any supply or service including works and buildings the value of which during the ensuing 12 months can reasonably be expected to exceed R2,500 shall, where such

supply or service is not provided for in existing contracts, be put to formal public competition.

(b) Supplies of proprietary articles or services may with the approval of the Provincial secretary be obtained from the sole agent on quotation without calling for tenders.

(c) Whenever it becomes necessary to call for tenders for any supply or service under regulation 4(a) hereof the head of the branch concerned shall write to the chairman of the board giving particulars of the supply or service required. Thereafter no variation in or additions to such particulars shall be communicated to individual tenderers without the prior consent of the board.

Tender notices

5. (a) All invitations to tender shall be published in the Transvaal Provincial Gazette, such notice to state clearly at what place and up to what day and hour tenders will be received. When deemed desirable relevant notices may also be inserted in the Government Gazette and in the public press.

(b) In connection with tenders for supplies tenderers must be requested to specify in detail on the tender form the following particulars:

(i) Whether manufactured locally from material entirely or mainly produced within the Republic of South Africa.

(ii) Whether manufactured locally from raw materials entirely or mainly imported.

(iii) Whether manufactured from imported stocks held in the Republic, and, if so, the country of origin.

(iv) The country of origin if the raw material or article is to be or has been imported.

(c) The notice inviting tenders shall indicate the period calculated from the date and time of opening such tenders, for which tenders shall hold good. Unless the contrary be stated in any tender, all tenders received shall be valid for the period specified in the notice.

(d) All tenders shall be subject to the understanding that the tenderer has fully acquainted himself with and undertakes to be fully bound by the terms of these regulations and any amendment thereof and all tenders shall be received subject to this condition.

Recommendations by branch

11. (a) All tenders received by the chairman of the board shall, after being opened, be forwarded to the head of the branch concerned for report and return with recommendations to the board for consideration.

(b) When making recommendations in terms of subsection (a) of this regulation the financial standing of tenderers and their ability to manufacture or supply shall be taken into consideration.

12. (a) The following documents shall in every case be attached to the tenders before they are returned to the board:

(i) A copy of the advertisement inviting tenders.

(ii) A comparative schedule of the tenders received showing the rates of the existing contract if any, and those of the tender or tenders submitted.

(iii) A schedule in triplicate of the tender or tenders recommended for consideration by the board.

(b) The reasons for recommending tenders should be clearly stated in the remarks column of the comparative schedule. Reasons, together with an indication, if possible, of the total quantity of each article likely to be required should be given in cases where the recommendation is based on the fact of a tender or tenders being lowest for the articles chiefly required although higher than others for those of less importance.

(c) Where other than the lowest tender is recommended for acceptance the head of

the branch concerned shall certify that the recommendations made are in the best interest of and represent the best value to the administration.

(d) When only one tender is received and recommended for acceptance it should be stated whether the rates are fair and reasonable.

(e) In recommending tenders the probable annual consumption of articles should be taken into consideration and shown on the comparative schedule.

Comparison between tender prices

13. To enable a correct comparison to be made between tender prices, the following procedure shall be observed:

(a) Where the comparison lies between tenders for South African and imported manufactures or supplies any preference to be accorded in terms of regulation 14 shall be deducted from the former, whilst to the latter (if not already allowed for in the tender) shall be added freight, insurance, import duty, landing charges and rillage, at rates which are normally paid by the public.

(b) Where the comparison lies between overseas tenders, there shall be added to the respective prices the customs dues ordinarily payable, in order that countries entitled thereto may receive the benefit of any customs preference and there shall be added also any difference there may be in the ordinary freight charges from the different ports of shipment.

Preferences

14. (a) The following preferences shall be allowed when considering tenders received:

(i) Two and one-half percent on South African manufactured goods bearing the mark of the South African Bureau of Standards, when competing with other South African manufactured goods not bearing such mark, the preference being calculated on the tender price of the former and being additional to any preference allowed under (iii) hereof;

(ii) One percent on imported goods, offered from stocks already held in the Republic, applicable only when comparison is being made with corresponding goods to be imported; and

(iii) In the case of all offers received for supplies which are produced, manufactured or assembled wholly or partly in the Republic, the following preferences shall apply:

(A) One percent if the local content in relation to the tender price is not in excess of 5 percent.

(B) Two percent if the local content in relation to the tender price is more than 5 percent but not in excess of 10 percent.

(C) Three percent if the local content in relation to the tender price is more than 10 percent but not in excess of 20 percent.

(D) Four percent if the local content in relation to the tender price is more than 20 percent but not in excess of 30 percent.

(E) Five percent if the local content in relation to the tender price is more than 30 percent but not in excess of 40 percent.

(F) Six percent if the local content in relation to the tender price is more than 40 percent but not in excess of 50 percent.

(G) Seven percent if the local content in relation to the tender price is more than 50 percent but not in excess of 60 percent.

(H) Eight percent if the local content in relation to the tender price is more than 60 percent but not in excess of 70 percent.

(J) Nine percent if the local content in relation to the tender price is more than 70 percent but not in excess of 80 percent.

(K) Ten percent if the local content constitutes more than 80 percent of the tender price.

"Local content" means that portion of the tender price which is not included in the definition "imported content."

"Imported content" means the landed cost at factory in the Republic of South Africa, of that portion of the tender price which comprises components, parts, or materials which have been or are still to be imported whether by the tenderer or by his suppliers or subcontractors.

"Landed cost at factory" means the overseas cost plus direct importation costs such as freight, all landing charges, dock dues, import duties, and the like at the South African port of entry as well as inward transportation and handling to factory in the Republic of South Africa where the supplies tendered for are manufactured or assembled.

The board may, in its discretion, exclude from the operation of the foregoing provisions of this paragraph such products as it may from time to time deem necessary.

Any tenderer claiming preference for goods produced, manufactured or assembled wholly or partly in South Africa shall certify what percentage of preference he is entitled to and furnish an assurance to the effect that costs have been fully and carefully investigated by him and that to the best of his knowledge, belief, and experience the rate of preference claimed is correct and in accordance with what the actual "local content" will be. The administration, however, reserves the right at any time, at its discretion, to demand a sworn statement confirming any such claim and to call for supporting documentary evidence.

Any successful tenderer who has claimed preference shall undertake to report and explain the position immediately to the head of the Provincial department or branch concerned should circumstances arise which cause the percentage of actual local content to become lower than certified in the preference claim form.

(b) In case of equality after the provisions of regulations 13 and 14(a) have been applied, the order of preference shall be as follows:

(i) South African manufacturers or merchants tendering supplies entirely or mainly produced within the Republic.

(ii) South African manufacturers or merchants tendering supplies manufactured from raw or nonfabricated materials entirely or mainly imported.

(iii) Merchants tendering supplies from imported stocks held in the Republic.

(iv) Accredited agents for goods for import who are in a position to give expert advice or service.

(v) Oversea firms (preference being given to firms having branches or agencies and carrying stocks in the Republic.

(c) All things being equal, preference will be considered in respect of articles manufactured within the Province of the Transvaal.

(d) The question of bona fide manufacture shall be carefully observed when comparing prices, and in case of doubt the facts shall be reported to the administrator, whose decision shall be final.

Recommendations by board

15. (a) (i) It shall not be obligatory upon the board to consider any tender unless it complies with the advertisement in response to which it is submitted.

(ii) No tender will be considered where alterations have been made on the tender form unless such alterations are duly authenticated by the tenderer or if any material particulars required therein are not complete in every respect: *Provided*, That the board may in its discretion in any particular case dispense with the requirements of this regulation if it is satisfied that there is reasonable cause for such dispensation and that the interests of any person will not be prejudiced thereby.

(iii) Qualified tenders may be disregarded.

(b) The board shall not necessarily recommend the acceptance of the lowest or any tender and may recommend the acceptance

of the whole or part of any tender, or in the event of a number of items being tendered for, any item of a tender.

(c) The reasons for the board's decision in recommending the acceptance of a tender other than the lowest tender shall be communicated to the administrator through the Provincial secretary.

(d) The board shall after consideration forward all tenders and accompanying documents to the Provincial secretary with its recommendations.

Mr. BLATNIK. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, if this were entirely limited to or largely limited to Federal procurement, whether it be civilian or military, then it would be very much in order—not in order but it would be very, very pertinent and I would support the amendment. But in this case, as the record has shown in connection with ARA, which was rather limited in terms of amount, but in terms of the accelerated public works program in which 7,700-and-something municipal projects were constructed throughout this country, over 95 percent—and that is a conservative figure; yes, I can say 97 percent of the generators, the pumps, the valves, the mechanisms, the tubing, specialized piping tubing, glass, control networks, were made in the United States.

Mr. Chairman, what the gentleman is doing under his proposed amendment is in effect batting at a mosquito with a baseball bat and what he is really going to do is to wreck the furniture and a part of the room while he is at it.

So, Mr. Chairman, this is really a situation of making a mountain out of a molehill.

Mr. Chairman, I do hope the members of the committee will not take the amendment seriously because its effect would be very damaging.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield to the gentleman from Arkansas.

Mr. MILLS. I would like to join the gentleman from Minnesota in expressing the opinion that the amendment should not be adopted, not only for the reason that the gentleman from Minnesota has pointed out, but if this change in tariff laws and in rates of duty is to be made applicable, it should be made applicable across the board.

Mr. Chairman, I do not believe that it is administratively possible for the Bureau of Customs to make a determination with respect to imports to come in for a single program of Government and determine whether the rate must be higher for that particular import.

Mr. Chairman, the gentleman from Minnesota points out that there is a very small amount involved here and the amount is not sufficient to justify the administrative problems.

In addition to that I have no idea of what it may do with respect to other aspects of our tariff law and our relationships in the field of export of American products.

But, Mr. Chairman, on the basis of the administrative problems I would certainly recommend that the amendment be defeated. I thank the gentleman for yielding.

Mr. BLATNIK. As usual, the gentleman from Arkansas makes a very, very sound case.

The result would be to just unduly and unnecessarily have a rigid restriction in each one of these cases where it would be necessary to find that some little gadget in the whole mechanism was not from some foreign country. The local municipalities and the private industries involved all should have the right in certain instances to make a choice which might be to their economic benefit.

Mr. ALBERT. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield to the gentleman from Oklahoma.

Mr. ALBERT. Would we not be doing this sort of thing: We would not only provide for the Federal Government and its purchases, but State, local, and municipalities, as well as private business, something we have never done under a "Buy American" act?

Mr. BLATNIK. The gentleman is correct.

Mr. SAYLOR. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield to the gentleman from Pennsylvania.

Mr. SAYLOR. This is Federal money, what difference would it make whether it came out of the State or anywhere else? I am trying to protect the American workman.

Mr. BLATNIK. The other 50 percent is local money, so it is about a 50-50 proposition.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. SAYLOR].

The question was taken; and on a division (demanded by Mr. SAYLOR) there were—ayes 71, noes 115.

So the amendment was rejected.

Mr. WRIGHT. Mr. Chairman, I move to strike the last word.

As we near the close of this historic debate, approaching the time when we shall vote on this landmark program, I think it appropriate and fitting that some acknowledgement be made of the great and truly significant contributions made by our colleague, the distinguished chairman of the subcommittee. His guiding hand has been evident not only in the deliberations leading up to our consideration of this bill, but also to passage of other great landmark pieces of legislation down through the years and in the present Congress. I think particularly of the Water Pollution Bill, but also of many other large, important, significant and far-reaching legislative goals. Both in the committee and on the floor of this House, magnificent leadership has been offered by the gentleman from Minnesota who has had the primary responsibility of this bill.

The fairness, the thoroughness, the candor, the scholarship and the decency exhibited by the gentleman from Minnesota [Mr. BLATNIK], long have been hallmarks in the Committee on Public Works. He has given of his talents, his time and his energies tirelessly and without restraint to the Congress and to this great committee of the Congress.

Mr. Chairman, I should think it would be appropriate at this time that a word

of tribute and expression of our thanks be extended to the gentleman from Minnesota, our able and honorable subcommittee chairman, Hon. JOHN BLATNIK.

Mr. FALLON. Mr. Chairman, will the gentleman yield?

Mr. WRIGHT. I yield.

Mr. FALLON. Mr. Chairman, I would like to join with the distinguished gentleman from Texas in commending and congratulating the chairman of this subcommittee on the fine manner in which he has handled this legislation today. I might say to the Committee of the Whole House on the State of the Union that many hours, many nights and days, were spent in formulating this legislation before it came here. I must say we congratulate not only the gentleman from Minnesota but the subcommittee as well, and also express our thanks to the minority for the contribution they may have made and the criticisms we have benefited from, to make better the legislation that was finally reported out of the committee, which is a tribute not only to the chairman of the committee, Mr. BLATNIK, but to the minority on the other side and the committee as a whole.

Mr. ALBERT. Mr. Chairman, will the gentleman yield?

Mr. WRIGHT. I yield to the distinguished majority leader.

Mr. ALBERT. Mr. Chairman, I am delighted that the very eloquent and outstanding Member of the House and of the committee, the gentleman from Texas, [Mr. WRIGHT] have taken, this time for this purpose. I am proud that I came to the Congress with JOHN BLATNIK. He is one of the great leaders of this House and certainly in the area of conservation and public development, he is one of the great leaders of the Nation. I join my friends in commending him on this job and on many jobs so well done over the years.

Mr. CRAMER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I do this for the purpose of advising the House as to what the action will be on this side of the aisle when we start voting on the legislation. It will be my intention to ask for a separate vote on the Sisk amendment because I believe that that amendment, adding \$100 million annually to title I of the bill, where the Congress had already added \$150 million more than the administration requested, which, in effect, doubles the annual amount that the administration asked for—in other words adding \$250 million more to the \$250 million that the administration asked for, and the House certainly is entitled to a vote on that and we will find out who the people are who are responsible when it comes to trying to meet the budgetary requests that are already high relating to the administration, and we will see who supports the administration with regard to their requests to the Congress, and with regard to trying to keep spending at a fairly reasonable level. So we will have an opportunity to vote on that amendment.

Second, it is my intention to offer a motion to recommit with instructions. I think the Members would be interested in knowing what will be in the motion

to recommit with instructions. First, there will be the buy-American amendment previously offered. I cannot imagine why it was turned down by the House, in legislation that was supposed to have the objective of trying to employ more Americans and doing something about poverty in this country. Why this House would not even pass the Buy-American Act that would guarantee that the money will be plowed back for American employment in this country so as to try to create employment. I do not think that the Committee of the Whole acted wisely when it voted that way.

The buy-American provision will be in the motion to recommit.

There will be three phases of the motion to recommit—the buy American is No. 1.

No. 2: There will be the striking out of all Area Redevelopment commercial loans and guarantees, and reducing the authorizations accordingly, for the obvious reason that it is the most criticized phase of the legislation. It has been poorly handled in the past, and that will be worse under this legislation, because the authority of the Secretary would be broadened under it. It is legislation under which hotels and motels have been built which were not needed. It is bad legislation. It would be stricken by the motion to recommit.

No. 3: It will try to prevent backdoor spending by requiring an annual review by the Appropriations Committee of the revolving fund, which involves \$1.1 billion plus \$302 million of the ARA money. In other words, approximately \$1.4 billion will go into that fund, and Congress will not have a look at it unless you vote for the motion to recommit.

I believed the membership would be interested in knowing the three phases of the motion to recommit and that a separate vote would be requested on the Sisk amendment, which would add \$100 million annually of additional free spending to this legislation without any consideration by the committee whatsoever. It is obviously an effort to get votes for the bill and cannot be justified on the merits.

Mr. O'KONSKI. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I believe I would be derelict in my responsibility, knowing and realizing what these two programs have done for my area, if I did not say a few words of endorsement.

I should like to give an illustration of a little community of less than 400 people in my district, which had only one industry employing 150 people. There was a very cold and bitter winter and the needed heavy fires caused the industry to burn down. One hundred and fifty families were left stranded without jobs and without income.

If it had not been for the ARA program and a loan of \$800,000 that industry never would have been rebuilt. Today 180 families have their jobs back—30 more than originally worked there. I can say that I can sleep better each evening because the accelerated public works program, of which this is a fol-

lowup, and the ARA program have brought a better life, better conditions, and better health to 75 communities in the 10th Congressional District of Wisconsin. Between the ARA and the public works program \$20 million of Federal money is working in northern Wisconsin.

I would be derelict in my responsibility if I did not say those words. I intend to support these two programs, and I hope that many Members of Congress will do likewise. The largest single ARA business loan to private enterprise in excess of \$4 million was made in my district. The plant was dedicated a few days ago and soon 200 families will have a fuller life because of the new jobs created by this industry. These are but two instances. There are more.

Mr. EDMONDSON. Mr. Chairman, will the gentleman yield?

Mr. O'KONSKI. I yield to the gentleman from Oklahoma.

Mr. EDMONDSON. I commend the gentleman for his very impressive statement and for the courage which he again has demonstrated with reference to legislation on the floor.

I add a further thought that the gentleman also will be able to sleep better in the conviction that we will buy a lot more American products under this program if the recommittal motion of the gentleman from Florida is defeated, because the recommittal motion of the gentleman from Florida would reduce the funds for expenditure in this country so substantially that we would not be able to buy as many American products under it with the buy-American clause as we would under the program we are preparing to pass in this House.

Mr. O'KONSKI. One final word. I want to add to the words of appreciation spoken on behalf of the gentleman from Minnesota, Congressman BLATNIK, who is sponsoring this bill. He is a neighbor and a good friend of mine from across the river. We have worked together on many things. The problems of his district and of mine are akin. I, too, compliment him for bringing this bill to the floor of the House. Both he and I know what this type of help means to our people. I am glad to say I offered him my hand in helping bring this bill up for final passage.

Mr. SWEENEY. Mr. Chairman, the Public Works and Economic Development Act of 1965 provides an intelligent and comprehensive program of Federal assistance which will guarantee more jobs and improved incomes for those people who live in areas where employment opportunity is limited and income of workers is low. I am happy to support this bill, S. 1648, for I have confidence that it will accelerate the Federal public works programs and make grants and loans possible for communities who heretofore have been unable to participate in such programs.

Throughout America, our public and private leaders on the community level seem to be groping for answers to the specific economic and technical problems which they are daily confronted with and which retard the economic growth of their area. This program makes pos-

sible long-term, low-cost loans in eligible areas and helps establish and expand job creating businesses. This bill coordinates the activities of our Federal Government, acting through the Secretary of Commerce, to better assist in the economic development of our land. This bill provides incentive for communities to study and investigate regional economic development and provides a means by which our Federal Government can deal effectively with the economic disaster of high unemployment.

Mr. Chairman, by the adoption of this Congress and the enactment into law of the Public Works and Economic Development Act of 1965, this is one way for America to express its belief that the free enterprise, capitalistic system is not standing still, moving sideways, but rather moving forward and ever expanding. The passage of this bill will promote industrial expansion and create jobs at a time when our society is moving dramatically and desperately to provide job opportunity for all of our citizens.

The Public Works and Economic Act of 1965 is not only needed, but essentially important in the total national program to keep America's economy rolling at a high and ever-expanding level.

For these reasons, with great vigor, I support S. 1648.

Mr. HECHLER. Mr. Chairman, I support the pending bill, because I believe that it carries great economic potential for the development of the Nation's economy. I have always felt that the accelerated public-works program was the finest program of this nature which had ever been tested in operation. Under the accelerated public-works authority, it was possible for communities to construct streets, sewage treatment plants, interceptor sewer lines, water systems, libraries, and other public buildings, and provide employment as well as making communities more attractive for industrial development.

I have felt that it was highly unfortunate that there could not be a simple extension of the accelerated public-works program. Now we have a program which seems to have more redtape than the old accelerated public works program. Also, I believe to be more effective it should be far larger, perhaps at the rate of \$750 million annually, as I testified before the House Committee on Public Works. I wish that title I of this bill, containing this authority, might have been expanded to authorize \$750 million per year.

But in the legislative process, each of us must compromise, and despite the smaller size of the title I authority, I feel that this bill is a good one which deserves wide support.

Mr. DULSKI. Mr. Chairman, what the Public Works and Economic Development Act of 1965 calls for is not a new, untried scheme to solve all the Nation's economic and unemployment ills. Rather, it calls for a continuation and expansion of two programs that have in a few short years clearly proved their value: the area redevelopment program of 1961 and the accelerated public works program of 1962.

Nationwide, the first has created an employment potential of 115,000 new permanent jobs, direct and indirect. The accelerated public works program has spent close to a billion dollars on hundreds of essential public facilities and created a million man-months of employment in construction and allied jobs.

The employment picture in many redevelopment areas has improved appreciably but, for the most part, much remains to be done, especially in the numerous places where high joblessness has become an unwelcome tradition. It is to carry forward the valuable Area Redevelopment Act and accelerated public works programs that S. 1648 was conceived. It combine the best features of the former programs, and has eliminated or changed those features that experience has proved unworkable. One example: the Area Redevelopment Act called for 10 percent in local contributions—loan or equity—to be invested in every private loan, and to remain in the project until the Federal portion of the loan was fully repaid—up to 25 years. It was found that individual local citizens were reluctant to have their funds tied up that long, no matter how much faith they had in the project. Moreover, it often proved difficult—if not impossible—to raise locally the full 10 percent of project cost without a major assist from the new-business owner.

So the new bill we are considering will overcome this double obstacle by requiring only 5 percent in community money and will allow this to be repaid as fast as the Federal loan is paid off. There are also other improvements in the proposed legislation.

I know that Area Redevelopment Act and accelerated public works have had a strong and beneficial impact nationwide. I have witnessed their usefulness in Buffalo, which I represent, and in the surrounding areas. I therefore urge the passage of S. 1648 so that our Nation will build on the experience successfully demonstrated by Area Redevelopment Act and accelerated public works in the last 4 years.

Mr. OTTINGER. Mr. Chairman, I deeply regret the necessity for me to rise today to speak in opposition to the administration's Public Works and Economic Development Act before this House.

In the past, I have supported the administration's wise and effective legislation to deal with problems of chronic unemployment and localized depression. But the measure before use today is neither wise nor effective. It is vague, ambiguous, and wasteful—and it should be defeated.

The broad powers that are granted to the Secretary of Commerce under this bill are, in my opinion, unwarranted. The tremendous amount of money that has been given over to the Secretary is unprecedented in a program of this kind.

If Congress is to pass this legislation it will be establishing an unfortunate precedent. It will be, in effect, abrogating its responsibility to the Nation.

Frankly, I question whether adequate consideration has been given to the ways

and means of this legislation. Remember, we are authorizing the Secretary to spend some \$450 million each year for 5 years—a total we are told, of more than \$3.3 billion over the 5 years covered in the act. What standards are we establishing for the expenditure of these funds?

In essence, we have left to the discretion of the Secretary of Commerce and the Governors of the various States the determination of how and where and on what the money will be spent. Now if this were an expansion of a program that had already been worked out in detail—that had already demonstrated its effectiveness, for which there were sound and proven guidelines and standards—there would be still be considerable question as to the advisability of such abrogation of responsibility by Congress.

But this is not such a program.

It is a strange and disturbing hodgepodge of new programs, imperfectly defined, and extensions of old programs which have been proved less than successful.

I would remind my colleagues that many of the features in this omnibus bill previously have been before the Congress. They were incorporated in the area redevelopment bill which was defeated by this House in 1963. Now they are before us again in a new giant-sized economy package that we can sell the Nation for only \$3.3 billion. I believe that none of the new features that have been added to this package makes it any more acceptable.

A great deal has been said about the protections in this bill against piracy of business from a developed area to an underdeveloped area. Where are the protections? They are not included in the bill. Is this another matter we are to leave to the discretion of the Secretary and the Governors of the various States? As a Representative of an area that has already suffered greatly from piracy of business and industry I cannot accept private assurances. I am not prepared to concede such power without proper and explicit guarantees. I find none in this bill.

No less serious in my opinion is the ease with which we are being asked to accept the concept of governmental interference in business and industrial development. We are already too far down the road of Federal involvement in private enterprise. I think this bill may take us farther still, and I question whether my colleagues or the Nation have considered the final impact that these precedents will have on our free enterprise system.

This bill has many deficiencies and poses many unresolved problems. For that reason alone, I would urge my colleagues to defeat it.

But even more, it would be foolish to embark upon this wild spending, this gigantic undertaking, at a time when we are cutting taxes and when the President is asking for an additional \$1.7 billion to support military action in Vietnam with more requests to come.

I urge my colleagues to defeat H.R. 1648.

Mr. MOORHEAD. Mr. Chairman, I think the time has come to consider se-

riously what contribution can be made by the proposed Public Works and Economic Development Act of 1965 to the economic development of our Nation, particularly those areas disadvantaged by high levels of unemployment or low levels of income.

The forerunners of this proposed legislation were the Area Redevelopment and the Accelerated Public Works Acts, both of which we considered experimental legislation, both of which are now expired. The question is, then, what did these two programs accomplish?

I stand with those who insist that these experimental programs made a most significant contribution to the economic growth and stability that our various districts now enjoy. Without Area Redevelopment Act and accelerated public works our businessmen would not have been able to take advantage of the economic boom that now blesses our land.

In my district, a portion of the city of Pittsburgh lies in a designated redevelopment area. This city, as we all know, is one of the principal steel centers of the world. When steel booms, Pittsburgh booms. When steel is depressed, Pittsburgh is depressed. We cannot assume a continued boom in steel. What we need is a more diversified economic base, and new modern public facilities to enable us to seize upon growth opportunities that come our way. Area Redevelopment Act and accelerated public works are helping Pittsburgh and Allegheny County to do just this.

Public facilities financing as proposed in S. 1648, the pending legislation, will be of vital assistance in developing presently planned industrial parks to encourage investment by private enterprise in manufacturing and research facilities.

Under Area Redevelopment Act, technical assistance studies have contributed to developing information pertinent to establishing manufacturing complexities for grain milling, foundries, salt based chemical complexes, and small businesses. Commercial loans have been made to establish plants for food processing and metal fabricating. Public facilities to serve industrial districts have been provided to adjacent townships in Allegheny County by loans and grants.

Eighty-seven projects were approved under the accelerated public works program totaling \$16 million in Federal funds. These grants accelerated local and State public works projects.

In summing up, Mr. Chairman, both programs have been of significant value to Allegheny County and Pittsburgh. The proposed legislation offers more vitally needed financial assistance to further stimulate private industries' increased investments in the Pittsburgh area.

I urge the passage of S. 1648.

Mr. CALLAWAY. Mr. Chairman, I am opposed to the passage of S. 1648. My colleagues have ably pointed out the bill's objectionable features and the dangers inherent within them. I support their findings; I agree with their conclusions—but I particularly wish to stress the dangers involved in the reenactment and

expansion of the discredited Area Redevelopment Act and PWA programs.

As a concrete example of what can—and has—happened under these programs, I present testimony given before the Department of Agriculture and the Area Redevelopment Administration of July 28. On that date I appeared before a joint hearing to urge their strongest consideration of the dangers involved in a proposed loan by the Area Redevelopment Administration to help finance the Lipman Brothers poultry operation in New Castle, Pa. There are a number of facts and current signs within the poultry industry pointing to the hazards apparent in such a move—facts and signs which I can only assume have been overlooked by those favoring the loan.

Certainly there is a philosophy in question here—the philosophy of Government competition with private industry. In this case that philosophy raises the specific question of the wisdom involved in placing a poultryman's tax dollars into a Government financed operation in direct competition with him. Such a move goes against the traditions of the American free enterprise system. I believe it goes against the beliefs of the American citizen and certainly it is in direct opposition to my own convictions. But having found that this type of argument is often overlooked in our modern complex government, I want now to turn to the more practical aspects of this case.

A study of the situation has led me to believe that the implementation of the Lipman Bros. loan will multiply the woes of the poultry industry which is already facing a precarious fall.

The arguments advanced in favor of the loan have failed to convince me.

First. It has been said that the Lipman operation will not create an overproduction of broiler poultry in the industry due to the increased per capita consumption and population growth, and reduced competition from red meat. Let me emphasize that it does not need to create overproduction. The National Broiler Council has warned that at the present rate of production alone, there will be 7 percent more poultry on the market during this month that the same period last year; 14 percent more next month; and between 20 and 25 percent more by October. While I am not an economist, I do doubt that the parallel consumption and population growth can match and absorb this increase, and I have seen no facts to substantiate the statement about red meat.

Second. It is stated that the Lipman operation will not adversely affect one geographic area because of the broad base of supply in the area to be serviced by the Lipmans. Yet I am afraid that it would adversely affect at least one geographic area: my own State of Georgia. The Georgia Processors Association ran a survey on July 24 which revealed that approximately 11 million pounds of fresh ice-packed Georgia poultry is shipped monthly within a radius of 300 miles of New Castle, Pa. This area, it would seem, it already an important outlet for other members of the industry.

The third major argument asserts that

the Lipman loan is justified by the fact that their high quality poultry brings 6 cents a pound more on the market than does other poultry. Aside from the assurances from poultry growers that the same high quality exists throughout the industry, I fail to see that reasoning behind the argument that a man who sells for more should borrow for less.

But the most telling argument is the fourth and last one that the Lipman operation will result in a tremendous economic and employment impact in western Pennsylvania. I am sure that this is so, and I certainly have no objection to spurring the economy of western Pennsylvania—but not at the expense of the poultry broiler producers in other States and indeed the entire industry. The fact that the broiler industry faces a seriously glutted market has been forecast in poultry publications throughout the country for some time. The most prominent forecast that I have seen was prepared by the Economic Research Service of the U.S. Department of Agriculture, and released on July 22, 1965, as follows:

[From the Daily Times, Gainesville, Ga., July 22, 1965]

BROILER PRICES MAY SLIDE, ECONOMISTS WARN PRODUCERS

WASHINGTON—Agriculture Department economists today warned that broiler producers may be heading for a drop in prices.

A Department report said that strong broiler prices for the past year have led to rapid expansion of production. For the months from July through August, broiler production may be about 10 percent above the same months of 1964.

The report said the heavy production is expected to drive July and August prices down slightly below last year's average of 14.7 cents a pound for those months.

Looking further ahead, the report said that if the current expansion follows typical patterns, broiler prices in late 1965 and most of 1966 will drop substantially below present levels.

Department experts said two factors explain the strength in broiler prices during the past year. One is a growing domestic demand produced by increased population and rising consumer income. The second is the fact that prices of beef and other red meats have risen in recent months.

But the Department said that the market now may be approaching the point at which consumers will not be willing to take increased supplies of broilers unless prices go down.

Mr. Chairman, these were the points that I brought out in testimony before the joint Department hearing. At that time I was astounded that the findings of their own economists had apparently been overlooked in an effort to favorably process the loan. Today I am further astounded that some would wish to expand and continue a program capable of this and other irresponsible actions. For this reason, and for the many reasons given, I sincerely urge that we back up and take a harder look at this unwise, expensive piece of legislation—and that we reject its enactment.

Mr. RYAN. Mr. Chairman, I rise in support of S. 1648, the Public Works and Economic Development Act of 1965.

The bill embodies the best features of the Area Redevelopment Act, the Ac-

celerated Public Works Act, and the Appalachian Regional Development Act. Each of these earlier acts has proved, and is continuing to prove, valuable to our Nation, its people, and its economy.

The Area Redevelopment Act was enacted in May 1961, to establish a 4-year program of assistance to depressed areas throughout the Nation to help areas plagued by chronic unemployment to revive their lagging economies by creating new jobs. The program has proved unusually successful. By January 31 of this year, it had been responsible for the establishment of 548 industrial, commercial, and public facility projects. In addition, 1,335 technical assistance and training projects had been begun. Altogether these projects are expected to be responsible for the creation of over 115,000 jobs.

I am especially familiar with the excellent work of the Area Redevelopment Act, for in New York 11 projects have been approved which are expected to ultimately create over 2,700 new jobs. Loans have been approved for such varied projects as restoration and expansion of a milk plant and construction of a furniture polish factory in the Amsterdam area to construction of facilities for the manufacture of electronic assemblies in the Auburn area. Though New York has only been granted four work training projects, it has also received aid from eight technical assistance programs with a total Federal investment of a half million dollars. One of the most interesting of these technical assistance programs, and one which will benefit individuals in pockets of poverty within big cities, including New York City, was approved last October, and involves a grant to the Small Business Development and Opportunities Corp., to develop small business opportunities among minority groups.

The Public Works Acceleration Act, passed into law in 1962, has also been quite successful. A total of approximately 7,700 projects of all types, involving a total Federal expenditure of \$843 million, have been approved. These projects have not only been responsible for an estimated 2 million man-months of on-site and off-site employment in needy areas, but they have also proved to be of significant effect in spurring economic development in areas of both temporary and long-term distress.

While it may be too early to properly evaluate the success of the Appalachian Regional Development Act, passed in March by this Congress, it has become apparent to a majority of our colleagues that there are other regions in the Nation which could benefit from the approach to regional economic development being tried in Appalachia.

The general purpose of the bill before us is to provide a comprehensive program of Federal assistance to help provide more jobs and higher incomes for people who live in areas where jobs are scarce or incomes are low. Specifically, it would authorize the Secretary of Commerce to make grants of up to 80 percent in eligible areas for public works which are necessary for the economic development of the area or for the objectives

of the antipoverty program, as well as supplementary grants which would reduce the local share for needy communities in eligible areas down to as low as 20 percent for other Federal public works programs which require community contributions.

The Secretary could also make long-term, low-cost loans in eligible areas to help establish or expand job-creating businesses, and guarantee up to 90 percent of the outstanding balance of private loans for working capital made in connection with the expansion or establishment of businesses assisted under the program. He could pay up to 75 percent of the cost of providing full-time planning staff for State, district, and selected local economic development organizations, undertake research on general problems of long-term unemployment or underemployment, and give communities information and advice on how to reduce unemployment and attain economic growth.

The bill would also establish an independent study board to investigate the effects of Government procurement on regional economic development. It would authorize the payment of an incentive bonus for redevelopment areas that cooperate in the formation of economic development districts, to be provided in the form of an additional Federal grant of 10 percent of the costs of public works and development facilities projects—though not to exceed the 80 percent limit on these grants otherwise provided in the bill. Finally, it would allow the Secretary of Commerce to help the States establish multistate regional development commissions and pay all the necessary administrative expenses of each commission for the first 2 years of its existence—and half the necessary expenses after 2 years are over.

Mr. Chairman, these are the main provisions of the bill. As you can see, it is a coordinated, comprehensive program with which we are presented. As the report of the House Public Works Committee so correctly points out:

Each part of the program reinforces the others. Public works and related facilities are necessary to the development of new, job-creating businesses, but adequate means must be available to insure the actual establishment or expansion of the new businesses. In like manner, a business loan program, useful as it may be by itself, is inevitably limited to those areas which have facilities able to support new or expanding businesses. Without a public works program to support it, its usefulness is severely limited. These problems can be partially solved through the use of technical assistance.

The bill is urgently needed. In the midst of unprecedented national prosperity, there are still large numbers of people who cannot find jobs because they are living in areas where jobs are too scarce. As President Johnson said last March, in sending the present bill to the Congress:

The conditions of our distressed areas today are among our most important economic problems. They hold back the progress of our Nation, and breed a despair and poverty which are inexcusable in the richest Nation on earth. We will not permit any part of this country to be a prison where hopes are crushed, human beings chained to misery,

and the promise of America denied. The conditions of our depressed areas can and must be righted. In this generation they will be righted.

We have been summoned to a war on poverty and have pledged ourselves to the President's goals. But if we are to do the job, we must have the proper tools. The Economic Opportunity Act, passed last year and enlarged this year, is one such tool. The present bill will be another basic tool. I call upon my colleagues to give this bill their strong support.

Mr. GALLAGHER. Mr. Chairman, I am in almost complete agreement with the Public Works and Economic Development Act of 1965. I do feel, however, that in certain aspects the act could be made to apply to a greater number of areas which are presently suffering from unemployment.

I am strongly in favor of the amendment being offered by my good friend from California [Mr. SISK]. This provision will make counties and cities which have an average rate of unemployment for the preceding year of 6 percent or more eligible for public works assistance as specified in title I of the act.

The amendment will make a good number of deserving counties and cities eligible which are presently excluded by the provisions of the act.

Hudson County, part of which I represent, is a prime example of a county offered assistance by this amendment. The county last year had an annual average unemployment rate of 6.7 percent which is above the national average of 5.2 percent. Yet Hudson County and Jersey City would be ineligible for assistance as the act now stands.

I feel that for the Nation to reap the full benefits offered by this type of legislation this amendment should be adopted.

Mr. GILLIGAN. Mr. Chairman, I rise in support of S. 1648, which, as the members of the Committee know, is designed to provide a comprehensive program of Federal assistance to help provide more jobs and higher incomes for people who live in areas where jobs are scarce or incomes are low.

In my judgment the great Committee on Public Works has done a fine job of drafting a broad and imaginative piece of legislation which will bring help and hope, as well as badly needed public improvements, to many areas of our Nation.

While it may be possible to quibble about minor details in the bill, certainly this program commends itself to every Member of the House and I urge my colleagues to vote for its passage.

Mr. MOELLER. Mr. Chairman, I have the privilege and challenge of representing a district that is sorely beset by economic problems. These problems are so deeply rooted that they cannot be solved by my people alone. What we need—what we much have is the help and understanding of the Federal Government.

Unemployment in some of my counties runs as high as 13 percent. It has consistently doubled and even tripled the national average ever since the coal min-

ing industry collapsed right after World War II and threw thousands of my people out of work.

We have been unable to attract much new industry to southeastern Ohio because many of our towns and villages lack the facilities that business rightfully demands, such as adequate sewerage systems and modern waterplants. The townships cannot finance these essential projects alone because the tax base is depressed more and more each year as unemployment rises and industry stays away.

So my area, more than most, is trapped in a vicious, ever-widening circle. We can not build for industry until we increase our tax base. And we cannot increase the tax base until job opportunities are provided for our people. In the meantime, industry goes elsewhere.

The Members of this House hold in their hands today the power to help us break the circle of poverty and unemployment and to begin doing the things that must be done.

Let me say that I can think of nothing more demoralizing than for a man to be told that there is no work for him, that circumstances beyond his control have consigned his family to a life of doles and handouts.

The United States, as a whole, is the richest and most prosperous nation in the history of mankind. Our gross national product stands at a fantastic \$650 billion. Our people, collectively, own more houses, more automobiles, more color TV sets, more home air conditioners, more luxury boats, more stocks and bonds—more of everything than any other society on earth.

And no one can convince me that the American people are unwilling to commit just a tiny fraction of this Nation's staggering wealth to the struggle for an even richer and more prosperous land.

That is just what we are being asked to do here today: We are being asked to help underwrite the most constructive development program yet envisioned.

The Public Works and Economic Development Act of 1965 would provide grants of up to 80 percent for the development of community facilities. There are some who argue that this act would duplicate grant programs already on the books. This is not true.

The present grant program for sewage treatment plants, for example, authorizes Uncle Sam to put up a third of the money and the local community to come forward with the remaining two-thirds.

The economy of my district is such that to ask a community to provide two-thirds of the money is like asking the tides to stand still. Just offhand, I can think of a dozen towns in southeastern Ohio that have been forced by economic realities to turn down proffered grants of 33 1/3 percent.

Moreover, the Federal Government at this time sponsors no grant programs for the construction of pure water plants. It sponsors no grant program at this time to help our communities construct necessary municipal buildings, or to do many of the other things demanded by potential industry.

The area redevelopment and accelerated public works programs were a good start in what should be a continuing effort to assist needy communities lift themselves from economic blight.

The problems of unemployment must be controlled if our common country is to continue to move ahead—and I need not remind you that we will have to create 3 million new jobs each year just to maintain our present rate of growth.

Federal assistance is imperative where local and State resources are limited. The Area Redevelopment Act and accelerated public works programs provided us with many examples of the progress that can be made through teamwork and cooperation.

Under the old Area Redevelopment Act and accelerated public works programs, my district received \$1,292,123 for the construction of community facilities; for land and channel improvements; for work-training projects; and for commercial enterprises.

Just today, the Area Redevelopment Administration approved a grant of \$107,517 to continue and expand the work of the highly successful Institute for Regional Development. The Institute for Regional Development is an organization founded by Ohio University to promote the economic and industrial growth of southeastern Ohio. It is doing a wonderful job.

Much has been done by the Federal Government to help our communities help themselves. Much remains to be done. We cannot afford to falter and stumble now.

Let us pass the Public Works and Economic Development Act and get on with the job of building the kind of America that we all want for ourselves and our children.

Thank you.

Mr. RHODES of Arizona. Mr. Chairman, I rise in opposition to the passage of this bill. This legislation is among the worst I have seen in my many years in Congress.

It does nothing to correct the causes of previous failures in two of the programs it continues. These programs, the Area Redevelopment Administration and the Public Works Administration, have been almost totally discredited by the reports submitted to Congress by the Comptroller General and the General Accounting Office.

Republican attempts to transform this bill into a responsible piece of legislation have been summarily rejected in committee.

Twelve of the most objectionable provisions of S. 1648 are noted in the Republican Policy Committee statement which I, as chairman of the committee, insert, under unanimous consent, at this point:

Although this country currently is enjoying a high level of prosperity, there remain pockets of persistent unemployment and depression.

Each of the so-called depressed areas, however, suffers from conditions peculiar to itself.

It is therefore necessary that any legislation capable of effectiveness be drafted with the utmost care and with this fact in mind.

It must contain specific guidelines and controls for proper administration of the

programs it establishes. Moreover, it must be drafted in such a way as to avoid the mistakes and failures with which previous programs of this nature have been plagued.

S. 1648, the Public Works and Economic Development Act of 1965 fails completely to fit any of the above criteria.

It is drafted carelessly. It does nothing to eliminate the causes of the mistakes and failures of two of the most discredited programs of this nature ever devised, the Area Redevelopment Administration and the accelerated public works program.

Despite the fact that both the Area Redevelopment Act and the Public Works Acceleration Act have been discredited thoroughly because of their ineffectuality and poor administration, S. 1648 would reactivate and broaden both programs.

The ARA demonstrated conclusively that pockets of poverty cannot be eliminated through the methods it employed. The Public Works Administration program, touted widely as a panacea for unemployment, did little to solve the problem of unemployment.

The Comptroller General has submitted 17 reports to the Congress which show that neither program was properly administered.

For example, a General Accounting Office report reflects that in 80 projects that had been completed and in operation for 1 year, only 4,912 jobs had been created, and these at excessive cost although ARA had estimated that these projects would create 9,539 jobs.

Unfortunately, GAO reports of this nature, although they are designed to provide the Congress with background information which will enable it to legislate with full knowledge of the subject at hand, have been ignored completely in the drafting of this bill.

Indeed, amendments offered by Republican members of the Committee on Public Works which were based upon recommendations of the GAO were rejected summarily.

The following provisions of S. 1648 are particularly objectionable.

1. There is no requirement for maintenance of effort by the States or local governments which receive assistance under the proposed program.

2. The bill as presently written can and will result in federally financed competition to private enterprise, thus endangering healthy business operations in the affected areas.

3. Grants and loans may be made to private organizations that could, under the ambiguous language of the bill, result in unfair competition to private enterprise.

4. As written, the bill could result in federally financed "pirating" of industry from one area to another.

5. The authorization for grants contained in the bill exceeds the President's request by \$150 million.

6. The bill does not provide for standards for guaranteeing loans for working capital. There is no limitation on the size of the loans to be granted, the period of rate of interest or other terms of the loan, and no limitation as to the amount of guarantees outstanding at any one time.

7. The revolving fund device in title II of the bill will bypass annual congressional appropriations review.

8. Standards for designation of redevelopment areas are inadequate.

9. The bill as now written will result in a duplication or pyramiding of projects in the Appalachian region.

10. Areas enjoying prosperity can, under section 403 of the bill, be designated to receive assistance.

11. The bill will permit the designation of multi-State economic development regions without regard to the eligibility of areas in the regions for financial assistance under the bill.

12. As presently written the bill will permit the program to exist in perpetuity.

These are a few of the many objectionable features of the bill.

The mere fact that it does little more than perpetuate two programs that failed without making any attempt to correct the causes of the past failures should be sufficient reason for its defeat.

When the many crippling deficiencies of the bill are added, however, its defeat becomes an absolute necessity.

In voting for an \$11.5 billion income tax cut in 1963 and 1964 the House pledged to reject new pump-priming measures and to give the private sector of the economy a chance to find solutions to economic problems particularly unemployment. We have now voted to end almost 5 billion in annual excise taxes.

We cannot afford to go further into debt by enacting legislation which will spend \$2 billion for grants alone and \$3.325 billion for the entire bill, especially when past experience with ARA and PWA holds out little chance for the success of the program.

The Republican policy committee is opposed to enactment of S. 1646.

Mr. LANDRUM. Mr. Chairman, since the enactment, in 1961 and 1962, of legislation authorizing the Federal assistance programs to depressed areas, the Ninth Congressional District of Georgia has benefited tremendously. Most of the counties in the district secured funds for industrial development, and for public works—water facilities and sewage treatment plants, needed public buildings, additions to industrial parks, and recreation facilities.

In many cases the smaller towns in the area did not have sufficient funds of their own to improve the water supply. Many have not had assistance since the early 1930's when they received help under the old WPA program.

In traveling over the area and talking with the mayors and people of communities, I feel that new life has been instilled into them knowing that someone cares—that someone being the Congress of the United States.

Even with the expenditures during the last 3 to 4 years there still is a backlog of needed services that will affect the the economy of the area. These needed services will be provided under the Public Works and Economic Development Act of 1965, S. 1648, which combines the best parts of the original programs with the improvements brought out by the experience of the past 4 years.

Several technical assistance studies have been completed in the area, including a long-needed mineral study covering two of the counties. The most significant, however, was the study made by the University of Georgia on the feasibility of establishing a recreation experiment station in the north Georgia mountain area that would serve the entire eastern seaboard and the Appalachian region. This study has received favorable consideration all along the line. Local and State actions to implement the study have been initiated, however, completion of the project cannot move forward until new funds are available. The Governor of Georgia has committed property valued at approximately \$1 million along with cash funds of \$1,500,000. This unique project is the result of a multicounty effort to take advantage of its only natural resource—the beauty of the Georgia mountains—to achieve

economic growth. It will undoubtedly have a substantial and favorable impact on the overall economy of the entire area.

It is fortunate that we have—and highly desirable that we take full advantage of—the opportunity to assist those areas suffering from chronic depression to help themselves to a fair share of the prosperity of our great Nation.

I ask favorable consideration of S. 1648.

Mr. ULLMAN. Mr. Chairman, I want to express my support for favorable action by the House on the Public Works and Economic Development Act of 1965. The benefits to depressed economic areas through the past programs of accelerated public works and area redevelopment are well known. Certainly, these programs have been of great assistance to areas of my district in providing new jobs and public facilities where needed.

One particular case in my district points up some of the past benefits, as well as the prospects for future participation under the bill we are considering today. The Warm Springs Indian Reservation in central Oregon has long had a need for means to expand employment opportunities for Indian citizens in the area. Tribal leaders had long wanted to develop a tourist resort to capitalize on one of the reservation's valuable resources, the Kah-Nee-Ta Hot Springs. It was an area of superb scenery, and climate but without suitable accommodations and facilities to handle the potential tourist traffic.

In 1963, the ARA financed a study which showed that a major resort facility at Kah-Nee-Ta would be a feasible undertaking. I introduced a bill to authorize the tribe to purchase the site from non-Indian interests, and it was approved by Congress. The resort was planned for three stages of development. The tribe, with their own funds, completed the first stage, and the new resort was opened in June 1964. It had a highly successful first season, and plans for construction of the succeeding phases were accelerated on the basis of this early success.

Although the disastrous floods of last December caused considerable damage, the tribe, with the assistance of emergency funds appropriated to the Bureau of Indian Affairs, accomplished a near miracle in getting the facilities back into operation in time for this summer's tourist season. Latest word is that they will have another successful season.

Plans are now continuing for construction of the latter phases of the project. A spokesman for the tribe said that the ARA study and planning provided "an uplift in morale and outlook as valuable to our people as the economic opportunities that will be opened to them."

Mr. Chairman, the Public Works and Economic Development Act will make available the necessary assistance to continue this and other similar developments to provide long-range job opportunities in areas of chronic unemployment. On the basis of past experience, I am supporting passage of S. 1648.

Mr. O'NEILL of Massachusetts. Mr. Chairman, I strongly endorse the proposed Public Works and Economic Development Act of 1965—S. 1648—and urge its early passage.

This act is a direct descendant of the expiring Area Redevelopment Act—ARA—and the Accelerated Public Works Act—APW.

The Area Redevelopment Act, conceived as a long-term antirecession measure, was established to experiment with ways and means to alleviate unemployment associated with technological change and depletion of natural resources. The Area Redevelopment Act was instructed to distribute the projects widely among the several States so far as is feasible and proper, in order that actual experience with this program might be shared by as many States and as many areas, under as many different circumstances as possible. Although the Area Redevelopment Act's limited funds were spread quite thin through a thousand or so counties in the United States, results were dramatic in many of the smaller rural areas and immeasurable in some of the larger urban areas.

The second antirecession measure was the Accelerated Public Works Act. This act provided for grants for public facilities to create immediate jobs of a more short-term nature. These funds provided needed water and sewer lines, access roads, and public administration buildings, many of which aided in the establishment of industrial parks which assisted long-time local industries to expand and encouraged the establishment of many new entrepreneurs.

The Public Works and Economic Development Act of 1965 incorporates the best features of the Area Redevelopment Act and the accelerated public works programs based on 4 years of practical experience.

A fine example of industrial development is the Cabot, Cabot & Forbes miracle electronic mile, which came about as a result of the construction of Route 128, a circumferential highway around Boston. The key ingredient was the proximity to the centers of higher learning—Harvard and MIT—located in Cambridge.

The next decade will see an accelerated need for public works projects to modernize the water and sewer systems in my district, to provide feeder roads, and anti-pollution measures to realize the full potential of the NASA space center projected for construction in Cambridge, Mass.

The Federal Government must provide the key toward realizing this potential. All communities within commuting distance, such as our good neighbors to the north, Lowell and Newburyport, will feel the impact from the employment potential realized in the Boston metropolitan area.

I strongly urge favorable consideration of this legislative proposal.

Mr. HOWARD. Mr. Chairman, Monmouth and Ocean Counties in New Jersey have no hesitancy in recommending that the programs initiated under the Area Redevelopment and the Accelerated Public Works Act be continued and expanded. We have found that these programs are logical and legitimate tools in our own self-help efforts at promoting and fostering enlightened self-interest and the American free enterprise system.

In my district we have benefited immeasurably from Area Redevelopment Administration Act assistance. For example, a loan of \$690,000 to a small firm in Tuckerton, N.J., has led to the establishment of a prefabricated housing plant, a boat repair shop, and marina facilities. The total cost of the project was \$1,250,000, of which \$560,000 was provided by commercial lenders, the local community and entrepreneurs.

This particular project has had a dramatic effect on its community. For example, tax revenues to be generated have been estimated at well over \$30,000 a year from sources which will require little service from the community. Current employment in the project ranges upward to nearly 450, considerably more than the 112 originally estimated. In addition, the project will consume about \$1.5 million in goods and services to be provided mostly by local business enterprises. Secondary employment benefits by way of site preparation, home construction, contracting and subcontracting and related services already have added significantly to the economy of the area, and are expected to continue to increase.

This loan is being repaid to the Federal Government. It is interesting to note that the project was originally offered to a number of commercial lenders, who—because of the nature of the project—could not provide the money necessary to get it off the ground. The Area Redevelopment Administration made the project possible. This is the kind of work that we should want to have continued under the Economic Development Administration which, I hope, we will pass into law.

The CHAIRMAN. The question is on the committee amendment to the Senate bill.

The committee amendment was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. LANDRUM, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (S. 1648) to provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions, pursuant to House Resolution 503 he reported the bill back to the House with amendment adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment to the committee amendment?

Mr. CRAMER. Mr. Speaker, I demand a separate vote on the so-called Sisk amendment.

The SPEAKER. The Clerk will report the amendment on which a separate vote has been demanded.

The Clerk read as follows:

Amendment offered by Mr. SISK: Page 67, strike out line 20 and all that follows down through and including line 8 on page 68 and insert in lieu thereof the following:

"SEC. 102. (a) In addition to the assistance otherwise authorized, the Secretary is authorized to make grants in accordance with the provisions of this title to those areas which the Secretary of Labor determines, on the basis of average annual available unemployment statistics, were areas of substantial unemployment during the preceding calendar year.

"(b) Areas designated under the authority of this section shall be subject to an annual review of eligibility in accordance with section 402, and to all the rules, regulations, and procedures applicable to redevelopment areas except as the Secretary may otherwise prescribe by regulation.

"SEC. 103. Not more than 15 per centum of the appropriations made pursuant to this title may be expended in any one State.

"SEC. 104. No part of any appropriations made pursuant to this title may be expended for any project in any area which is within the 'Appalachian region' (as that term is defined in section 403 of the Appalachian Regional Development Act of 1965) which is approved for assistance under the Appalachian Regional Development Act of 1965.

"SEC. 105. There is hereby authorized to be appropriated to carry out this title not to exceed \$500,000,000 for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1969."

The SPEAKER. The question is on the amendment offered by the gentleman from California [Mr. SISK].

The question was taken; and the Speaker announced that the ayes appeared to have it.

Mr. GERALD R. FORD. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 196, nays 194, not voting 44, as follows:

[Roll No. 234]

YEAS—196

Adams	Dulski	Hull
Addabbo	Dyal	Hungate
Albert	Edmondson	Huot
Anderson, Tenn.	Evans, Colo.	Ichord
Annunzio	Everett	Jacobs
Ashley	Evins, Tenn.	Jennings
Aspinall	Fallon	Joelson
Bandstra	Farbstein	Johnson, Calif.
Barrett	Farnsley	Johnson, Okla.
Bates	Fascell	Jones, Ala.
Beckworth	Fino	Karsten
Bingham	Flood	Karth
Blatnik	Flynt	Kastenmeier
Boggs	Fogarty	Kee
Boland	Foley	Keith
Bolling	Ford,	King, Calif.
Brooks	William D.	Kirwan
Brown, Calif.	Fraser	Kluczynski
Burke	Friedel	Krebs
Byrne, Pa.	Fulton, Tenn.	Landrum
Callan	Gallagher	Leggett
Casey	Garmatz	Long, La.
Celler	Gettys	Long, Md.
Clark	Gialmo	Love
Clevenger	Gilbert	McDowell
Cohelan	Gonzalez	McEwen
Conte	Grabowski	McFall
Conyers	Gray	McGrath
Corman	Green, Pa.	Machen
Craley	Griffiths	Mackay
Daddario	Hagen, Calif.	Mackie
Daniels	Hanley	Madden
Dawson	Hanna	Matsunaga
de la Garza	Hansen, Wash.	Matthews
Delaney	Harris	Meeds
Dent	Hathaway	Mills
Denton	Hays	Minish
Dingell	Hechler	Mink
Donohue	Helstoski	Moeller
Dorn	Hollifield	Monagan
Dow	Holland	Morgan
	Howard	Morrison

Morse
Moss
Multer
Murphy, Ill.
Murphy, N.Y.
Nedzi
Nix
O'Brien
O'Hara, Ill.
O'Konski
Olsen, Mont.
Olson, Minn.
O'Neill, Mass.
Patman
Patten
Pepper
Perkins
Philbin
Pickle
Pirnie
Poage
Powell
Price
Randall
Redlin

Resnick
Reuss
Rhodes, Pa.
Rivers, Alaska
Roberts
Rodino
Rogers, Colo.
Ronan
Rooney, N.Y.
Rooney, Pa.
Roosevelt
Rosenthal
Rostenkowski
St Germain
St. Onge
Scheuer
Schmidhauser
Secrest
Sennner
Sickles
Sisk
Slack
Smith, Iowa
Stafford
Staggers

NAYS—194

Abbott	Fulton, Pa.	Murray
Abernethy	Fuqua	Natcher
Adair	Gathings	Nelsen
Anderson, Ill.	Gibbons	O'Hara, Mich.
Andrews,	Goodell	O'Neal, Ga.
George W.	Green, Oreg.	Ottenger
Andrews,	Greigg	Passman
Glenn	Grider	Pike
Andrews,	Griffin	Poff
N. Dak.	Gross	Pucinski
Arends	Grover	Purcell
Ashbrook	Gubser	Quie
Ayres	Gurney	Quillen
Baldwin	Hagan, Ga.	Race
Baring	Haley	Reid, Ill.
Battin	Hall	Reid, N.Y.
Belcher	Halleck	Reifel
Bell	Halpern	Reinecke
Bennett	Hamilton	Rhodes, Ariz.
Berry	Hansen, Idaho	Rivers, S.C.
Betts	Hansen, Iowa	Robison
Bolton	Hardy	Rogers, Fla.
Bow	Harsha	Rogers, Tex.
Bray	Harvey, Ind.	Roudebush
Brock	Harvey, Mich.	Roush
Broomfield	Henderson	Rumsfeld
Broyhill, N.C.	Herlong	Satterfield
Broyhill, Va.	Hicks	Saylor
Buchanan	Horton	Schisler
Burleson	Hosmer	Schneebeli
Byrnes, Wis.	Hutchinson	Schweiker
Cabell	Jarman	Selden
Carey	Johnson, Pa.	Shriver
Cederberg	Jonas	Sikes
Chamberlain	Jones, Mo.	Skubitz
Chelf	King, Utah	Smith, Calif.
Clancy	Kornegay	Smith, N.Y.
Clausen,	Kunkel	Smith, Va.
Don H.	Laird	Springer
Clawson, Del.	Langen	Stalbaum
Cleveland	Latta	Stanton
Collier	Lennon	Talcott
Conable	Lipscomb	Taylor
Cooley	McCarthy	Teague, Calif.
Corbett	McClory	Thomson, Wis.
Cramer	McCulloch	Todd
Curtin	McDade	Tuck
Curtis	McMillan	Tuten
Davis, Ga.	Macdonald	Utt
Davis, Wis.	MacGregor	Vigorito
Devine	Mahon	Walker, Miss.
Dickinson	Mailliard	Walker, N. Mex.
Dole	Marsh	Watkins
Dowdy	Martin, Ala.	Watson
Downing	Martin, Mass.	Whalley
Duncan, Tenn.	Martin, Nebr.	White, Tex.
Dwyer	Mathias	Whitener
Edwards, Ala.	May	Whitten
Erlenborn	Michel	Widnall
Farnum	Minshall	Williams
Feighan	Mize	Wilson, Bob
Findley	Moore	Wolf
Fisher	Moorhead	Wyatt
Ford, Gerald R.	Morris	Wylder
Fountain	Morton	Yates
Frelinghuysen	Mosher	Younger

NOT VOTING—44

Ashmore	Carter	Ellsworth
Bonner	Colmer	Gilligan
Brademas	Culver	Hawkins
Brown, Ohio	Cunningham	Hebert
Burton, Calif.	Dague	Irwin
Burton, Utah	Derwinski	Kelly
Cahill	Diggs	Keogh
Callaway	Duncan, Oreg.	King, N.Y.
Cameron	Edwards, Calif.	Lindsay

McVicker	Ryan	Tunney
Miller	Scott	Tupper
Pelly	Shipley	White, Idaho
Pool	Sullivan	Willis
Roncalio	Thomas	
Roybal	Toll	

So the amendment was agreed to.

The Clerk announced the following pairs.

On this vote:

Mr. Keogh for, with Mr. Pool against.
 Mrs. Kelly for, with Mr. Ashmore against.
 Mr. White of Idaho for, with Mr. Brown of Ohio against.
 Mr. Toll for, with Mr. Callaway against.
 Mr. Lindsay for, with Mr. Derwinski against.
 Mr. Miller for, with Mr. Scott against.

Until further notice:

Mr. Gilligan with Mr. Pelly.
 Mr. Edwards of California with Mr. Tupper.

Mr. Duncan of Oregon with Mr. Dague.
 Mr. Roncalio with Mr. Burton of Utah.
 Mr. Cameron with Mr. Cunningham.
 Mr. Roybal with Mr. Ellsworth.
 Mrs. Sullivan with Mr. King of New York.
 Mr. Shipley with Mr. Carter.
 Mr. Irwin with Mr. Hawkins.
 Mr. Hébert with Mr. Burton of California.
 Mr. McVicker with Mr. Thomas.
 Mr. Tunney with Mr. Ryan.
 Mr. Colmer with Mr. Culver.
 Mr. Brademas with Mr. Diggs.
 Mr. Willis with Mr. Bonner.

Mr. O'HARA of Michigan changed his vote from "yea" to "nay."

Mr. HANNA changed his vote from "nay" to "yea."

Mr. EVANS of Colorado changed his vote from "nay" to "yea."

Mr. SLACK changed his vote from "nay" to "yea."

Mr. KEITH changed his vote from "nay" to "yea."

Mr. PICKLE changed his vote from "nay" to "yea."

Mr. FLYNT changed his vote from "nay" to "yea."

Mr. CASEY changed his vote from "nay" to "yea."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the committee amendment as amended.

The committee amendment as amended was agreed to.

The SPEAKER. The question is on the third reading of the bill.

The bill was ordered to be read a third time and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. CRAMER. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. CRAMER. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. CRAMER moves to recommit the bill, S. 1648, to the Committee on Public Works with instructions to report it back forthwith with the following amendments:

I

Page 71, strike out line 16, and all that follows through and including line 10 on page 77, and insert in lieu thereof the following:

"PROGRAMS FOR ECONOMIC DEVELOPMENT

"Sec. 202. No financial assistance shall be extended under section 101, 201 or 403 for

any project in or for the benefit of a redevelopment area unless there has been submitted to and approved by the Secretary an overall program for the economic development of the area and a finding by the State, or any agency, instrumentality, or local political subdivision thereof responsible for the economic development of such area, that the project for which financial assistance is sought is consistent with such program: *Provided*, That nothing in this Act shall authorize financial assistance for any project prohibited by laws of the State or local political subdivision in which the project would be located, nor prevent the Secretary from requiring such periodic revisions of previously approved overall economic development programs as he may deem appropriate."

Page 70, strike out lines 16 through 23, inclusive, and insert in lieu thereof the following:

"(c) There is hereby authorized to be appropriated to carry out this section not to exceed \$85,000,000 for the fiscal year ending June 30, 1966, and a like amount for each fiscal year thereafter through the fiscal year ending June 30, 1970."

Page 64, line 16, strike out "(b) (10)".

Page 69, line 24, strike out "(b)".

Page 70, line 1, strike out "(10)".

At each of the following places strike out "subsection 202(b) (10)" and insert "section 202":

Page 84, lines 19 and 20; page 85, lines 11 and 14; and page 87, line 4.

At each of the following places strike out the reference to section 202:

Page 77, line 19; page 112, line 6; page 118, line 17; page 120, line 4; and page 121, lines 5 and 18.

II

Page 77, line 21, after the period insert the following: "The fund may be used for the foregoing purposes, and for expenses of administration only in such amounts as shall be specified in annual appropriation Acts."

III

On page 123, after line 15, add the following new section:

"Sec. 716. Any moneys available under authority of this Act to be used, directly or indirectly, for the construction, reconstruction, alteration or improvement of any facility, or for the purchase, repair or improvement of any equipment, shall be expended for such purposes subject to the condition that there shall be purchased for use in such construction, reconstruction, alteration, repair or improvement only articles, materials and supplies manufactured in the United States substantially all from articles, materials, or supplies produced or manufactured, as the case may be, in the United States, except in the case of any such manufactured article, material, or supply where the price thereof exceeds by 50 per centum or more the bid or offered price of a comparable manufactured article, material, or supply of foreign origin (including applicable duty and all costs incurred after arrival in the United States)."

Mr. CRAMER (interrupting the reading of the motion to recommit). Mr. Speaker, in that I have previously explained this amendment and in that explanation I indicated it strikes out commercial loans in the area redevelopment program and secondly that it has the objective of closing the door to back-door spending and provides for annual review of the funding set up under one section of the bill, I ask unanimous consent that the further reading of the motion to recommit be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from Florida?

There was no objection.

Mr. BLATNIK. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

Mr. GERALD R. FORD. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 163, nays 224, answered "present" 1, not voting 46, as follows:

[Roll No. 235]

YEAS—163

Abbott	Dwyer	Morse
Abernethy	Edwards, Ala.	Morton
Adair	Erlenborn	Mosher
Anderson, Ill.	Findley	Nelsen
Andrews	Fisher	O'Neal, Ga.
George W. Andrews	Ford, Gerald R.	Ottinger
Glenn Andrews	Fountain	Passman
N. Dak. Arends	Frelinghuysen	Pike
Ashbrook	Fulton, Pa.	Pirnie
Ayres	Gathings	Poage
Baldwin	Gibbons	Poff
Baring	Goodell	Purcell
Bates	Griffin	Quie
Battin	Gross	Quillen
Belcher	Grover	Reid, Ill.
Bell	Gurney	Reid, N.Y.
Bennett	Haley	Reifel
Berry	Hall	Reinecke
Betts	Halleck	Rhodes, Ariz.
Bolton	Hansen, Idaho	Robison
Bow	Hardy	Rogers, Fla.
Bray	Harvey, Ind.	Rogers, Tex.
Brock	Harvey, Mich.	Roudebush
Broomfield	Henderson	Rumsfeld
Broyhill, N.C.	Herlong	Satterfield
Broyhill, Va.	Hosmer	Saylor
Buchanan	Hungate	Schneebeli
Burleson	Hutchinson	Selden
Byrnes, Wis.	Jarman	Shriver
Cabell	Johnson, Pa.	Skubitz
Casey	Jonas	Smith, N.Y.
Cederberg	Jones, Mo.	Smith, Va.
Chamberlain	Keith	Springer
Clancy	Kernegay	Stafford
Clausen	Kunkel	Stanton
Don H. Clawson, Del.	Laird	Talcott
Cleveland	Langen	Teague, Tex.
Collier	Latta	Thomson, Wis.
Conable	Lennon	Todd
Conte	Lipscomb	Tuck
Cooley	McCarthy	Utt
Cramer	McClary	Vivian
Curtin	McCulloch	Walker, Miss.
Curtis	Macdonald	Watkins
Davis, Ga.	MacGregor	Watson
Davis, Wis.	Mahon	Whalley
Devine	Mailliard	White, Tex.
Dickinson	Marsh	Whitten
Dole	Martin, Ala.	Widnall
Dowdy	Martin, Mass.	Williams
Dowling	Martin, Nebr.	Wilson, Bob
Duncan, Tenn.	May	Wolff
	Michel	Wyatt
	Minshall	Wylder
	Mize	Younger
	Moore	

NAYS—224

Adams	Corman	Foley
Addabbo	Craley	Ford,
Albert	Daddario	William D.
Anderson	Daniels	Fraser
Tenn. Annunzio	Dawson	Friedel
Ashley	de la Garza	Fulton, Tenn.
Aspinall	Delaney	Fuqua
Bandstra	Dent	Gallagher
Barrett	Denton	Garmatz
Beckworth	Dingell	Gettys
Bingham	Donohue	Ghaimo
Blatnik	Dorn	Gilbert
Boggs	Dow	Gonzalez
Boland	Dulski	Grabowski
Bolling	Dyal	Gray
Brooks	Edmondson	Green, Oreg.
Brown, Calif.	Evans, Colo.	Green, Pa.
Burke	Everett	Greigg
Byrne, Pa.	Grider	Griffiths
Callan	Fallon	Hagan, Ga.
Carey	Farbstein	Hagen, Calif.
Celler	Farnsley	Halpern
Chelf	Farnum	Hamilton
Clark	Fascell	Hanley
Clevenger	Feighan	Hanna
Cohelan	Fino	Hansen, Iowa
Conyers	Flood	Hansen, Wash.
Corbett	Flynt	Harris
	Fogarty	

Harsha	Mills	Roosevelt
Hathaway	Minish	Rosenthal
Hays	Mink	Rostenkowski
Hechler	Moeller	Roush
Helstoski	Monagan	St Germain
Hicks	Moorhead	St. Onge
Holifield	Morgan	Scheuer
Holland	Morris	Schisler
Horton	Morrison	Schmidhauser
Howard	Moss	Schweiker
Hull	Multer	Secrest
Huot	Murphy, Ill.	Senner
Ichord	Murphy, N.Y.	Sickles
Jacobs	Murray	Sikes
Jennings	Natcher	Sisk
Joelson	Nedzi	Slack
Johnson, Calif.	Nix	Smith, Iowa
Johnson, Okla.	O'Brien	Staggers
Jones, Ala.	O'Hara, Ill.	Stalbaum
Karsten	O'Hara, Mich.	Steed
Karth	O'Konski	Stephens
Kastenmeier	Olsen, Mont.	Stratton
Kee	Olson, Minn.	Stubblefield
King, Calif.	O'Neill, Mass.	Sweeney
King, Utah	Patman	Taylor
Kirwan	Patten	Tenzer
Kluczynski	Pepper	Thompson, N.J.
Krebs	Perkins	Thompson, Tex.
Landrum	Philbin	Trimble
Leggett	Pickle	Tuten
Long, La.	Powell	Udall
Long, Md.	Price	Ullman
Love	Pucinski	Van Deerlin
McDade	Race	Vanik
McDowell	Randall	Vigorito
McEwen	Redlin	Waggonner
McFall	Resnick	Walker, N. Mex.
McGrath	Reuss	Watts
McMillan	Rhodes, Pa.	Weltner
Machen	Rivers, Alaska	Whitener
Mackay	Rivers, S.C.	Wilson,
Mackie	Roberts	Charles H.
Madden	Rodino	Wright
Mathias	Rogers, Colo.	Yates
Matsunaga	Ronan	Young
Matthews	Rooney, N.Y.	Zablocki
Meeds	Rooney, Pa.	

ANSWERED "PRESENT"—1

Gubser

NOT VOTING—46

Ashmore	Diggs	Pool
Bonner	Duncan, Oreg.	Roncalio
Brademas	Edwards, Calif.	Roybal
Brown, Ohio	Ellsworth	Ryan
Burton, Calif.	Gilligan	Scott
Burton, Utah	Hawkins	Shipley
Cahill	Hébert	Smith, Calif.
Callaway	Irwin	Sullivan
Cameron	Kelly	Teague, Calif.
Carter	Keogh	Thomas
Colmer	King, N.Y.	Toll
Culver	Lindsay	Tunney
Cunningham	McVicker	Tupper
Dague	Miller	White, Idaho
Derwinski	Pelly	Willis

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Pool for, with Mr. Keogh against.
Mr. Ashmore for, with Mrs. Kelly against.
Mr. Gubser for, with Mr. Miller against.
Mr. Smith of California for, with Mr. Tupper against.

Mr. Derwinski for, with Mr. Lindsay against.

Mr. Teague of California for, with Mr. King of New York against.

Mr. Brown of Ohio for, with Mr. Edwards of California against.

Mr. Callaway for, with Mr. Culver against.

Mr. Tunney for, with Mr. Duncan of Oregon against.

Mr. Pelly for, with Mr. Brademas against.

Until further notice:

Mr. Roncalio with Mr. Dague.

Mr. Roybal with Mr. Burton of Utah.

Mr. Shipley with Mr. Carter.

Mr. Colmer with Mr. Ellsworth.

Mr. Hébert with Mr. Cunningham.

Mr. Cameron with Mr. Scott.

Mr. Burton of California with Mr. White of Idaho.

Mr. Ryan with Mr. Hawkins.

Mr. Irwin with Mr. McVicker.

Mrs. Sullivan with Mr. Toll.
Mr. Gilligan with Mr. Willis.
Mr. Diggs with Mr. Bonner.

Mrs. GREEN of Oregon and Mr. FEIGHAN changed their vote from "yea" to "nay."

Mr. MIZE changed his vote from "nay" to "yea."

Mr. GUBSER. Mr. Speaker, I have a live pair with the gentleman from California [Mr. MILLER]. Had he been present, he would have voted "nay." I voted "yea." Therefore I withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the passage of the bill.

Mr. GERALD R. FORD. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 246, nays 138, answered "present" 1, not voting 49, as follows:

[Roll No. 236]

YEAS—246

Adams	Fuqua	Mathias
Albert	Gallagher	Matsunaga
Anderson,	Garmatz	Matthews
Tenn.	Gettys	Meeds
Annunzio	Giamo	Mills
Ashley	Gibbons	Minish
Aspinall	Gilbert	Mink
Bandstra	Gonzalez	Moeller
Barrett	Grabowski	Monagan
Bates	Gray	Moore
Beckworth	Green, Oreg.	Moorhead
Bingham	Green, Pa.	Morgan
Blatnik	Greigg	Morris
Boggs	Grider	Morrison
Boland	Griffiths	Morse
Bolling	Hagan, Ga.	Moss
Brooks	Halpern	Multer
Brown, Calif.	Hamilton	Murphy, Ill.
Burke	Hanley	Murphy, N.Y.
Byrne, Pa.	Hanna	Murray
Callan	Hansen, Wash.	Natcher
Celler	Harris	Nedzi
Chelf	Harsha	Nix
Clark	Hathaway	O'Brien
Clausen,	Hays	O'Hara, Ill.
Don H.	Hechler	O'Hara, Mich.
Cleveland	Helstoski	O'Konski
Clevenger	Henderson	Olsen, Mont.
Cohelan	Holifield	Olson, Minn.
Conable	Holland	O'Neal, Ga.
Conte	Horton	O'Neill, Mass.
Conyers	Howard	Patman
Corbett	Hull	Patten
Corman	Huot	Pepper
Craley	Ichord	Perkins
Curtin	Jacobs	Philbin
Daddario	Jennings	Pickle
Daniels	Joelson	Pirnie
Davis, Ga.	Johnson, Calif.	Powell
Dawson	Johnson, Okla.	Price
de la Garza	Johnson, Pa.	Pucinski
Delaney	Jones, Ala.	Quillen
Dent	Jones, Mo.	Race
Denton	Karsten	Randall
Dingell	Karth	Redlin
Donohue	Kastenmeier	Resnick
Dorn	Kee	Reuss
Dow	Keith	Rhodes, Pa.
Dulski	King, Calif.	Rivers, S.C.
Duncan, Tenn.	King, Utah	Rivers, Alaska
Dyal	Kirwan	Roberts
Edmondson	Kluczynski	Rodino
Evans, Colo.	Krebs	Rogers, Colo.
Everett	Landrum	Ronan
Evins, Tenn.	Leggett	Rooney, N.Y.
Fallon	Long, La.	Rooney, Pa.
Farbstein	Long, Md.	Roosevelt
Farnsley	Love	Rosenthal
Fascell	McCarthy	Rostenkowski
Feighan	McDade	Roush
Fino	McDowell	St Germain
Flood	McEwen	St. Onge
Flynt	McFall	Saylor
Fogarty	McGrath	Scheuer
Foley	McMillan	Schisler
Ford,	Macdonald	Schmidhauser
William D.	Machen	Schweiker
Fraser	Mackay	Secrest
Friedel	Mackie	Senner
Fulton, Pa.	Madden	Sickles
Fulton, Tenn.	Martin, Mass.	Sikes

Sisk	Taylor	Waggonner
Slack	Tenzer	Walker, N. Mex.
Smith, Iowa	Thompson, N.J.	Watkins
Smith, N.Y.	Thompson, Tex.	Watts
Stafford	Trimble	Weltner
Staggers	Tuten	Whalley
Stalbaum	Udall	Whitener
Steed	Ullman	Wright
Stephens	Van Deerlin	Wyatt
Stratton	Vanik	Yates
Stubblefield	Vigorito	Young
Sweeney	Vivian	Zablocki

NAYS—138

Abbitt	Downing	Minshall
Abernethy	Dwyer	Mize
Adair	Edwards, Ala.	Morton
Addabbo	Erlenborn	Mosher
Anderson, Ill.	Farnum	Nelsen
Andrews,	Findley	Ottenger
George W.	Fisher	Passman
Andrews,	Ford, Gerald R.	Pike
Glenn	Fountain	Poage
Andrews,	Frelinghuysen	Poff
N. Dak.	Gathings	Purcell
Arends	Goodell	Reid, Ill.
Ashbrook	Griffin	Reid, N.Y.
Ayres	Gross	Reifel
Baldwin	Grover	Reinecke
Baring	Gurney	Rhodes, Ariz.
Battin	Hagen, Calif.	Robison
Belcher	Haley	Rogers, Fla.
Bell	Hall	Rogers, Tex.
Bennett	Halleck	Roudebush
Berry	Hansen, Idaho	Rumsfeld
Betts	Hansen, Iowa	Satterfield
Bolton	Hardy	Schneebell
Bow	Harvey, Ind.	Selden
Bray	Harvey, Mich.	Shriver
Brock	Herlong	Skubitz
Broomfield	Hicks	Smith, Va.
Broyhill, N.C.	Hosmer	Springer
Broyhill, Va.	Hungate	Stanton
Buchanan	Hutchinson	Talcott
Burleson	Jarman	Teague, Tex.
Byrnes, Wis.	Jonas	Thomson, Wis.
Cabell	Kornegay	Tuck
Carey	Kunkel	Utt
Casey	Laird	Walker, Miss.
Cederberg	Langen	Watson
Chamberlain	Latta	White, Tex.
Clancy	Lipscomb	Whitten
Clawson, Del	McClury	Widnall
Collier	McClulloch	Williams
Cooley	MacGregor	Wilson, Bob
Cramer	Mahon	Wilson,
Curtis	Mailliard	Charles H.
Davis, Wis.	Marsh	Wolf
Devine	Martin, Ala.	Wydler
Dickinson	Martin, Nebr.	Younger
Dole	May	
Dowdy	Michel	

ANSWERED "PRESENT"—1

Gubser

NOT VOTING—49

Ashmore	Duncan, Oreg.	Quie
Bonner	Edwards, Calif.	Roncalio
Brademas	Ellsworth	Roybal
Brown, Ohio	Gilligan	Ryan
Burton, Calif.	Hawkins	Scott
Burton, Utah	Hébert	Shipley
Cahill	Irwin	Smith, Calif.
Callaway	Kelly	Sullivan
Cameron	Keogh	Teague, Calif.
Carter	King, N.Y.	Thomas
Colmer	Lennon	Todd
Culver	Lindsay	Toll
Cunningham	McVicker	Tunney
Dague	Miller	Tupper
Derwinski	Pelly	White, Idaho
Diggs	Pool	Willis

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Miller for, with Mr. Gubser against.
Mr. Keogh for, with Mr. Ashmore against.
Mrs. Kelly for, with Mr. Pool against.
Mr. McVicker for, with Mr. Lennon against.
Mr. King of New York for, with Mr. Brown of Ohio against.

Mr. Tupper for, with Mr. Smith of California against.

Mr. Ellsworth for, with Mr. Pelly against.

Mr. Carter for, with Mr. Callaway against.
Mr. Gilligan for, with Mr. Derwinski against.

Mr. White of Idaho for, with Mr. Teague of California against.

Until further notice:

Mr. Hébert with Mr. Burton of Utah.
Mr. Colmer with Mr. Quie.
Mr. Toll with Mr. Cunningham.
Mr. Thomas with Mr. Dague.
Mr. Cameron with Mr. Ryan.
Mr. Culver with Mr. Irwin.
Mr. Roncalio with Mr. Hawkins.
Mr. Brademas with Mr. Bonner.
Mr. Edwards of California with Mr. Diggs.
Mr. Tunney with Mr. Duncan of Oregon.
Mr. Shipley with Mr. Scott.
Mr. Burton of California with Mr. Willis.
Mrs. Sullivan with Mr. Todd.

Mr. GUBSER. Mr. Speaker, I have a live pair with the gentleman from California [Mr. MILLER]. Had he been present he would have voted "yea." Therefore, I withdraw my vote of "nay" and vote "present."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND REMARKS

Mr. JONES of Alabama. Mr. Speaker, I ask unanimous consent that all Members may extend their remarks on the bill S. 1648.

The SPEAKER pro tempore (Mr. SMITH of Iowa). Without objection, it is so ordered.

There was no objection.

EBONY MAGAZINE ARTICLES ON RACE RELATIONS

(Mr. NIX asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. NIX. Mr. Speaker, I have read and studied the 21 discriminating and lucid articles, all embracing elements of the white problem in America, set forth in the special issue of Ebony magazine, August 1965.

The timing, as related to the receptivity of white America's mind, is flawless; the present acute need for this kind of analysis and pragmatic presentation is compelling. The possible solid progress to white America in reassessment of values as well as of personal worth and responsibility might well light some candles or cure some of the blind spots now displacing reason in the minds of many Americans.

Mr. Speaker, if this article does no more than center white America's thinking processes on the fact that the real problem is not the Negro, but the white man's attitude toward the Negro—that white America created and invented the race problem at the moment it relegated the Negro to the status of inequality, then a giant step shall have been made toward understanding and final solution.

Mr. Speaker, the crises in race relations existing in the United States today places upon each one of us an awesome responsibility, which entails and exacts the exertion of every effort toward a solution.

I am deeply convinced that the articles referred to above, if perused with care and with an open mind, will make a great contribution in the field of Negro-white relations.

I, therefore, wish to say to each of my colleagues that I have arranged with the publisher to mail a copy of this publication to your Washington office, with the fervent hope that my effort will help to bring clarity and comprehension on the issues involved and a high measure of courage and wisdom to all of us.

U.N. PEACEKEEPING ASSESSMENTS

(Mr. ROSENTHAL asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ROSENTHAL. Mr. Speaker, on next Monday, it is reported, Ambassador Arthur J. Goldberg will announce a more flexible American position on peacekeeping assessments in the United Nations. Such action is wise, farsighted, and completely in keeping with the country's foreign policy goals. As a member of the House Committee on Foreign Affairs, I want to be on record as strongly supporting this policy.

I am dismayed by Russia's failure to pay its share of the cost of recent United Nations operations. But it is quite clear that our insistence on their payment is not about to be successful. The only effect of such insistence indeed has been to tie up the General Assembly.

It seems to me, Mr. Speaker, that our choice must be between a narrow concern with limited demands, which will have the effect of continuing the paralysis of the General Assembly, and a more flexible policy which looks beyond short-range disturbances to long-term commitments. By refusing to satisfy their obligations, the Russians have dramatized their disregard for the United Nations. It seems to me we can rise above such behavior.

In any case, practical political judgment compels us to acknowledge that the present United Nations is incapable of forcing a major world power to pay for peacekeeping operations of which it disapproves. However, unfortunate this obstacle, however inadequate the provisions of article 19, it simply does not justify protracted obstinacy with the Russians which would paralyze the United Nations. Indeed, the only way of handling this problem is to keep the United Nations alive, restrain ourselves from a myopic preoccupation with the past problems, and then sit down to devise a more practicable formula for funding peacekeeping operations. If this is to be the substance of Ambassador Goldberg's speech to the 33-nation committee on United Nations finances, then I am anxious to register my highest regard for such enlightened policy.

The lead editorial in today's New York Times, which I would like to commend to the attention of my colleagues, deals with this problem, and it certainly echoes my sentiments.

[From the New York Times, Aug. 12, 1965]

PUTTING THE U.N. BACK TO WORK

Washington's plan to announce a more flexible position on peacekeeping assessments may prove a lifesaver for the United Nations. Ambassador Arthur J. Goldberg in his maiden speech Monday to the 33-nation committee on the U.N. financial crisis will apparently

be in a position to help put the General Assembly back into business despite the controversy over Moscow's arrears.

The American effort to make the Soviet Union pay its share of the U.N.'s Congo and Middle East operations—or lose its General Assembly vote under article 19—has paralyzed the Assembly but failed to make the Russians pay up. A majority of the member nations is determined to sidestep the question. It has become clear that a major power at this time cannot be compelled to pay for peacekeeping activities of which it has disapproved; any effort to force the issue could only destroy the United Nations.

The problem of the U.N.'s \$108 million deficit is serious. But it can be resolved through voluntary contributions. Britain, Canada, and the Scandinavian countries have shown the way with donations of almost \$18 million. The Soviet Union has indicated that it will make a "substantial" contribution if it is not required to prejudice its legal position that it was illegally assessed and owes no peacekeeping arrears.

It should not be necessary, in resolving the assessment conflict, to abandon article 19. The constitutional power of the General Assembly to apportion the expenses of the world organization should be maintained. The precise legal device that makes this possible is of secondary importance. Many methods have been suggested at the United Nations. The task now is to select one of them, liquidate this sterile controversy and put the General Assembly back to work when it meets next month.

Many peacekeeping operations, including the Korean war and the current Cyprus program, have been conducted with voluntary financing. The U.N.'s biggest challenges still lie ahead—in Vietnam, for example. It would be tragic to wreck the world organization in an argument over past liabilities. The need is to preserve it for what it can do—and that is a great deal.

U.S. CAPITOL PAGE ACT OF 1965

(Mr. HULL asked and was given permission to address the House for 1 minute, to revise and extend his remarks and to include extraneous matter.)

Mr. HULL. Mr. Speaker, on July 19 I introduced a bill to establish a U.S. Capitol page system for needy and deserving college students. Since then I have been highly encouraged by the warm and approving response to my proposal.

At that time I stated my reasons for proposing this reform. Under the present system, in my opinion, the pages receive neither the adequate supervision nor the necessary formal education which are demanded for youngsters between the ages of 14 and 18 in all other situations.

They are both overworked and overpaid. It is clearly unreasonable to require working hours of them inconsistent with the standards of the Federal child labor provisions of the Fair Labor Standards Act. Nor is it reasonable to provide salaries that are disproportionate to the tasks assigned them.

Under my bill, page positions would be open to deserving college students who have both the maturity and the discipline to profit most from the opportunities uniquely offered to a Capitol page. With the lower salaries I have proposed, the savings effected would allow for the appointment of additional pages, and consequently would allow

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

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89th-1st.; No. 150

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HIGHLIGHTS: Senate concurred in House amendments to public works economic development bill. Senate debated bill to expand poverty program. Sens. Young, N. Dak., Mondale, and McGovern discussed and inserted items on wheat sales to Russia. House committee reported pay bill. Rep. Ryan opposed wheat provision of farm bill. Sen. Nelson urged increased efforts to solve rural poverty problems.

SENATE

1. PUBLIC WORKS; ECONOMIC DEVELOPMENT. Concurred in the House amendments to S. 1648, the proposed Public Works and Economic Development Act of 1965 (pp. 19307-15). This bill will now be sent to the President. See Digest 148 for a summary of items of interest.

2. POVERTY. Began debate on H. R. 8283, to expand the war on poverty and enhance the effectiveness of programs under the Economic Opportunity Act of 1964. pp. 19781, 19791-5, 19796-807, 19815-25
Sen. Nelson urged greater emphasis on solving rural poverty problems and expressed hope "that Mr. Schrivers will work more closely with Mr. Freeman during fiscal 1966, making it possible to draw more heavily on Department of Agriculture personnel well acquainted with rural problems and rural people." p. 19774
Sen. Scott inserted an article critical of the poverty program, "Accentuate the Positive: The Pill for Poverty is Jobs." pp. 19765-6
3. WHEAT; FOREIGN TRADE. Sens. Mondale and McGovern criticized the policy that 50 percent of wheat sold to Russia must be carried in U. S. ships, contended that this resulted in Russia buying wheat from Canada and other countries, and inserted several items on the matter. pp. 19761-4, 19788-90
Sen. McGovern defended the wheat provisions of the House farm bill and criticized charges that such provisions would result in a "bread tax." pp. 19790-1
Sen. Young, N. Dak., stated that the biggest single impediment to selling wheat to Russia was the 50 percent shipping requirement on U. S. vessels and inserted an editorial, "Lost Opportunities in Wheat." pp. 19753-4
4. DEFENSE DEPARTMENT APPROPRIATION BILL. A subcommittee of the Appropriations Committee voted to report to the full committee this bill, H. R. 9221. p. D796
5. RECREATION. Sen. Williams, N. J., commended recent passage of H. R. 89, to provide for establishment of the Delaware Water Gap National Recreation Area. pp. 19759-60
6. CONSUMERS. Sen. Mondale commended a provision in the proposed Economic Opportunity Amendments of 1965 providing authority to pay all or part of the costs of consumer education programs under community action projects for low-income families and inserted two items on the subject. pp. 19772-3
7. TRANSPORTATION. Sen. Brewster spoke in support of a strong U. S. merchant marine and proposed that 75 percent (rather than the present 50 percent) of U. S. Government-generated cargo be shipped on American flag vessels. pp. 19825-7
8. FOREIGN AID. Sen. Morse reviewed the difficulties of the conferees in resolving differences of the House and Senate on the foreign aid authorization bill and stated that he "cannot vote in conference for the renewal of the old program." pp. 19829-30

HOUSE

9. PERSONNEL. The Post Office and Civil Service Committee reported without amendment H. R. 10281, the Federal pay bill (H. Rept. 792). p. 19746
Passed without amendment H. R. 6165, to repeal 5 U.S.C. 33, which gives department heads discretion as to whether to appoint women. pp. 19691-2
Passed without amendment S. 1309, to authorize checks to be drawn in favor of financial organizations for the credit of a person's account, under certain conditions (p. 19702-3). This bill will now be sent to the President. This bill authorizes Federal disbursing officers to make payment by sending

	Tuition	Board	Room	Books and supplies	Extras	Total
Antioch.....	\$1,400	\$288	\$228	\$350	\$56	
Ashland.....	992	750		100	80	
Baldwin Wallace.....	1,056	420	270	75	75	
Bluffton.....	770	370	240	100	54	
Bowling Green.....	400	700		100	25	
Capital.....	900	450	270	80		
Case.....	1,400	600	300	50	50	
Central State.....	70	426	300			
St. Mary's.....	600	550	250	100	80	
Wooster.....	1,320	500	340	80		
Defiance.....	915	432	180	80		
Denison.....	1,200	440	330	75	150	
Fenn.....	980	510	288	30	45	
Heidelberg.....	1,100	445	325			
Hiram.....	1,090	445	360	100	155	
Kent State.....	336	420	234	175		
Kenyon.....	1,400	510	320	100	100	\$2,430
Mount Union.....	1,125	450	300	80		
Muskingum.....	1,090	510	220	100	70	
Oberlin.....	1,350	500	400	100	92	
Ohio Wesleyan.....	1,300	800		75		
Otterbein.....	850	450	250	40	110	
Western (Women).....	1,375	1,100		1150	25	
Western Reserve.....	1,050	510	340	75	59	+400-500
Harvard.....	1,520	620	475	100		2,715
Mount Holyoke.....	2,750	Included	Included		400	3,150
Radcliffe.....	1,700	1,170	Included	100	115	3,145
Wellesley.....	2,800	Included	Included		400-800	3,600
Vassar.....	1,500	1,300	Included	100	50	2,950

¹ And up.

Mr. DOMINICK. Mr. President, let me say to the distinguished Senator from Ohio that perhaps the reason why Mr. Shriver quoted Harvard as being that high is that he went to Yale Law School at the same time I did. I know him very well. He is a highly distinguished man.

I also point out to the Senator from Ohio that one of the highest costs in college is in medical school. The cost at a public medical school is \$3,200. At a private medical school it is \$3,981—well below what it would cost to send a youngster to the Job Corps. It still does not make any sense to me to have to pay so much money, so disproportionate to the result.

Mr. LAUSCHE. I think it can be said that it costs the taxpayers about \$4,400 a year to teach one of the dropouts in the job centers for 9 months, as embraced in the bill. That sum would, of course, be shocking to the ordinary citizen—\$4,400 to teach a dropout is unbelievable.

PUBLICATION OF NAMES OF OWNERS OF RENTAL PROPERTIES UNDER TITLE I OF THE HOUSING ACT OF 1949

Mr. DOMINICK. Mr. President, before I yield the floor, I send a bill to the desk for proper referral which has some bearing on the subject we are dealing with now. It is a thought which I have had in mind for some time. It is a bill which, if adopted, will require that the names of those who own property for rent in slum areas must be published at least once a year in a public newspaper before they are entitled to any funds under title I of the Housing Act. I believe it is a good bill. It will encourage improvement in slum housing by making public the names of the landlords responsible for these horrible conditions. Up to the present time, the promotion of more effective building codes and code enforcement, as well as various tax reform studies, have been the primary weapons employed against urban blight.

I support these measures, but I believe that the fear of widespread public notoriety will provide tremendous further impetus toward the goal of eradication of both urban and rural slum housing conditions.

Slum housing is sapping the strength of this country as a result of its impact on juvenile delinquency, discontent, racial strife, and social disintegration. Because of the low tax base in these areas, many communities are hard pressed to provide adequate utilities, streets, parks, schools, playgrounds, and other services. It is a national disgrace, and the landlords who are getting rich at the expense of literally millions of helpless tenants must be brought to the light of public scrutiny. According to the 1960 census of housing, there were about four and three-quarters million substandard housing units occupied by renters, and over three million of these units were occupied by families with incomes of less than \$3,000 a year. These people simply do not have the resources or facilities to overcome this problem alone; and despite the millions of dollars spent by the Office of Economic Opportunity and other agencies in the ill-managed and ill-considered war on poverty, not much of a dent has been made in the elimination of slums. My bill, by publicizing the names of the persons responsible, would bring to bear the full weight and pressure of the entire community against the offending landlords. These owners and landlords themselves, have a responsibility to improve their properties so that they meet the standard of the law as well as the standard of normal decency that the community at large expects and demands.

Many landlords have neglected to meet their responsibilities simply because they knew that they were safely hidden from the public's eye. No one would know that the filthy, rat-infested tenement or shack over on the other side of the tracks belonged to one of the pillars of the community, or perhaps to a respected officeholder.

My bill provides that a locality must

require that the names of all owners of rental properties used for residential purposes be published at least annually in a local newspaper before that locality would be eligible for a loan or grant under title I of the Housing Act of 1949. This would include the names of owners of both legal and equitable interests; the officers and directors of corporations which own such properties, as well as any person owning 15 percent or more of the stock of such corporations; both the trustees and beneficiaries where the owner is a trust; and the names of all partners, general and limited, where the owner is a partnership. There is no doubt that my bill would have a salutary effect in many of the problem areas of our communities. I sincerely urge prompt consideration and passage to help out on the problem with which we are faced, and which we are dealing with in this and another bill.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The bill (S. 2419) to make assistance to localities under title I of the Housing Act of 1949 contingent upon the publication of the names of the owners of rental properties in such localities which are used for residential purposes, introduced by Mr. DOMINICK, was received, read twice by its title, and referred to the Committee on Banking and Currency.

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 1648) to provided grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions, which was, to strike out all after the enacting clause and insert:

That this Act may be cited as the "Public Works and Economic Development Act of 1965".

STATEMENT OF PURPOSE

SEC. 2. The Congress declares that the maintenance of the national economy at a high level is vital to the best interests of the United States, but that some of our regions, counties, and communities are suffering substantial and persistent unemployment and underemployment; that such unemployment and underemployment cause hardship to many individuals and their families, and waste invaluable human resources; that to overcome this problem the Federal Government, in cooperation with the States, should help areas and regions of substantial and persistent unemployment and underemployment to take effective steps in planning and financing their public works and economic development; that Federal financial assistance, including grants for public works and development facilities to communities, industries, enterprises, and individuals in areas needing development should enable such areas to help themselves achieve lasting improvement and enhance the domestic prosperity by the establishment of stable and diversified local economies and improved local conditions, provided that such assistance is preceded by and consistent with sound, long-range economic planning; and that

under the provisions of this Act new employment opportunities should be created by developing and expanding new and existing public works and other facilities and resources rather than by merely transferring jobs from one area of the United States to another.

TITLE I—GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES

SEC. 101. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary of Commerce (hereinafter referred to as the Secretary) is authorized—

(1) to make direct grants for the acquisition or development of land and improvements for public works, public service, or development facility usage, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, including related machinery and equipment, within a redevelopment area, if he finds that—

(A) the project for which financial assistance is sought will directly or indirectly (i) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities, (ii) otherwise assist in the creation of additional long-term employment opportunities for such area, or (iii) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964;

(B) the project for which a grant is requested will fulfill a pressing need of the area, or part thereof, in which it is, or will be, located; and

(C) the area for which a project is to be undertaken has an approved overall economic development program as provided in section 202(b)(10) and such project is consistent with such program;

(2) to make supplementary grants in order to enable the States and other entities within redevelopment areas to take maximum advantage of designated Federal grant-in-aid programs (as hereinafter defined), direct grants-in-aid authorized under this section, and Federal grant-in-aid programs authorized by the Watershed Protection and Flood Prevention Act (68 Stat. 666, as amended), and the eleven watersheds authorized by the Flood Control Act of December 22, 1944, as amended and supplemented (58 Stat. 887), for which they are eligible but for which, because of their economic situation, they cannot supply the required matching share.

(b) Subject to subsection (c) hereof, the amount of any direct grant under this section for any project shall not exceed 50 per centum of the cost of such project.

(c) The amount of any supplementary grant under this section for any project shall not exceed the applicable percentage established by regulations promulgated by the Secretary, but in no event shall the non-Federal share of the aggregate cost of any such project (including assumptions of debt) be less than 20 per centum of such cost. Supplementary grants shall be made by the Secretary, in accordance with such regulations as he shall prescribe, by increasing the amounts of direct grants authorized under this section or by the payment of funds appropriated under this Act to the heads of the departments, agencies, and instrumentalities of the Federal Government responsible for the administration of the applicable Federal programs. Notwithstanding any requirement as to the amount or sources of non-Federal funds that may otherwise be applicable to the Federal program involved, funds provided under this subsection shall be used for the sole purpose

of increasing the Federal contribution to specific projects in redevelopment areas under such programs above the fixed maximum portion of the cost of such project otherwise authorized by the applicable law. The term "designated Federal grant-in-aid programs," as used in this subsection, means such existing or future Federal grant-in-aid programs assisting in the construction or equipping of facilities as the Secretary may, in furtherance of the purposes of this Act, designate as eligible for allocation of funds under this section. In determining the amount of any supplementary grant available to any project under this section, the Secretary shall take into consideration the relative needs of the area, the nature of the project to be assisted, and the amount of such fair user charges or other revenues as the project may reasonably be expected to generate in excess of those which would amortize the local share of initial costs and provide for its successful operation and maintenance (including depreciation).

(d) The Secretary shall prescribe rules, regulations, and procedures to carry out this section which will assure that adequate consideration is given to the relative needs of eligible areas. In prescribing such rules, regulations, and procedures the Secretary shall consider among other relevant factors (1) the severity of the rates of unemployment in the eligible areas and the duration of such unemployment and (2) the income levels of families and the extent of underemployment in eligible areas.

(e) Except for projects specifically authorized by Congress, no financial assistance shall be extended under this section with respect to any public service or development facility which would compete with an existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State or Federal regulatory body, unless the State or Federal regulatory body determines that in the area to be served by the facility for which the financial assistance is to be extended there is a need for an increase in such service (taking into consideration reasonably foreseeable future needs) which the existing public utility is not able to meet through its existing facilities or through an expansion which it agrees to undertake.

(f) The Secretary shall prescribe regulations which will assure that appropriate local governmental authorities have been given a reasonable opportunity to review and comment upon proposed projects under this section.

SEC. 102. (a) In addition to the assistance otherwise authorized, the Secretary is authorized to make grants in accordance with the provisions of this title to those areas which the Secretary of Labor determines, on the basis of average annual available unemployment statistics, were areas of substantial unemployment during the preceding calendar year.

(b) Areas designated under the authority of this section shall be subject to an annual review of eligibility in accordance with section 402, and to all of the rules, regulations, and procedures applicable to redevelopment areas except as the Secretary may otherwise prescribe by regulation.

SEC. 103. Not more than 15 per centum of the appropriations made pursuant to this title may be expended in any one State.

SEC. 104. No part of any appropriations made pursuant to this title may be expended for any project in any area which is within the "Appalachian region" (as that term is defined in section 403 of the Appalachian Regional Development Act of 1965) which is approved for assistance under the Appalachian Regional Development Act of 1965.

SEC. 105. There is hereby authorized to be appropriated to carry out this title not to exceed \$500,000,000 for the fiscal year ending

June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1969.

Financial assistance for sewer facilities

SEC. 106. No financial assistance, through grants, loans, guarantees, or otherwise, shall be made under this Act to be used directly or indirectly for sewer or other waste disposal facilities unless the Secretary of Health, Education, and Welfare certifies to the Secretary that any waste material carried by such facilities will be adequately treated before it is discharged into any public waterway so as to meet applicable Federal, State, interstate, or local water quality standards.

TITLE II—OTHER FINANCIAL ASSISTANCE

Public works and development facility loans

SEC. 201. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary is authorized to purchase evidence of indebtedness and to make loans to assist in financing the purchase or development of land and improvements for public works, public service, or development facility usage, including public works, public service, and development facility usage, to be provided by agencies of the Federal Government pursuant to legislation requiring that non-Federal entities bear some part of the cost thereof, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, including related machinery and equipment, within a redevelopment area, if he finds that—

(1) the project for which financial assistance is sought will directly or indirectly—

(A) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities,

(B) otherwise assist in the creation of additional long-term employment opportunities for such area, or

(C) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964;

(2) the funds requested for such project are not otherwise available from private lenders or from other Federal agencies on terms which in the opinion of the Secretary will permit the accomplishment of the project;

(3) the amount of the loan plus the amount of other available funds for such project are adequate to insure the completion thereof;

(4) there is a reasonable expectation of repayment; and

(5) such area has an approved overall economic development program as provided in section 202(b)(10) and the project for which financial assistance is sought is consistent with such program.

(b) Subject to section 701(5), no loan, including renewals or extensions thereof, shall be made under this section for a period exceeding forty years, and no evidence of indebtedness maturing more than forty years from the date of purchase shall be purchased under this section. Such loans shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed one-half of 1 per centum per annum.

(c) There are hereby authorized to be appropriated such sums as may be necessary

to carry out the provisions of this section and section 202: *Provided*, That annual appropriations for the purpose of purchasing evidences of indebtedness, making and participating in loans, and guaranteeing loans shall not exceed \$170,000,000, for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1970.

(d) Except for projects specifically authorized by Congress, no financial assistance shall be extended under this section with respect to any public service or development facility which would compete with an existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State or Federal regulatory body, unless the State or Federal regulatory body determines that in the area to be served by the facility for which the financial assistance is to be extended there is a need for an increase in such service (taking into consideration reasonably foreseeable future needs) which the existing public utility is not able to meet through its existing facilities or through an expansion which it agrees to undertake.

(e) The Secretary shall prescribe regulations which will assure that appropriate local governmental authorities have been given a reasonable opportunity to review and comment upon proposed projects under this section.

Loans and guarantees

SEC. 202. (a) The Secretary is authorized (1) to purchase evidences of indebtedness and to make loans (which for purposes of this section shall include participations in loans) to aid in financing any project within a redevelopment area for the purchase or development of land and facilities (including machinery and equipment) for industrial or commercial usage, including the construction of new buildings, the rehabilitation of abandoned or unoccupied buildings, and the alteration, conversion, or enlargement of existing buildings; and (2) to guarantee loans for working capital made to private borrowers by private lending institutions in connection with projections in redevelopment areas assisted under subsection (a)(1) hereof, upon application of such institution and upon such terms and conditions as the Secretary may prescribe: *Provided, however*, That no such guarantee shall at any time exceed 90 per centum of the amount of the outstanding unpaid balance of such loan.

(b) Financial assistance under this section shall be on such terms and conditions as the Secretary determines, subject, however, to the following restrictions and limitations:

(1) Such financial assistance shall not be extended to assist establishments relocating from one area to another or to assist subcontractors whose purpose is to divest, or whose economic success is dependent upon divesting, other contractors or subcontractors of contracts theretofore customarily performed by them: *Provided, however*, That such limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity if the Secretary finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment of the area of original location or in any other area where such entity conducts business operations, unless the Secretary has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

(2) Such assistance shall be extended only to applicants, both private and public (including Indian tribes), which have been approved for such assistance by any agency or

instrumentality of the State or political subdivision thereof in which the project to be financed is in the area of its original location or instrumentality is directly concerned with problems of economic development in such State or subdivision.

(3) The project for which financial assistance is sought must be reasonably calculated to provide more than a temporary alleviation of unemployment or underemployment within the redevelopment area wherein it is or will be located.

(4) No loan or guarantee shall be extended hereunder unless the financial assistance applied for is not otherwise available from private lenders or from other Federal agencies on terms which in the opinion of the Secretary will permit the accomplishment of the project.

(5) The Secretary shall not make any loan without a participation unless he determines that the loan cannot be made on a participation basis.

(6) No evidences of indebtedness shall be purchased and no loans shall be made or guaranteed unless it is determined that there is reasonable assurance of repayment.

(7) Subject to section 701(5) of this Act, no loan, including renewals or extension thereof, may be made hereunder for a period exceeding twenty-five years and no evidences of indebtedness maturing more than twenty-five years from date of purchase may be purchased hereunder: *Provided*, That the foregoing restrictions on maturities shall not apply to securities or obligations received by the Secretary as a claimant in bankruptcy or equitable reorganization or as a creditor in other proceedings attendant upon insolvency of the obligor.

(8) Loans made and evidences of indebtedness purchased under this section shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, plus additional charge, if any, toward covering other costs of the program as the Secretary may determine to be consistent with its purpose.

(9) Loan assistance shall not exceed 65 per centum of the aggregate cost to the applicant (excluding all other Federal aid in connection with the undertaking) of acquiring or developing land and facilities (including machinery and equipment), and of constructing, altering, converting, rehabilitating, or enlarging the building or buildings of the particular project, and shall, among others, be on the condition that—

(A) other funds are available in an amount which, together with the assistance provided hereunder, shall be sufficient to pay such aggregate cost;

(B) not less than 15 per centum of such aggregate cost be supplied as equity capital or as a loan repayable in no shorter period of time and at no faster an amortization rate than the Federal financial assistance extended under this section is being repaid, and if such a loan is secured, its security shall be subordinate and inferior to the lien or liens securing such Federal financial assistance: *Provided, however*, That, except in projects involving financial participation by Indian tribes, not less than 5 per centum of such aggregate cost shall be supplied by the State or any agency, instrumentality, or political subdivision thereof, or by a community or area organization which is nongovernmental in character, unless the Secretary shall determine in accordance with objective standards promulgated by regulation that all or part of such funds are not reasonably available to the project because of the economic distress of the area or for other good cause, in which case he may waive the requirement

of this provision to the extent of such unavailability, and allow the funds required by this subsection to be supplied by the applicant or by such other non-Federal source as may reasonably be available to the project;

(C) to the extent that the Secretary finds such action necessary to encourage financial participation in a particular project by other lenders and investors, and except as otherwise provided in subparagraph (B), any Federal financial assistance extended under this section may be repayable only after other loans made in connection with such project have been repaid in full, and the security, if any, for such Federal financial assistance may be subordinate and inferior to the lien or liens securing other loans made in connection with the same project.

(10) No such assistance shall be extended unless there shall be submitted to and approved by the Secretary an overall program for the economic development of the area and a finding by the State, or any agency, instrumentality, or local political subdivision thereof, that the project for which financial assistance is sought is consistent with such program: *Provided*, That nothing in this Act shall authorize financial assistance for any project prohibited by laws of the State or local political subdivision in which the project would be located, nor prevent the Secretary from requiring such periodic revisions of previously approved overall economic development programs as he may deem appropriate.

Economic development revolving fund

SEC. 203. Funds obtained by the Secretary under section 201, loan funds obtained under section 403, and collections and repayments received under this Act, shall be deposited in an economic development revolving fund (hereinafter referred to as the "fund"), which is hereby established in the Treasury of the United States, and which shall be available to the Secretary for the purpose of extending financial assistance under sections 201, 202, and 403, and for the payment of all obligations and expenditures arising in connection therewith. There shall also be credited to the fund such funds as have been paid into the area redevelopment fund or may be received from obligations outstanding under the Area Redevelopment Act. The fund shall pay into miscellaneous receipts of the Treasury, following the close of each fiscal year, interest on the amount of loans outstanding under this Act computed in such manner and at such rate as may be determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, during the month of June preceding the fiscal year in which the loans were made.

TITLE III—TECHNICAL ASSISTANCE, RESEARCH AND INFORMATION

SEC. 301. (a) In carrying out his duties under this Act the Secretary is authorized to provide technical assistance which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment (1) to areas which he has designated as redevelopment areas under this Act, and (2) to other areas which he finds have substantial need for such assistance. Such assistance shall include project planning and feasibility studies, management and operational assistance, and studies evaluating the needs of, and developing potentialities for, economic growth of such areas. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government, through the employment

of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants-in-aid to appropriate public or private nonprofit State, area, district, or local organizations. The Secretary, in his discretion, may require the repayment of assistance provided under this subsection and prescribe the terms and conditions of such repayment.

(b) The Secretary is authorized to make grants to defray not to exceed 75 per centum of the administrative expenses of organizations which he determines to be qualified to receive grants-in-aid under subsection (a) hereof. In determining the amount of the non-Federal share of such costs or expenses, the Secretary shall give due consideration to all contributions both in cash and in kind, fairly evaluated, including but not limited to space, equipment, and services. Where practicable, grants-in-aid authorized under this subsection shall be used in conjunction with other available planning grants, such as urban planning grants authorized under the Housing Act of 1954, as amended, and highway planning and research grants authorized under the Federal Aid Highway Act of 1962, to assure adequate and effective planning and economical use of funds.

(c) To assist in the long-range accomplishment of the purposes of this Act, the Secretary, in cooperation with other agencies having similar functions, shall establish and conduct a continuing program of study, training, and research to (A) assist in determining the causes of unemployment, underemployment, underdevelopment, and chronic depression in the various areas and regions of the Nation, (B) assist in the formulation and implementation of national, State, and local programs which will raise income levels and otherwise produce solutions to the problems resulting from these conditions, and (C) assist in providing the personnel needed to conduct such programs. The program of study, training, and research may be conducted by the Secretary through members of this staff, through payment of funds authorized for this section to other departments or agencies of the Federal Government, or through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants to such individuals, organizations, or institutions, or through conferences and similar meetings organized for such purposes. The Secretary shall make available to interested individuals and organizations the results of such research. The Secretary shall include in his annual report under section 707 a detailed statement concerning the study and research conducted under this section together with his findings resulting therefrom and his recommendations for legislative and other action.

(d) The Secretary shall aid redevelopment areas and other areas by furnishing to interested individuals, communities, industries, and enterprises within such areas any assistance, technical information, market research, or other forms of assistance, information, or advice which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment within such areas. The Secretary may furnish the procurement divisions of the various departments, agencies, and other instrumentalities of the Federal Government with a list containing the names and addresses of business firms which are located in redevelopment areas and which are desirous of obtaining Government contracts for the furnishing of supplies or services, and designating the supplies and services such firms are engaged in providing.

(e) The Secretary shall establish an independent study board consisting of governmental and nongovernmental experts to investigate the effects of Government pro-

curement, scientific, technical, and other related policies upon, regional economic development. Any Federal officer or employee may, with the consent of the head of the department or agency in which he is employed, serve as a member of such board, but shall receive no additional compensation for such service. Other members of such board may be compensated in accordance with the provisions of section 701(10). The board shall report its findings, together with recommendations for the better coordination of such policies, to the Secretary, who shall transmit the report to the Congress not later than 2 years after the enactment of this Act.

Sec. 302. There is hereby authorized to be appropriated \$25,000,000 annually for the purposes of this title, for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1970.

TITLE IV—AREA AND DISTRICT ELIGIBILITY

Part A—Redevelopment areas

Area Eligibility

Sec. 401. (a) The Secretary shall designate as "redevelopment areas"—

(1) those areas in which he determines, upon the basis of standards generally comparable with those set forth in paragraphs (A) and (B), that there has existed substantial and persistent unemployment for an extended period of time and those areas in which he determines there has been a substantial loss of population due to lack of employment opportunity. There shall be included among the areas so designated any area—

(A) where the Secretary of Labor finds that the current rate of unemployment, as determined by appropriate annual statistics for the most recent available calendar year, is 6 per centum or more and has averaged at least 6 per centum for the qualifying time periods specified in paragraph (B); and

(B) where the Secretary of Labor finds that the annual average rate of unemployment has been at least—

(i) 50 per centum above the national average for three of the preceding four calendar years, or

(ii) 75 per centum above the national average for two of the preceding three calendar years, or

(iii) 100 per centum above the national average for one of the preceding two calendar years.

The Secretary of Labor shall find the facts and provide the data to be used by the Secretary in making the determinations required by this subsection;

(2) those additional areas which have a median family income not in excess of 40 per centum of the national median, as determined by the most recent available statistics for such areas;

(3) those additional Federal or State Indian reservations or trust or restricted Indian-owned land areas which the Secretary, after consultation with the Secretary of the Interior or an appropriate State agency, determines manifest the greatest degree of economic distress on the basis of unemployment and income statistics and other appropriate evidence of economic underdevelopment;

(4) upon request of such areas, those additional areas in which the Secretary determines that the loss, removal, curtailment, or closing of a major source of employment has caused within three years prior to, or threatens to cause within three years after, the date of the request an unusual and abrupt rise in unemployment of such magnitude that the unemployment rate for the area at the time of the request exceeds the national average, or can reasonably be expected to exceed the national average, by 50 per centum or more unless assistance is provided. Notwithstanding any provision of subsection 401(b) to the contrary, an area designated

under the authority of this paragraph may be given a reasonable time after designation in which to submit the overall economic development program required by subsection 202(b)(10) of this Act;

(5) notwithstanding any provision of this section to the contrary, those additional areas which were designated redevelopment areas under the Area Redevelopment Act on or after March 1, 1965: *Provided, however*, That the continued eligibility of such areas after the first annual review of eligibility conducted in accordance with section 402 of this Act shall be dependent on their qualification for designation under the standards of economic need set forth in subsections (a)(1) through (a)(4) of this section.

(b) The size and boundaries of redevelopment areas shall be as determined by the Secretary: *Provided, however*, That—

(1) no area shall be designated until it has an approved overall economic development program in accordance with subsection 202(b)(10) of this Act;

(2) any area which does not submit an acceptable overall economic development program in accordance with subsection 202(b)(10) of this Act within a reasonable time after notification of eligibility for designation, shall not thereafter be designated prior to the next annual review of eligibility in accordance with section 402 of this Act;

(3) no area shall be designated which does not have a population of at least one thousand five hundred persons, except for areas designated under subsection 401(a)(3), which shall have a population of not less than one thousand persons; and

(4) except for areas designated under subsections (a)(3) and (a)(4) hereof, no area shall be designated which is smaller than a "labor area" (as defined by the Secretary of Labor), a county, or a municipality with a population of over two hundred and fifty thousand, whichever in the opinion of the Secretary is appropriate.

(c) Upon the request of the Secretary, the Secretary of Labor, the Secretary of Agriculture, the Secretary of the Interior, and such other heads of agencies as may be appropriate are authorized to conduct such special studies, obtain such information, and compile and furnish to the Secretary such data as the Secretary may deem necessary or proper to enable him to make the determinations provided for in this section. The Secretary shall reimburse when appropriate, out of any funds appropriated to carry out the purposes of this Act, the foregoing officers for any expenditures incurred by them under this section.

(d) If a State has no area designated under the preceding subsections of this section as a redevelopment area, the Secretary shall designate as a redevelopment area that area in such State which in his opinion most nearly qualifies under such preceding subsections. An area so designated shall have its eligibility terminated in accordance with the provisions of section 402 if any other area within the same State subsequently has become qualified or been designated under any other subsection of this section as of the time of the annual review prescribed by section 402: *Provided*, That the Secretary shall not terminate any designation of an area in a State as a redevelopment area if to do so would result in such State having no redevelopment area.

(e) As used in this Act, the term "redevelopment area" refers to any area within the United States which has been designated by the Secretary as a redevelopment area.

Annual Review of Area Eligibility

Sec. 402. The Secretary shall conduct an annual review of all areas designated in accordance with section 401 of this Act, and on the basis thereof shall terminate or modify the designations of such areas in accordance with objective standards which he shall

prescribe by regulation. No area previously designated shall retain its designated status unless it maintains a currently approved overall economic development program in accordance with subsection 202(b)(10). No termination of eligibility shall (1) be made without thirty days' prior notification to the area concerned, (2) affect the validity of any application filed, or contract or undertaking entered into, with respect to such area pursuant to this Act prior to such termination, (3) prevent any such area from again being designated a redevelopment area under section 401 of this Act if the Secretary determines it to be eligible under such section, or (4) be made in the case of any designated area where the Secretary determines that an improvement in the unemployment rate of a designated area is primarily the result of increased employment in occupations not likely to be permanent. The Secretary shall keep the departments and agencies of the Federal Government, and interested State or local agencies, advised at all times of any changes made hereunder with respect to the classification of any area.

Part B—Economic development districts

SEC. 403. (a) In order that economic development projects of broader geographical significance may be planned and carried out, the Secretary is authorized—

(1) to designate appropriate "economic development districts" within the United States with the concurrence of the States in which such districts will be wholly or partially located, if—

(A) the proposed district is of sufficient size or population, and contains sufficient resources, to foster economic development on a scale involving more than a single redevelopment area;

(B) the proposed district contains two or more redevelopment areas;

(C) the proposed district contains one or more redevelopment areas or economic development centers identified in an approved district overall economic development program as having sufficient size and potential to foster the economic growth activities necessary to alleviate the distress of the redevelopment areas within the district; and

(D) the proposed district has a district overall economic development program which includes adequate land use and transportation planning and contains a specific program for district cooperation, self-help, and public investment and is approved by the State or States affected and by the Secretary;

(2) to designate as "economic development centers," in accordance with such regulations as he shall prescribe, such areas as he may deem appropriate, if—

(A) the proposed center has been identified and included in an approved district overall economic development program and recommended by the State or States affected for such special designation;

(B) the proposed center is geographically and economically so related to the district that its economic growth may reasonably be expected to contribute significantly to the alleviation of distress in the redevelopment areas of the district; and

(C) the proposed center does not have a population in excess of two hundred and fifty thousand according to the last preceding Federal census.

(3) to provide financial assistance in accordance with the criteria of sections 101, 201, and 202 of this Act, except as may be herein otherwise provided, for projects in economic development centers designated under subsection (a)(2) above, if—

(A) the project will further the objectives of the overall economic development program of the district in which it is to be located;

(B) the project will enhance the economic growth potential of the district or result in

additional long-term employment opportunities commensurate with the amount of Federal financial assistance requested; and

(C) the amount of Federal financial assistance requested is reasonably related to the size, population, and economic needs of the district;

(4) subject to the 20 per centum non-Federal share required for any project by subsection 101(c) of this Act, to increase the amount of grant assistance authorized by section 101 for projects within redevelopment areas (designated under section 401), by an amount not to exceed 10 per centum of the aggregate cost of any such project, in accordance with such regulations as he shall prescribe if—

(A) the redevelopment area is situated within a designated economic development district and is actively participating in the economic development activities of the district; and

(B) the project is consistent with an approved district overall economic development program.

(b) In designating economic development districts and approving district overall economic development programs under subsection (a) of this section, the Secretary is authorized, under regulations prescribed by him—

(1) to invite the several States to draw up proposed district boundaries and to identify potential economic development centers;

(2) to cooperate with the several States—

(A) in sponsoring and assisting district economic planning and development groups, and

(B) in assisting such district groups to formulate district overall economic development programs;

(3) to encourage participation by appropriate local governmental authorities in such economic development districts.

(c) The Secretary shall by regulation prescribe standards for the termination or modification of economic development districts and economic development centers designated under the authority of this section.

(d) As used in this Act, the term "economic development district" refers to any area within the United States composed of cooperating redevelopment areas and, where appropriate, designated economic development centers and neighboring counties or communities, which has been designated by the Secretary as an economic development district.

(e) As used in this Act, the term "economic development center" refers to any area within the United States which has been identified as an economic development center in an approved district overall economic development program and which has been designated by the Secretary as eligible for financial assistance under sections 101, 201, and 202 of this Act in accordance with the provisions of this section.

(f) For the purpose of this Act the term "local government" means any city, county, town, parish, village, or other general-purpose political subdivision of a State.

(g) There is hereby authorized to be appropriated not to exceed \$50,000,000 for the fiscal year ending June 30, 1967, and for each fiscal year thereafter through the fiscal year ending June 30, 1970, for financial assistance extended under the provisions of subsection (a)(3) and (a)(4) hereof.

(h) In order to allow time for adequate and careful district planning, subsection (g) of this section shall not be effective until one year from the date of enactment.

TITLE V—REGIONAL ACTION PLANNING COMMISSIONS

Establishment of regions

SEC. 501. The Secretary is authorized to designate appropriate "economic development regions" within the United States with the concurrence of the States in which such

regions will be wholly or partially located if he finds (A) that there is a relationship between the areas within such region geographically, culturally, historically, and economically, (B) that with the exception of Alaska and Hawaii, the region is within contiguous States, and (C) upon consideration of the following matters, among others, that the region has lagged behind the whole Nation in economic development:

(1) the rate of unemployment is substantially above the national rate;

(2) the median level of family income is significantly below the national median;

(3) the level of housing, health, and educational facilities is substantially below the national level;

(4) the economy of the area has traditionally been dominated by only one or two industries, which are in a state of long-term decline;

(5) the rate of outmigration of labor or capital or both is substantial;

(6) the area is adversely affected by changing industrial technology;

(7) the area is adversely affected by changes in national defense facilities or production; and

(8) indices of regional production indicate a growth rate substantially below the national average.

Regional commissions

SEC. 502. (a) Upon designation of development regions, the Secretary shall invite and encourage the States wholly or partially located within such regions to establish appropriate multistate regional commissions.

(b) Each such commission shall be composed of one Federal member, hereinafter referred to as the "Federal cochairman", appointed by the President by and with the advice and consent of the Senate, and one member from each participating State in the region. Each State member may be the Governor, or his designee, or such other person as may be provided by the law of the State which he represents. The State members of the commission shall elect a cochairman of the commission from among their number.

(c) Decisions by a regional commission shall require the affirmative vote of the Federal cochairman and of a majority, or at least one if only two, of the State members. In matters coming before a regional commission, the Federal cochairman shall, to the extent practicable, consult with the Federal departments and agencies having an interest in the subject matter.

(d) Each State member of a regional commission shall have an alternate, appointed by the Governor or as otherwise may be provided by the law of the State which he represents. The President, by and with the advice and consent of the Senate, shall appoint an alternate for the Federal cochairman of each regional commission. An alternate shall vote in the event of absence, death, disability, removal, or resignation of the State or Federal cochairman for which he is an alternate.

(e) The Federal cochairman to a regional commission shall be compensated by the Federal Government from funds authorized by this Act up to level IV of the Federal Executive Salary Schedule. His alternate shall be compensated by the Federal Government from funds authorized by this Act at not to exceed the maximum scheduled rate for grade GS-18 of the Classification Act of 1949, as amended, and when not actively serving as an alternate for the Federal cochairman shall perform such functions and duties as are delegated to him by the Federal cochairman. Each State member and his alternate shall be compensated by the State which they represent at the rate established by the law of such State.

(f) If the Secretary finds that the State of Alaska or the State of Hawaii meet the requirements for an economic development region, he may establish a Commission for

either State in a manner agreeable to him and to the Governor of the affected State.

Functions of Commission

SEC. 503. (a) In carrying out the purposes of this Act, each Commission shall with respect to its region—

(1) advise and assist the Secretary in the identification of optimum boundaries for multistate economic development regions;

(2) initiate and coordinate the preparation of long-range overall economic development programs for such regions;

(3) foster surveys and studies to provide data required for the preparation of specific plans and programs for the development of such regions;

(4) advise and assist the Secretary and the States concerned in the initiation and coordination of economic development districts, in order to promote maximum benefits from the expenditure of Federal, State, and local funds;

(5) promote increased private investment in such regions;

(6) prepare legislative and other recommendations with respect to both short-range and long-range programs and projects for Federal, State, and local agencies;

(7) develop, on a continuing basis, comprehensive and coordinated plans and programs and establish priorities thereunder, giving due consideration to other Federal, State, and local planning in the region;

(8) conduct and sponsor investigations, research, and studies, including an inventory and analysis of the resources of the region, and, in cooperation with Federal, State, and local agencies, sponsor demonstration projects designed to foster regional productivity and growth;

(9) review and study, in cooperation with the agency involved, Federal, State, and local public and private programs and, where appropriate, recommend modifications or additions which will increase their effectiveness in the region;

(10) formulate and recommend, where appropriate, interstate compacts and other forms of interstate cooperation, and work with State and local agencies in developing appropriate model legislation; and

(11) provide a forum for consideration of problems of the region and proposed solutions and establish and utilize, as appropriate, citizens and special advisory councils and public conferences.

(b) The Secretary shall present such plans and proposals of the commissions as may be transmitted and recommended to him (but are not authorized by any other section of this Act) first for review by the Federal agencies primarily interested in such plans and proposals and then, together with the recommendations of such agencies, to the President for such action as he may deem desirable.

(c) The Secretary shall provide effective and continuing liaison between the Federal Government and each regional commission.

(d) Each Federal agency shall, consonant with law and within the limits of available funds, cooperate with such commissions as may be established in order to assist them in carrying out their functions under this section.

(e) Each regional commission may, from time to time, make additional recommendations to the Secretary and recommendations to the State Governors and appropriate local officials, with respect to—

(1) the expenditure of funds by Federal, State, and local departments and agencies in its region in the fields of natural resources, agriculture, education, training, health and welfare, transportation, and other fields related to the purposes of this Act; and

(2) such additional Federal, State, and local legislation or administrative actions as the commission deems necessary to further the purposes of this Act.

Program development criteria

SEC. 504. In developing recommendations for programs and projects for future regional economic development, and in establishing within those recommendations a priority ranking for such programs and projects, the Secretary shall encourage each regional commission to follow procedures that will insure consideration of the following factors:

(1) the relationship of the project or class of projects to overall regional development including its location in an area determined by the State to have a significant potential for growth;

(2) the population and area to be served by the project or class of projects including the relative per capita income and the unemployment rates in the area;

(3) the relative financial resources available to the State or political subdivisions or instrumentalities thereof which seek to undertake the project;

(4) the importance of the project or class of projects in relation to other projects or classes of projects which may be in competition for the same funds;

(5) the prospects that the project, on a continuing rather than a temporary basis, will improve the opportunities for employment, the average level of income, or the economic and social development of the area served by the project.

Regional technical and planning assistance

SEC. 505. (a) The Secretary is authorized to provide to the commissions technical assistance which would be useful in adding the commissions to carry out their functions under this Act and to develop recommendations and programs. Such assistance shall include studies and plans evaluating the needs of, and developing potentialities for, economic growth of such region, and research on improving the conservation and utilization of the human and natural resources of the region. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government, or through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants-in-aid to the commissions. The Secretary, in his discretion, may require the repayment of assistance provided under this subsection and prescribe the terms and conditions of such repayment.

(b) For the period ending on June 30 of the second full Federal fiscal year following the date of establishment of a commission, the administrative expenses of each commission as approved by the Secretary shall be paid by the Federal Government. Thereafter, not to exceed 50 per centum of such expenses may be paid by the Federal Government. In determining the amount of the non-Federal share of such costs or expenses, the Secretary shall give due consideration to all contributions both in cash and in kind, fairly evaluated, including but not limited to space, equipment, and services.

(c) There is hereby authorized to be appropriated \$15,000,000 for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1970, for the purposes of this section.

Administrative powers of regional commissions

SEC. 506. To carry out its duties under this Act, each regional commission is authorized to—

(1) adopt, amend, and repeal bylaws, rules, and regulations governing the conduct of its business and the performance of its functions;

(2) appoint and fix the compensation of an executive director and such other personnel as may be necessary to enable the commission to carry out its functions, except that such compensation shall not exceed the salary of the alternate to the Federal cochairman on the commission and no member, alternate, officer, or employee of such commission, other than the Federal cochairman on the commission and his staff and his alternate, and Federal employees detailed to the commission under clause (3), shall be deemed a Federal employee for any purpose;

(3) request the head of any Federal department or agency (who is hereby so authorized) to detail to temporary duty with the commission such personnel within his administrative jurisdiction as the commission may need for carrying out its functions, each such detail to be without loss of seniority, pay, or other employee status;

(4) arrange for the services of personnel from any State or local government or any subdivision or agency thereof, or any intergovernmental agency;

(5) make arrangements, including contracts, with any participating State government for inclusion in a suitable retirement and employee benefit system of such of its personnel as may not be eligible for, or continue in another governmental retirement or employee benefit system, or otherwise provide for such coverage of its personnel, and the Civil Service Commission of the United States is authorized to contract with such commission for continued coverage of commission employees, who at date of commission employment are Federal employees, in the retirement program and other employee benefit programs of the Federal Government;

(6) accept, use, and dispose of gifts or donations of services or property, real, personal, or mixed, tangible or intangible;

(7) enter into and perform such contracts, leases, cooperative agreements, or other transactions as may be necessary in carrying out its functions and on such terms as it may deem appropriate, with any department, agency, or instrumentality of the United States or with any State, or any political subdivision, agency, or instrumentality thereof, or with any person, firm, association, or corporation;

(8) maintain an office in the District of Columbia and establish field offices at such other places as it may deem appropriate; and

(9) take such other actions and incur such other expenses as may be necessary or appropriate.

Information

SEC. 507. In order to obtain information needed to carry out its duties, each regional commission shall—

(1) hold such hearings, sit and act at such times and places, take such testimony, receive such evidence, and print or otherwise reproduce and distribute so much of its proceedings and reports thereon as it may deem advisable, a cochairman of such commission, or any member of the commission designated by the commission for the purpose, being hereby authorized to administer oaths when it is determined by the commission that testimony shall be taken or evidence received under oath;

(2) arrange for the head of any Federal, State, or local department or agency (who is hereby so authorized, to the extent not otherwise prohibited by law) to furnish to such commission such information as may be available to or procurable by such department or agency; and

(3) keep accurate and complete records of its doings and transactions which shall be made available for public inspection.

Personal financial interests

SEC. 508. (a) Except as permitted by subsection (b) hereof, no State member or alternate and no officer or employee of a regional

commission shall participate personally and substantially as member, alternate, officer, or employee, through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise, in any proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter in which, to his knowledge, he, his spouse, minor child, partner, organization (other than a State or political subdivision thereof) in which he is serving as officer, director, trustee, partner, or employee, or any person or organization with whom he is serving as officer, director, trustee, partner, or employee, or any person or organization with whom he is negotiating or has any arrangement concerning prospective employment, has a financial interest. Any person who shall violate the provisions of this subsection shall be fined not more than \$10,000, or imprisoned not more than two years, or both.

(b) Subsection (a) hereof shall not apply if the State member, alternate, officer, or employee first advises the regional commission involved of the nature and circumstances of the proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter and makes full disclosure of the financial interest and receives in advance a written determination made by such commission that the interest is not so substantial as to be deemed likely to affect the integrity of the services which the commission may expect from such State member, alternate, officer, or employee.

(c) No State member of a regional commission, or his alternate, shall receive any salary, or any contribution to or supplementation of salary for his services on such commission from any source other than his State. No person detailed to serve a regional commission under authority of clause (4) of section 506 shall receive any salary or any contribution to or supplementation of salary for his services on such commission from any source other than the State, local, or intergovernmental department or agency from which he was detailed or from such commission. Any person who shall violate the provisions of this subsection shall be fined not more than \$5,000, or imprisoned not more than one year, or both.

(d) Notwithstanding any other subsection of this section, the Federal cochairman and his alternate on a regional commission and any Federal officers or employees detailed to duty with it pursuant to clause (3) of section 10 shall not be subject to any such subsection but shall remain subject to sections 202 through 209 of title 18, United States Code.

(e) A regional commission may, in its discretion, declare void and rescind any contract or other agreement pursuant to the Act in relation to which it finds that there has been a violation of subsection (a) or (c) of this section, or any of the provisions of sections 202 through 209, title 18, United States Code.

Annual reports

SEC. 509. Each regional commission established pursuant to this Act shall make a comprehensive and detailed annual report each fiscal year to the Congress with respect to such commission's activities and recommendations for programs. The first such report shall be made for the first fiscal year in which such commission is in existence for more than three months. Such reports shall be printed and transmitted to the Congress not later than January 31 of the calendar year following the fiscal year with respect to which the report is made.

TITLE VI—ADMINISTRATION

SEC. 601. (a) The Secretary shall administer this Act and, with the assistance of an Assistant Secretary of Commerce, in addition

to those already provided for, shall supervise and direct the Administrator created herein, and coordinate the Federal cochairmen appointed heretofore or subsequent to this Act. The Assistant Secretary created by this section shall be appointed by the President by and with the advice and consent of the Senate and shall be compensated at the rate provided for level IV of the Federal Executive Salary Schedule. Such Assistant Secretary shall perform such functions as the Secretary may prescribe. There shall be appointed by the President, by and with the advice and consent of the Senate, an Administrator for Economic Development who shall be compensated at the rate provided for level V of the Federal Executive Salary Schedule who shall perform such duties as are assigned by the Secretary.

(b) Paragraph (12) of subsection (d) of section 303 of the Federal Executive Salary Act of 1964 is amended by striking out "(4)" and inserting in lieu thereof "(5)".

(c) Subsection (e) of section 303 of the Federal Executive Salary Act of 1964 is amended by adding at the end thereof the following new paragraph:

"(100) Administrator for Economic Development."

Advisory Committee on Regional Economic Development

SEC. 602. The Secretary shall appoint a National Public Advisory Committee on Regional Economic Development which shall consist of twenty-five members and shall be composed of representatives of labor, management, agriculture, State and local governments, and the public in general. From the members appointed to such Committee the Secretary shall designate a Chairman. Such Committee, or any duly established subcommittee thereof, shall from time to time make recommendations to the Secretary relative to the carrying out of his duties under this Act. Such Committee shall hold not less than two meetings during each calendar year.

Consultation with other persons and agencies

SEC. 603. (a) The Secretary is authorized from time to time to call together and confer with any persons, including representatives of labor, management, agriculture, and government, who can assist in meeting the problems of area and regional unemployment or underemployment.

(b) The Secretary may make provision for such consultation with interested departments and agencies as he may deem appropriate in the performance of the functions vested in him by this Act.

TITLE VII—MISCELLANEOUS

Powers of Secretary

SEC. 701. In performing his duties under this Act, the Secretary is authorized to—

(1) adopt, alter, and use a seal, which shall be judicially noticed;

(2) hold such hearings, sit and act at such times and places, and take such testimony, as he may deem advisable;

(3) request directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics needed to carry out the purposes of this Act; and each department, bureau, agency, board, commission, office, establishment or instrumentality is authorized to furnish such information, suggestions, estimates, and statistics directly to the Secretary;

(4) under regulations prescribed by him, assign or sell at public or private sale, or otherwise dispose of for cash or credit, in his discretion and upon such terms and conditions and for such consideration as he shall determine to be reasonable, any evidence of debt, contract, claim, personal property, or

security assigned to or held by him in connection with loans made or evidences of indebtedness purchased under this Act, and collect or compromise all obligations assigned to or held by him in connection with such loans or evidences of indebtedness until such time as such obligations may be referred to the Attorney General for suit or collection;

(5) further extend the maturity of or renew any loan made or evidence of indebtedness purchased under this Act, beyond the periods stated in such loan or evidence of indebtedness or in this Act, for additional periods not to exceed ten years, if such extension or renewal will aid in the orderly liquidation of such loan or evidence of indebtedness;

(6) deal with, complete, renovate, improve, modernize, insure, rent, or sell for cash or credit, upon such terms and conditions and for such consideration as he shall determine to be reasonable, any real or personal property conveyed to, or otherwise acquired by, him in connection with loans made or evidence of indebtedness purchased under this Act;

(7) pursue to final collection, by way of compromise or other administrative action, prior to reference to the Attorney General, all claims against third parties assigned to him in connection with loans made or evidences of indebtedness purchased under this Act. This shall include authority to obtain deficiency judgments or otherwise in the case of mortgages assigned to the Secretary. Section 3709 of the Revised Statutes, as amended (41 U.S.C. 5), shall not apply to any contract of hazard insurance or to any purchase or contract for services or supplies on account of property obtained by the Secretary as a result of loans made or evidences of indebtedness purchased under this Act if the premium therefor or the amount thereof does not exceed \$1,000. The power to convey and to execute, in the name of the Secretary, deeds of conveyance, deeds of release, assignments and satisfactions of mortgages, and any other written instrument relating to real or personal property or any interest therein acquired by the Secretary pursuant to the provisions of this Act may be exercised by the Secretary or by any officer or agent appointed by him for that purpose without the execution of any express delegation of power or power of attorney;

(8) acquire, in any lawful manner, any property (real, personal, or mixed, tangible or intangible), whenever deemed necessary or appropriate to the conduct of the activities authorized in sections 201, 202, 301, 403, and 503 of this Act;

(9) in addition to any powers, functions, privileges, and immunities otherwise vested in him, take any and all actions, including the procurement of the services of attorneys by contract, determined by him to be necessary or desirable in making, purchasing, servicing, compromising, modifying, liquidating, or otherwise administratively dealing with or realizing on loans made or evidences of indebtedness purchased under this Act;

(10) employ experts and consultants or organizations therefor as authorized by section 15 of the Administrative Expenses Act of 1946 (5 U.S.C. 55a), compensate individuals so employed at rates not in excess of \$100 per diem, including travel time, and allow them, while away from their homes or regular places of business, travel expenses (including per diem in lieu of subsistence) as authorized by section 5 of such Act (5 U.S.C. 73b-2) for persons in the Government service employed intermittently, while so employed: *Provided*, however, That contracts for such employment may be renewed annually;

(11) sue and be sued in any court of record of a State having general jurisdiction or in any United States district court, and jurisdiction is conferred upon such district

court to determine which controversies without regard to the amount in controversy; but no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against the Secretary or his property. Nothing herein shall be construed to except the activities under this Act from the application of sections 507(b) and 2679 of title 28, United States Code, and of section 367 of the Revised Statutes (5 U.S.C. 316); and

(12) establish such rules, regulations, and procedures as he may deem appropriate in carrying out the provisions of this Act.

Prevention of unfair competition

SEC. 702. No financial assistance under this Act shall be extended to any project when the result would be to increase the production of goods, materials, or commodities, or the availability of services or facilities, when there is not sufficient demand for such goods, material, commodities, services, or facilities, to employ the efficient capacity of existing competitive commercial or industrial enterprises.

Saving provisions

SEC. 703. (a) No suit, action, or other proceeding lawfully commenced by or against the Administrator or any other officer of the Area Redevelopment Administration in his official capacity or in relation to the discharge of his official duties under the Area Redevelopment Act, shall abate by reason of the taking effect of the provisions of this Act, but the court may, on motion or supplemental petition filed at any time within twelve months after such taking effect, showing a necessity for the survival of such suit, action, or other proceeding to obtain a settlement of the questions involved, allow the same to be maintained by or against the Secretary or the Administrator or such other officer of the Department of Commerce as may be appropriate.

(b) Except as may be otherwise expressly provided in this Act, all powers and authorities conferred by this Act shall be cumulative and additional to and not in derogation of any powers and authorities otherwise existing. All rules, regulations, orders, authorizations, delegations, or other actions duly issued, made, or taken by or pursuant to applicable law, prior to the effective date of this Act, by any agency, officer, or office pertaining to any functions, powers, and duties under the Area Redevelopment Act shall continue in full force and effect after the effective date of this Act until modified or rescinded by the Secretary or such other officer of the Department of Commerce as, in accordance with applicable law, may be appropriate.

Transfer of functions, effective date, and limitations on assistance

SEC. 704. (a) The functions, powers, duties, and authorities and the assets, funds, contracts, loans, liabilities, commitments, authorizations, allocations, and records which are vested in or authorized to be transferred to the Secretary of the Treasury under section 29(b) of the Area Redevelopment Act, and all functions, powers, duties, and authorities under section 29(c) of the Area Redevelopment Act are hereby vested in the Secretary.

(b) The President may designate a person to act as Administrator under this Act until the office is filled as provided in this Act or until the expiration of the first period of sixty days following the effective date of this Act, whichever shall first occur. While so acting such person shall receive compensation at the rate provided by this Act for such office.

(c) The provisions of this Act shall take effect upon enactment unless herein explicitly otherwise provided.

(d) Notwithstanding any requirements of this Act relating to the eligibility of areas, projects for which applications are pending

before the Area Redevelopment Administration on the effective date of this Act shall for a period of one year thereafter be eligible for consideration by the Secretary for such assistance under the provisions of this Act as he may determine to be appropriate.

(e) No financial assistance authorized under this Act shall be used to finance the cost of facilities for the generation, transmission, or distribution of electric energy, except on projects specifically authorized by the Congress, or to finance the cost of facilities for the production or transmission of gas (natural, manufactured, or mixed).

Separability

SEC. 705. Notwithstanding any other evidence of the intent of Congress, it is hereby declared to be the intent of Congress that if any provision of this Act or the application thereof to any persons or circumstances shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this Act or its application to other persons and circumstances, but shall be confined in its operation to the provision of this Act or the application thereof to the persons and circumstances directly involved in the controversy in which such judgment shall have been rendered.

Application of Act

SEC. 706. As used in this Act, the terms "State", "States", and "United States" include the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.

Annual report

SEC. 707. The Secretary shall make a comprehensive and detailed annual report to the Congress of his operations under this Act for each fiscal year beginning with the fiscal year ending June 30, 1966. Such report shall be printed and shall be transmitted to the Congress not later than January 3 of the year following the fiscal year with respect to which such report is made.

Use of other facilities

SEC. 708. (a) The Secretary is authorized to delegate to the heads of other departments and agencies of the Federal Government any of the Secretary's functions, powers, and duties under this Act as he may deem appropriate, and to authorize the redelegation of such functions, powers, and duties by the heads of such departments and agencies.

(b) Departments and agencies of the Federal Government shall exercise their powers, duties, and functions in such manner as will assist in carrying out the objectives of this Act.

(c) Funds authorized to be appropriated under this Act may be transferred between departments and agencies of the Government, if such funds are used for the purposes for which they are specifically authorized and appropriated.

Appropriation

SEC. 709. There are hereby authorized to be appropriated such sums as may be necessary to carry out those provisions of the Act for which specific authority for appropriations is not otherwise provided in this Act. Appropriations authorized under this Act shall remain available until expended unless otherwise provided by appropriations Acts.

Penalties

SEC. 710. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any financial assistance under section 101, 201, 202, or 403 or any extension thereof by renewal, deferment or action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the

Secretary, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

(b) Whoever, being connected in any capacity with the Secretary, in the administration of this Act (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to him or pledged or otherwise entrusted to him, or (2) with intent to defraud the Secretary or any other body politic or corporate, or any individual, or to deceive any officer, auditor, or examiner, makes any false entry in any book, report, or statement of or to the Secretary, or without being duly authorized draws any order or issues, puts forth, or assigns any note, debenture, bond, or other obligation, or draft, bill of exchange, mortgage, judgment, or decree thereof, or (3) with intent to defraud participates or shares in or receives directly or indirectly any money, profit, property, or benefit through any transaction, loan, grant, commission, contract, or any other act of the Secretary, or (4) gives any unauthorized information concerning any future action or plan of the Secretary which might affect the value of securities, or having such knowledge invests or speculates, directly or indirectly, in the securities or property of any company or corporation receiving loans, grants, or other assistance from the Secretary, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

Employment of expeditors and administrative employees

SEC. 711. No financial assistance shall be extended by the Secretary under section 101, 201, 202, or 403 to any business enterprise unless the owners, partners, or officers of such business enterprise (1) certify to the Secretary the names of any attorneys, agents, and other persons engaged by or on behalf of such business enterprise for the purpose of expediting applications made to the Secretary for assistance of any sort, under this Act, and the fees paid or to be paid to any such person; and (2) execute an agreement binding such business enterprise, for a period of two years after such assistance is rendered by the Secretary to such business enterprise, to refrain from employing, tendering any office or employment to, or retaining for professional services, any person who, on the date such assistance or any part thereof was rendered, or within one year prior thereto, shall have served as an officer, attorney, agent, or employee, occupying a position or engaging in activities which the Secretary shall have determined involve discretion with respect to the granting of assistance under this Act.

Prevailing rate of wage and forty-hour week

SEC. 712. All laborers and mechanics employed by contractors or subcontractors on projects assisted by the Secretary under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5). The Secretary shall not extend any financial assistance under section 101, 201, 202, or 403 for such a project without first obtaining adequate assurance that these labor standards will be maintained upon the construction work. The Secretary of Labor shall have, with respect to the labor standards specified in this provision, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 1332-15), and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c).

Record of applications

SEC. 713. The Secretary shall maintain as a permanent part of the records of the Department of Commerce a list of applications

approved for financial assistance under section 101, 201, 202, or 403, which shall be kept available for public inspection during the regular business hours of the Department of Commerce. The following information shall be posted in such list as soon as each application is approved; (1) the name of the applicant and, in the case of corporate applications, the names of the officers and directors thereof, (2) the amount and duration of the loan or grant for which application is made, (3) the purposes for which the proceeds of the loan or grant are to be used, and (4) a general description of the security offered in the cause of a loan.

Records and audit

SEC. 714. (a) Each recipient of assistance under this Act shall keep such records as the Secretary shall prescribe, including records which fully disclose the amount and the disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance is given or used, and the amount and nature of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient that are pertinent to assistance received under this Act.

Conforming amendment

SEC. 715. All benefits heretofore specifically made available (and not subsequently revoked) under other Federal programs to persons or to public or private organizations, corporations, or entities in areas designated by the Secretary as "redevelopment areas" under section 5 of the Area Redevelopment Act, are hereby also extended, insofar as practicable, to such areas as may be designated as "redevelopment areas" or "economic development centers" under the authority of section 401 or 403 of this Act: *Provided, however,* That this section shall not be construed as limiting such administrative discretion as may have been conferred under any other law.

SEC. 716. All financial and technical assistance authorized under this Act shall be in addition to any Federal assistance previously authorized, and no provision hereof shall be construed as authorizing or permitting any reduction or diminution in the proportional amount of Federal assistance to which any State or other entity eligible under this Act would otherwise be entitled under the provisions of any other Act.

Mr. McNAMARA. Mr. President, I move that the Senate concur in the amendment of the House of Representatives.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Michigan.

The motion was agreed to.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Hackney, one of its reading clerks, announced that the House had passed, without amendment, the bill (S. 1309) to authorize checks to be drawn in favor of financial organizations for the credit of a person's account, under certain conditions.

The message also announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the Houses on the amendments of the Senate to the bill

(H.R. 7765) making appropriations for the Departments of Labor, and Health, Education, and Welfare, and related agencies, for the fiscal year ending June 30, 1966, and for other purposes; that the House receded from its disagreement to the amendments of the Senate numbered 23, 41, 47, 49, and 50 to the bill, and concurred therein, and that the House receded from its disagreement to the amendment of the Senate numbered 1 to the bill and concurred therein, with an amendment, in which it requested the concurrence of the Senate.

The message further announced that the House disagreed to the amendments of the Senate to the bill (H.R. 8639) making appropriations for the Departments of State, Justice, and Commerce, the judiciary, and related agencies for the fiscal year ending June 30, 1966, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. ROONEY of New York, Mr. SIKES, Mr. SLACK, Mr. SMITH of Iowa, Mr. FLYNT, Mr. JOELSON, Mr. MAHON, Mr. BOW, Mr. LIPSCOMB, and Mr. CEDERBERG were appointed managers on the part of the House at the conference.

The message also announced that the House had agreed to the amendment of the Senate to the bill (H.R. 9947) to amend the Legislative Branch Appropriation Act, 1959, to provide for reimbursement of transportation expenses for Members of the House of Representatives, and for other purposes.

U.S. POSITION IN REGARD TO ENFORCING ARTICLE 19 OF THE UNITED NATIONS CHARTER

Mr. AIKEN. Mr. President, this afternoon, Ambassador Goldberg presented to the Committee of 33 at the United Nations a statement setting forth the position of the United States in regard to enforcing article 19 of the United Nations Charter.

This article provides that when a member becomes 2 years in arrears on assessments it shall lose its vote in the General Assembly.

The Ambassador's statement says, in effect, that we will not attempt to force a vote on France and Russia for their refusal to pay assessments levied for the purpose of maintaining a police force in the Congo, an operation to which both nations objected.

The fact is, it is doubtful whether the United States could force a direct vote on this issue, but, if we could, it is quite certain that our effort would be heavily defeated with many of our closest allies voting against us.

It should furthermore be understood that should article 19 be literally enforced, France and Russia would lose only their vote in the U.N. General Assembly, a body of 114 members.

Neither country would lose its seat in the General Assembly nor in the United Nations.

Neither country would lose its place on the Security Council nor its veto power in the Council.

It must also be recognized that if the United Nations should attempt to assess

us for the cost of maintaining armed force in the Western Hemisphere, we would probably refuse to pay.

Since the prospect of either collecting these assessments from France and Russia or of punishing them for a violation of the charter is virtually nil, the United States was put in the position of either facing certain defeat in the General Assembly or accepting the fact that from now on the United Nations will be largely financed on a voluntary basis for, if action cannot be taken against Russia and France for nonpayment of assessments, it certain should not be taken against the smaller, poorer nations.

The question is whether the United Nations is worth keeping as an international organization.

It is obvious that it cannot continue under rules to be observed by part of the membership and ignored by the rest.

Therefore, in announcing that the United States would no longer be bound to observe the provisions of article 19, Ambassador Goldberg took the only practicable course left open; the alternative would be to withdraw completely from this world organization.

It was not an easy decision to make. It does not by itself guarantee the effectiveness of the United Nations in the future.

It will be found thoroughly unsatisfactory and will be condemned by many people, some of whom are opposed to international organizations in principle.

It does, however, offer an alternative and perhaps the only alternative to a growing world crisis which could conceivably end in human disaster.

Mr. President, I appreciate very much that the Senator from Colorado [Mr. DOMINICK] yielded to me in order to make these remarks.

ECONOMIC OPPORTUNITY AMENDMENTS OF 1965

The Senate resumed the consideration of the bill (H.R. 8283) to expand the war on poverty and enhance the effectiveness of programs under the Economic Opportunity Act of 1964.

Mr. McNAMARA. Mr. President, will the Senator from Colorado yield?

Mr. DOMINICK. I am glad to yield to the Senator from Michigan.

Mr. McNAMARA. Mr. President, numerous complaints have been stated as to the administration of the program by OEO. Much of the criticism is directed toward specific incidents of alleged maladministration. It would not be possible, nor in my opinion appropriate, for me to attempt to answer these statements. However, I should like to point out that this is a new agency in operation less than a year, designed to meet a gigantic problem—that of reducing poverty in the United States. To expect that there would not be problems in administration would be unreasonable. During the hearings, the Director, Sargent Shriver, and other OEO officials, gave us every assurance that this problem is recognized and every effort will be made to correct it.

Although I do not intend to minimize these statements, it does seem to me we

should look to the achievements of the new agency, which was funded less than a year ago.

I thank the Senator from Colorado for yielding to me.

Mr. DOMINICK. Mr. President, on behalf of the Senator from Wyoming [Mr. SIMPSON] and myself—and the Senator from Wyoming is necessarily absent today—I send to the desk for reference and printing an amendment that we intend to offer to the pending bill.

The amendment merely reaffirms and strengthens the provision in title 1 of the bill, which would prohibit activities of the Job Corps when the effect would be to displace employed people or take over services which were being accomplished by private enterprise firms.

The PRESIDING OFFICER. The amendment will be received and printed, and will lie on the table.

Mr. DOMINICK. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PROUTY. Mr. President, in 1919, the late President Franklin D. Roosevelt said:

Every one of us would like to see a state of perfection on earth; but we know that every great reform takes time and good judgment, and that too great haste often defeats its own ends.

Seventeen months ago the President of the United States announced a program to eradicate poverty in America. One year ago Congress passed the Economic Opportunity Act of 1964 to put that program into operation. Now, after the expenditure of nearly \$800 million, Congress should pause to take stock of its creation.

The basic underlying principle of the war on poverty is sound—and it is in the best tradition of the American people. It is not the principle of charity, nor of patronizing benevolence. It is not the principle of the freeloader and the dole. It is the principle that it is right—and wise—for Americans to help their fellow Americans to help themselves.

President Johnson recognized this when he said, in his initial message to Congress:

The war on poverty is not a struggle simply to support people, to make them dependent on the generosity of others. It is a struggle to give people a chance. It is an effort to allow them to develop and use their capacities, as we have used ours, so that they can share, as others share, in the promise of this Nation.

Walter Heller, then Chairman of the Council of Economic Advisers, put it this way:

The essence of the President's attack on poverty is the creation of new economic opportunities, a chance for the poor who are able to do so to earn their way out of poverty.

There is scarcely an American today so callous, so ruthless, so flinthearted, as

to repudiate this principle embedded so deeply within us as a people.

The great national debate on the poverty program today is not a debate on the merits of its fundamental principle. As so often occurs in American society, the debate rages over the means by which those in power seek to translate that principle into action. The issue before the Congress today is, simply, this: In view of the magnitude of the poverty problem in America, and in view of the resources committed to overcome it, has the war on poverty been a success?

Any attempt to answer this query must necessarily result in a balancing of positive and negative accomplishments. The administration and the Office of Economic Opportunity have emphasized the positive achievements of the war on poverty, and their arguments are not without merit. Because of the war on poverty, for example, 561,000 young Americans are being introduced to the world of learning through Project Head Start. Eighty thousand young men and women have had the opportunity to earn the money they need to stay in college. Nearly 90,000 unemployed heads of families have received work training and experience that will help them to become producers instead of public charges. Ten thousand men and women in rural areas have received loans that will give them a new incentive to improve their incomes and standards of living.

Nor has the Office of Economic Opportunity rejected every criticism that has been made of the program. Commendably, the Office has candidly admitted that in some areas serious difficulties have developed. In view of the magnitude of the poverty problem in America, in view of the depths of its roots and persistence of its causes, some failures were inevitable. The Congress has no right to expect perfection from the administrators of its programs.

Yet, when all this is said and done, when every reasonable allowance has been made for extenuating circumstances, when the benefit of many doubts has been generously granted, the fact remains that this so-called war on poverty has exhibited classic examples of administrative bungling, haphazard haste and costly waste, shoddy coordination, bureaucratic secrecy, excessively high salaries, heavy-handed dictation, ugly politics and—worst of all—botched opportunity.

Let us examine the various charges brought against the operation of the war on poverty:

THE POVERTY ARMY IS LED BY A PART-TIME GENERAL

There is scarcely a position in Government more demanding of full-time attention than that of Director of the Office of Economic Opportunity. Yet, the present Director must devote part of his time and energy to the task of running the Peace Corps. In view of the present administration's predilection for appointing four where two could serve, it is truly surprising that here it has appointed only one to do what is admittedly the job of two. The sooner the Office of Economic Opportunity and the Peace

Corps get separate, full-time Directors, the better it will be for both.

A. COMPARISON OF PREDICTION AND THE RESULTS SHOW A SIGNIFICANT PERFORMANCE GAP

When the poverty legislation was before the Congress last year, we were told how many people the various programs were to benefit in the first fiscal year of operation. In one program—the Neighborhood Youth Corps—the stated goal of 200,000 has been exceeded, with 277,000 young people employed. In view of the simple nature of this program, its success in reaching its numerical goal is not surprising.

Other programs, however, have been less successful. Last year it was estimated that 140,000 youths would benefit from the college work study provisions. At the close of the fiscal year the actual number was around 80,000. Even doubling the spring semester recipients to account for the fall semester of 1964, when the program was not yet in operation, the total would be only 114,000, far below the goal.

Last year it was estimated that 130,000 persons would be enrolled in the work experience programs under title V. At the close of the fiscal year 88,700 had been enrolled.

Last year it was estimated that 40,000 Job Corps men would be in the program by the first year. The actual number at the close of the fiscal year was only about 10,000.

Last year it was estimated that 1,000 VISTA volunteers would be in the field at the end of the fiscal year, provided only that enough young men and women stepped forward to enroll. Fifteen thousand did step forward to enroll—and as of June 30 a total of 202 were actually in service.

And even some of these OEO figures are open to question. Jack Steele of the Scripps Howard Newspaper Alliance gave a progress report on the war on poverty as of the end of its first fiscal year.

Mr. President, I ask unanimous consent that excerpts from an article entitled, "Troubles, Delays, and Confusions—Poverty War Ends Year of Crisis," written by Jack Steele in the Washington Daily News of July 1, 1965, be printed at this point in the RECORD.

The PRESIDING OFFICER (Mr. TYDINGS in the chair). Without objection, it is so ordered.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

[Excerpts from Washington Daily News, July 1, 1965]

TRoubles, DELAYS, AND CONFUSIONS—POVERTY WAR ENDS YEAR OF CRISIS (By Jack Steele)

Bitter political warfare—still largely unsettled—has stymied the community action program in most of the Nation's big cities. This program is the keystone of the antipov-erty war since it will provide the machinery for helping the poor. In rural areas, lack of community initiative has delayed the CAP program even more.

VISTA, the so-called Domestic Peace Corps, was originally supposed to enroll 5,000 volunteers to help the poor by June 30. As of yesterday it actually had 203 such volunteers working in the field and 842 more in training.



Public Law 89-136
89th Congress, S. 1648
August 26, 1965

An Act

79 STAT. 552.

To provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Public Works and Economic Development Act of 1965".

Public Works and
Economic Devel-
opment Act of
1965.

STATEMENT OF PURPOSE

SEC. 2. The Congress declares that the maintenance of the national economy at a high level is vital to the best interests of the United States, but that some of our regions, counties, and communities are suffering substantial and persistent unemployment and underemployment; that such unemployment and underemployment cause hardship to many individuals and their families, and waste invaluable human resources; that to overcome this problem the Federal Government, in cooperation with the States, should help areas and regions of substantial and persistent unemployment and underemployment to take effective steps in planning and financing their public works and economic development; that Federal financial assistance, including grants for public works and development facilities to communities, industries, enterprises, and individuals in areas needing development should enable such areas to help themselves achieve lasting improvement and enhance the domestic prosperity by the establishment of stable and diversified local economies and improved local conditions, provided that such assistance is preceded by and consistent with sound, long-range economic planning; and that under the provisions of this Act new employment opportunities should be created by developing and expanding new and existing public works and other facilities and resources rather than by merely transferring jobs from one area of the United States to another.

TITLE I—GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES

SEC. 101. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary of Commerce (hereinafter referred to as the Secretary) is authorized—

(1) to make direct grants for the acquisition or development of land and improvements for public works, public service, or development facility usage, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, including related machinery and equipment, within a redevelopment area, if he finds that—

(A) the project for which financial assistance is sought will directly or indirectly (i) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities, (ii) otherwise assist in the creation of additional long-term employment opportunities for such area, or (iii) primarily benefit the long-term unemployed and members of low-income families or otherwise

78 Stat. 508.

42 USC 2701 note.

substantially further the objectives of the Economic Opportunity Act of 1964;

(B) the project for which a grant is requested will fulfill a pressing need of the area, or part thereof, in which it is, or will be, located; and

(C) the area for which a project is to be undertaken has an approved overall economic development program as provided in section 202(b)(10) and such project is consistent with such program;

16 USC 1001 note.

(2) to make supplementary grants in order to enable the States and other entities within redevelopment areas to take maximum advantage of designated Federal grant-in-aid programs (as hereinafter defined), direct grants-in-aid authorized under this section, and Federal grant-in-aid programs authorized by the Watershed Protection and Flood Prevention Act (68 Stat. 666, as amended), and the eleven watersheds authorized by the Flood Control Act of December 22, 1944, as amended and supplemented (58 Stat. 887), for which they are eligible but for which, because of their economic situation, they cannot supply the required matching share.

(b) Subject to subsection (c) hereof, the amount of any direct grant under this section for any project shall not exceed 50 per centum of the cost of such project.

(c) The amount of any supplementary grant under this section for any project shall not exceed the applicable percentage established by regulations promulgated by the Secretary, but in no event shall the non-Federal share of the aggregate cost of any such project (including assumptions of debt) be less than 20 per centum of such cost. Supplementary grants shall be made by the Secretary, in accordance with such regulations as he shall prescribe, by increasing the amounts of direct grants authorized under this section or by the payment of funds appropriated under this Act to the heads of the departments, agencies, and instrumentalities of the Federal Government responsible for the administration of the applicable Federal programs. Notwithstanding any requirement as to the amount or sources of non-Federal funds that may otherwise be applicable to the Federal program involved, funds provided under this subsection shall be used for the sole purpose of increasing the Federal contribution to specific projects in redevelopment areas under such programs above the fixed maximum portion of the cost of such project otherwise authorized by the applicable law. The term "designated Federal grant-in-aid programs," as used in this subsection, means such existing or future Federal grant-in-aid programs assisting in the construction or equipping of facilities as the Secretary may, in furtherance of the purposes of this Act, designate as eligible for allocation of funds under this section. In determining the amount of any supplementary grant available to any project under this section, the Secretary shall take into consideration the relative needs of the area, the nature of the project to be assisted, and the amount of such fair user charges or other revenues as the project may reasonably be expected to generate in excess of those which would amortize the local share of initial costs and provide for its successful operation and maintenance (including depreciation).

(d) The Secretary shall prescribe rules, regulations, and procedures to carry out this section which will assure that adequate consideration is given to the relative needs of eligible areas. In prescribing such rules, regulations, and procedures the Secretary shall consider among other relevant factors (1) the severity of the rates of unemployment in the eligible areas and the duration of such unemployment and (2)

the income levels of families and the extent of underemployment in eligible areas.

(e) Except for projects specifically authorized by Congress, no financial assistance shall be extended under this section with respect to any public service or development facility which would compete with an existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State or Federal regulatory body, unless the State or Federal regulatory body determines that in the area to be served by the facility for which the financial assistance is to be extended there is a need for an increase in such service (taking into consideration reasonably foreseeable future needs) which the existing public utility is not able to meet through its existing facilities or through an expansion which it agrees to undertake.

(f) The Secretary shall prescribe regulations which will assure that appropriate local governmental authorities have been given a reasonable opportunity to review and comment upon proposed projects under this section.

SEC. 102. (a) In addition to the assistance otherwise authorized, the Secretary is authorized to make grants in accordance with the provisions of this title to those areas which the Secretary of Labor determines, on the basis of average annual available unemployment statistics, were areas of substantial unemployment during the preceding calendar year.

(b) Areas designated under the authority of this section shall be subject to an annual review of eligibility in accordance with section 402, and to all of the rules, regulations, and procedures applicable to redevelopment areas except as the Secretary may otherwise prescribe by regulation.

SEC. 103. Not more than 15 per centum of the appropriations made pursuant to this title may be expended in any one State.

SEC. 104. No part of any appropriations made pursuant to this title may be expended for any project in any area which is within the "Appalachian region" (as that term is defined in section 403 of the Appalachian Regional Development Act of 1965) which is approved Ante, p. 21. for assistance under the Appalachian Regional Development Act of 1965.

SEC. 105. There is hereby authorized to be appropriated to carry out this title not to exceed \$500,000,000 for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1969. Appropriation.

FINANCIAL ASSISTANCE FOR SEWER FACILITIES

SEC. 106. No financial assistance, through grants, loans, guarantees, or otherwise, shall be made under this Act to be used directly or indirectly for sewer or other waste disposal facilities unless the Secretary of Health, Education, and Welfare certifies to the Secretary that any waste material carried by such facilities will be adequately treated before it is discharged into any public waterway so as to meet applicable Federal, State, interstate, or local water quality standards.

TITLE II—OTHER FINANCIAL ASSISTANCE

PUBLIC WORKS AND DEVELOPMENT FACILITY LOANS

SEC. 201. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary is authorized to purchase evidence of indebtedness and to make loans to assist in financing the purchase or development of land

and improvements for public works, public service, or development facility usage, including public works, public service, and development facility usage, to be provided by agencies of the Federal Government pursuant to legislation requiring that non-Federal entities bear some part of the cost thereof, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, including related machinery and equipment, within a redevelopment area, if he finds that—

(1) the project for which financial assistance is sought will directly or indirectly—

(A) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities,

(B) otherwise assist in the creation of additional long-term employment opportunities for such area, or

(C) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964;

(2) the funds requested for such project are not otherwise available from private lenders or from other Federal agencies on terms which in the opinion of the Secretary will permit the accomplishment of the project;

(3) the amount of the loan plus the amount of other available funds for such project are adequate to insure the completion thereof;

(4) there is a reasonable expectation of repayment; and

(5) such area has an approved overall economic development program as provided in section 202(b)(10) and the project for which financial assistance is sought is consistent with such program.

(b) Subject to section 701(5), no loan, including renewals or extensions thereof, shall be made under this section for a period exceeding forty years, and no evidence of indebtedness maturing more than forty years from the date of purchase shall be purchased under this section. Such loans shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed one-half of 1 per centum per annum.

(c) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this section and section 202: *Provided*, That annual appropriations for the purpose of purchasing evidences of indebtedness, making and participating in loans, and guaranteeing loans shall not exceed \$170,000,000, for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1970.

(d) Except for projects specifically authorized by Congress, no financial assistance shall be extended under this section with respect to any public service or development facility which would compete with an existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State or Federal regulatory body, unless the State or Federal regulatory body determines that in the area to be served by the facility for which the financial assistance is to be extended there is a need for an increase in such service (taking into consideration reasonably foreseeable

78 Stat. 508.
42 USC 2701
note.

future needs) which the existing public utility is not able to meet through its existing facilities or through an expansion which it agrees to undertake.

(e) The Secretary shall prescribe regulations which will assure that appropriate local governmental authorities have been given a reasonable opportunity to review and comment upon proposed projects under this section.

LOANS AND GUARANTEES

SEC. 202. (a) The Secretary is authorized (1) to purchase evidences of indebtedness and to make loans (which for purposes of this section shall include participations in loans) to aid in financing any project within a redevelopment area for the purchase or development of land and facilities (including machinery and equipment) for industrial or commercial usage, including the construction of new buildings, the rehabilitation of abandoned or unoccupied buildings, and the alteration, conversion, or enlargement of existing buildings; and (2) to guarantee loans for working capital made to private borrowers by private lending institutions in connection with projects in redevelopment areas assisted under subsection (a) (1) hereof, upon application of such institution and upon such terms and conditions as the Secretary may prescribe: *Provided, however*, That no such guarantee shall at any time exceed 90 per centum of the amount of the outstanding unpaid balance of such loan.

(b) Financial assistance under this section shall be on such terms and conditions as the Secretary determines, subject, however, to the following restrictions and limitations:

(1) Such financial assistance shall not be extended to assist establishments relocating from one area to another or to assist subcontractors whose purpose is to divest, or whose economic success is dependent upon divesting, other contractors or subcontractors of contracts theretofore customarily performed by them: *Provided, however*, That such limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity if the Secretary finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment of the area of original location or in any other area where such entity conducts business operations, unless the Secretary has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

(2) Such assistance shall be extended only to applicants, both private and public (including Indian tribes), which have been approved for such assistance by an agency or instrumentality of the State or political subdivision thereof in which the project to be financed is located, and which agency or instrumentality is directly concerned with problems of economic development in such State or subdivision.

(3) The project for which financial assistance is sought must be reasonably calculated to provide more than a temporary alleviation of unemployment or underemployment within the redevelopment area wherein it is or will be located.

(4) No loan or guarantee shall be extended hereunder unless the financial assistance applied for is not otherwise available from private lenders or from other Federal agencies on terms which in the opinion of the Secretary will permit the accomplishment of the project.

(5) The Secretary shall not make any loan without a participation unless he determines that the loan cannot be made on a participation basis.

(6) No evidences of indebtedness shall be purchased and no loans shall be made or guaranteed unless it is determined that there is reasonable assurance of repayment.

(7) Subject to section 701(5) of this Act, no loan, including renewals or extension thereof, may be made hereunder for a period exceeding twenty-five years and no evidences of indebtedness maturing more than twenty-five years from date of purchase may be purchased hereunder: *Provided*, That the foregoing restrictions on maturities shall not apply to securities or obligations received by the Secretary as a claimant in bankruptcy or equitable reorganization or as a creditor in other proceedings attendant upon insolvency of the obligor.

(8) Loans made and evidences of indebtedness purchased under this section shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, plus additional charge, if any, toward covering other costs of the program as the Secretary may determine to be consistent with its purpose.

(9) Loan assistance shall not exceed 65 per centum of the aggregate cost to the applicant (excluding all other Federal aid in connection with the undertaking) of acquiring or developing land and facilities (including machinery and equipment), and of constructing, altering, converting, rehabilitating, or enlarging the building or buildings of the particular project, and shall, among others, be on the condition that—

(A) other funds are available in an amount which, together with the assistance provided hereunder, shall be sufficient to pay such aggregate cost;

(B) not less than 15 per centum of such aggregate cost be supplied as equity capital or as a loan repayable in no shorter period of time and at no faster an amortization rate than the Federal financial assistance extended under this section is being repaid, and if such a loan is secured, its security shall be subordinate and inferior to the lien or liens securing such Federal financial assistance: *Provided, however*, That, except in projects involving financial participation by Indian tribes, not less than 5 per centum of such aggregate cost shall be supplied by the State or any agency, instrumentality, or political subdivision thereof or by a community or area organization which is nongovernmental in character, unless the Secretary shall determine in accordance with objective standards promulgated by regulation that all or part of such funds are not reasonably available to the project because of the economic distress of the area or for other good cause, in which case he may waive the requirement of this provision to the extent of such unavailability, and allow the funds required by this subsection to be supplied by the applicant or by such other non-Federal source as may reasonably be available to the project;

(C) to the extent the Secretary finds such action necessary to encourage financial participation in a particular project by other lenders and investors, and except as otherwise provided in subparagraph (B), any Federal financial assistance extended under this section may be repayable only after other loans made in connection with such project have been repaid in full, and the security, if any, for such Federal financial assistance may be subordinate and inferior to the lien or liens securing other loans made in connection with the same project.

(10) No such assistance shall be extended unless there shall be submitted to and approved by the Secretary an overall program for the economic development of the area and a finding by the State, or any agency, instrumentality, or local political subdivision thereof, that the project for which financial assistance is sought is consistent with such program: *Provided*, That nothing in this Act shall authorize financial assistance for any project prohibited by laws of the State or local political subdivision in which the project would be located, nor prevent the Secretary from requiring such periodic revisions of previously approved overall economic development programs as he may deem appropriate.

ECONOMIC DEVELOPMENT REVOLVING FUND

SEC. 203. Funds obtained by the Secretary under section 201, loan funds obtained under section 403, and collections and repayments received under this Act, shall be deposited in an economic development revolving fund (hereinafter referred to as the "fund"), which is hereby established in the Treasury of the United States, and which shall be available to the Secretary for the purpose of extending financial assistance under sections 201, 202, and 403, and for the payment of all obligations and expenditures arising in connection therewith. There shall also be credited to the fund such funds as have been paid into the area redevelopment fund or may be received from obligations outstanding under the Area Redevelopment Act. The fund shall pay 75 Stat. 47. into miscellaneous receipts of the Treasury, following the close of each 42 USC 2501 fiscal year, interest on the amount of loans outstanding under this Act note. computed in such manner and at such rate as may be determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, during the month of June preceding the fiscal year in which the loans were made.

TITLE III—TECHNICAL ASSISTANCE, RESEARCH, AND INFORMATION

SEC. 301. (a) In carrying out his duties under this Act the Secretary is authorized to provide technical assistance which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment (1) to areas which he has designated as redevelopment areas under this Act, and (2) to other areas which he finds have substantial need for such assistance. Such assistance shall include project planning and feasibility studies, management and operational assistance, and studies evaluating the needs of, and developing potentialities for, economic growth of such areas. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government, through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants-in-aid to appropriate public or private nonprofit State, area, district, or local organizations. The Secretary, in his discretion, may require the repayment of assistance provided under this subsection and prescribe the terms and conditions of such repayment.

(b) The Secretary is authorized to make grants to defray not to exceed 75 per centum of the administrative expenses of organizations which he determines to be qualified to receive grants-in-aid under sub-

68 Stat. 590.
12 USC 1703 note.
76 Stat. 1145.
23 USC 101 note.

section (a) hereof. In determining the amount of the non-Federal share of such costs or expenses, the Secretary shall give due consideration to all contributions both in cash and in kind, fairly evaluated, including but not limited to space, equipment, and services. Where practicable, grants-in-aid authorized under this subsection shall be used in conjunction with other available planning grants, such as urban planning grants authorized under the Housing Act of 1954, as amended, and highway planning and research grants authorized under the Federal Aid Highway Act of 1962, to assure adequate and effective planning and economical use of funds.

(c) To assist in the long-range accomplishment of the purposes of this Act, the Secretary, in cooperation with other agencies having similar functions, shall establish and conduct a continuing program of study, training, and research to (A) assist in determining the causes of unemployment, underemployment, underdevelopment, and chronic depression in the various areas and regions of the Nation, (B) assist in the formulation and implementation of national, State, and local programs which will raise income levels and otherwise produce solutions to the problems resulting from these conditions, and (C) assist in providing the personnel needed to conduct such programs. The program of study, training, and research may be conducted by the Secretary through members of this staff, through payment of funds authorized for this section to other departments or agencies of the Federal Government, or through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants to such individuals, organizations, or institutions, or through conferences and similar meetings organized for such purposes. The Secretary shall make available to interested individuals and organizations the results of such research. The Secretary shall include in his annual report under section 707 a detailed statement concerning the study and research conducted under this section together with his findings resulting therefrom and his recommendations for legislative and other action.

(d) The Secretary shall aid redevelopment areas and other areas by furnishing to interested individuals, communities, industries, and enterprises within such areas any assistance, technical information, market research, or other forms of assistance, information, or advice which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment within such areas. The Secretary may furnish the procurement divisions of the various departments, agencies, and other instrumentalities of the Federal Government with a list containing the names and addresses of business firms which are located in redevelopment areas and which are desirous of obtaining Government contracts for the furnishing of supplies or services, and designating the supplies and services such firms are engaged in providing.

(e) The Secretary shall establish an independent study board consisting of governmental and nongovernmental experts to investigate the effects of Government procurement, scientific, technical, and other related policies, upon regional economic development. Any Federal officer or employee may, with the consent of the head of the department or agency in which he is employed, serve as a member of such board, but shall receive no additional compensation for such service. Other members of such board may be compensated in accordance with the provisions of section 701(10). The board shall report its findings, together with recommendations for the better coordination of such policies, to the Secretary, who shall transmit the report to the Congress not later than two years after the enactment of this Act.

SEC. 302. There is hereby authorized to be appropriated \$25,000,000 annually for the purposes of this title, for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1970. Appropriation

TITLE IV—AREA AND DISTRICT ELIGIBILITY

PART A—REDEVELOPMENT AREAS

AREA ELIGIBILITY

SEC. 401. (a) The Secretary shall designate as “redevelopment areas”—

(1) those areas in which he determines, upon the basis of standards generally comparable with those set forth in paragraphs (A) and (B), that there has existed substantial and persistent unemployment for an extended period of time and those areas in which he determines there has been a substantial loss of population due to lack of employment opportunity. There shall be included among the areas so designated any area—

(A) where the Secretary of Labor finds that the current rate of unemployment, as determined by appropriate annual statistics for the most recent available calendar year, is 6 per centum or more and has averaged at least 6 per centum for the qualifying time periods specified in paragraph (B); and

(B) where the Secretary of Labor finds that the annual average rate of unemployment has been at least—

(i) 50 per centum above the national average for three of the preceding four calendar years, or

(ii) 75 per centum above the national average for two of the preceding three calendar years, or

(iii) 100 per centum above the national average for one of the preceding two calendar years.

The Secretary of Labor shall find the facts and provide the data to be used by the Secretary in making the determinations required by this subsection;

(2) those additional areas which have a median family income not in excess of 40 per centum of the national median, as determined by the most recent available statistics for such areas;

(3) those additional Federal or State Indian reservations or trust or restricted Indian-owned land areas which the Secretary, after consultation with the Secretary of the Interior or an appropriate State agency, determines manifest the greatest degree of economic distress on the basis of unemployment and income statistics and other appropriate evidence of economic underdevelopment;

(4) upon request of such areas, those additional areas in which the Secretary determines that the loss, removal, curtailment, or closing of a major source of employment has caused within three years prior to, or threatens to cause within three years after, the date of the request an unusual and abrupt rise in unemployment of such magnitude that the unemployment rate for the area at the time of the request exceeds the national average, or can reasonably be expected to exceed the national average, by 50 per centum or more unless assistance is provided. Notwithstanding any provision of subsection 401(b) to the contrary, an area designated under the authority of this paragraph may be given a reasonable time after designation in which to submit the overall economic development program required by subsection 202(b) (10) of this Act;

75 Stat. 47.
42 USC 2501 note.

(5) notwithstanding any provision of this section to the contrary, those additional areas which were designated redevelopment areas under the Area Redevelopment Act on or after March 1, 1965: *Provided, however*, That the continued eligibility of such areas after the first annual review of eligibility conducted in accordance with section 402 of this Act shall be dependent on their qualification for designation under the standards of economic need set forth in subsections (a) (1) through (a) (4) of this section.

(b) The size and boundaries of redevelopment areas shall be as determined by the Secretary: *Provided, however*. That—

(1) no area shall be designated until it has an approved overall economic development program in accordance with subsection 202(b) (10) of this Act;

(2) any area which does not submit an acceptable overall economic development program in accordance with subsection 202 (b) (10) of this Act within a reasonable time after notification of eligibility for designation, shall not thereafter be designated prior to the next annual review of eligibility in accordance with section 402 of this Act;

(3) no area shall be designated which does not have a population of at least one thousand five hundred persons, except for areas designated under subsection 401(a) (3), which shall have a population of not less than one thousand persons; and

(4) except for areas designated under subsections (a) (3) and (a) (4) hereof, no area shall be designated which is smaller than a "labor area" (as defined by the Secretary of Labor), a county, or a municipality with a population of over two hundred and fifty thousand, whichever in the opinion of the Secretary is appropriate.

(c) Upon the request of the Secretary, the Secretary of Labor, the Secretary of Agriculture, the Secretary of the Interior, and such other heads of agencies as may be appropriate are authorized to conduct such special studies, obtain such information, and compile and furnish to the Secretary such data as the Secretary may deem necessary or proper to enable him to make the determinations provided for in this section. The Secretary shall reimburse when appropriate, out of any funds appropriated to carry out the purposes of this Act, the foregoing officers for any expenditures incurred by them under this section.

(d) If a State has no area designated under the preceding subsections of this section as a redevelopment area, the Secretary shall designate as a redevelopment area that area in such State which in his opinion most nearly qualifies under such preceding subsections. An area so designated shall have its eligibility terminated in accordance with the provisions of section 402 if any other area within the same State subsequently has become qualified or been designated under any other subsection of this section as of the time of the annual review prescribed by section 402: *Provided*, That the Secretary shall not terminate any designation of an area in a State as a redevelopment area if to do so would result in such State having no redevelopment area.

"Redevelopment
area."

(e) As used in this Act, the term "redevelopment area" refers to any area within the United States which has been designated by the Secretary as a redevelopment area.

ANNUAL REVIEW OF AREA ELIGIBILITY

SEC. 402. The Secretary shall conduct an annual review of all areas designated in accordance with section 401 of this Act, and on the basis thereof shall terminate or modify the designations of such areas in accordance with objective standards which he shall prescribe by

regulation. No area previously designated shall retain its designated status unless it maintains a currently approved overall economic development program in accordance with subsection 202(b)(10). No termination of eligibility shall (1) be made without thirty days' prior notification to the area concerned, (2) affect the validity of any application filed, or contract or undertaking entered into, with respect to such area pursuant to this Act prior to such termination, (3) prevent any such area from again being designated a redevelopment area under section 401 of this Act if the Secretary determines it to be eligible under such section, or (4) be made in the case of any designated area where the Secretary determines that an improvement in the unemployment rate of a designated area is primarily the result of increased employment in occupations not likely to be permanent. The Secretary shall keep the departments and agencies of the Federal Government, and interested State or local agencies, advised at all times of any changes made hereunder with respect to the classification of any area.

PART B—ECONOMIC DEVELOPMENT DISTRICTS

SEC. 403. (a) In order that economic development projects of broader geographical significance may be planned and carried out, the Secretary is authorized—

(1) to designate appropriate "economic development districts" within the United States with the concurrence of the States in which such districts will be wholly or partially located, if—

(A) the proposed district is of sufficient size or population, and contains sufficient resources, to foster economic development on a scale involving more than a single redevelopment area;

(B) the proposed district contains two or more redevelopment areas;

(C) the proposed district contains one or more redevelopment areas or economic development centers identified in an approved district overall economic development program as having sufficient size and potential to foster the economic growth activities necessary to alleviate the distress of the redevelopment areas within the district; and

(D) the proposed district has a district overall economic development program which includes adequate land use and transportation planning and contains a specific program for district cooperation, self-help, and public investment and is approved by the State or States affected and by the Secretary;

(2) to designate as "economic development centers," in accordance with such regulations as he shall prescribe, such areas as he may deem appropriate, if—

(A) the proposed center has been identified and included in an approved district overall economic development program and recommended by the State or States affected for such special designation;

(B) the proposed center is geographically and economically so related to the district that its economic growth may reasonably be expected to contribute significantly to the alleviation of distress in the redevelopment areas of the district; and

(C) the proposed center does not have a population in excess of two hundred and fifty thousand according to the last preceding Federal census.

(3) to provide financial assistance in accordance with the criteria of sections 101, 201, and 202 of this Act, except as may be

herein otherwise provided, for projects in economic development centers designated under subsection (a) (2) above, if—

(A) the project will further the objectives of the overall economic development program of the district in which it is to be located;

(B) the project will enhance the economic growth potential of the district or result in additional long-term employment opportunities commensurate with the amount of Federal financial assistance requested; and

(C) the amount of Federal financial assistance requested is reasonably related to the size, population, and economic needs of the district;

(4) subject to the 20 per centum non-Federal share required for any project by subsection 101(c) of this Act, to increase the amount of grant assistance authorized by section 101 for projects within redevelopment areas (designated under section 401), by an amount not to exceed 10 per centum of the aggregate cost of any such project, in accordance with such regulations as he shall prescribe if—

(A) the redevelopment area is situated within a designated economic development district and is actively participating in the economic development activities of the district; and

(B) the project is consistent with an approved district overall economic development program.

(b) In designating economic development districts and approving district overall economic development programs under subsection (a) of this section, the Secretary is authorized, under regulations prescribed by him—

(1) to invite the several States to draw up proposed district boundaries and to identify potential economic development centers;

(2) to cooperate with the several States—

(A) in sponsoring and assisting district economic planning and development groups, and

(B) in assisting such district groups to formulate district overall economic development programs;

(3) to encourage participation by appropriate local governmental authorities in such economic development districts.

(c) The Secretary shall by regulation prescribe standards for the termination or modification of economic development districts and economic development centers designated under the authority of this section.

(d) As used in this Act, the term "economic development district" refers to any area within the United States composed of cooperating redevelopment areas and, where appropriate, designated economic development centers and neighboring counties or communities, which has been designated by the Secretary as an economic development district.

(e) As used in this Act, the term "economic development center" refers to any area within the United States which has been identified as an economic development center in an approved district overall economic development program and which has been designated by the Secretary as eligible for financial assistance under sections 101, 201, and 202 of this Act in accordance with the provisions of this section.

(f) For the purpose of this Act the term "local government" means any city, county, town, parish, village, or other general-purpose political subdivision of a State.

(g) There is hereby authorized to be appropriated not to exceed \$50,000,000 for the fiscal year ending June 30, 1967, and for each fiscal

"Economic development district."

"Economic development center."

"Local government."

Appropriation.

year thereafter through the fiscal year ending June 30, 1970, for financial assistance extended under the provisions of subsection (a) (3) and (a) (4) hereof.

(h) In order to allow time for adequate and careful district planning, subsection (g) of this section shall not be effective until one year from the date of enactment. Effective date.

TITLE V—REGIONAL ACTION PLANNING COMMISSIONS

ESTABLISHMENT OF REGIONS

SEC. 501. The Secretary is authorized to designate appropriate "economic development regions" within the United States with the concurrence of the States in which such regions will be wholly or partially located if he finds (A) that there is a relationship between the areas within such region geographically, culturally, historically, and economically, (B) that with the exception of Alaska and Hawaii, the region is within contiguous States, and (C) upon consideration of the following matters, among others, that the region has lagged behind the whole Nation in economic development:

(1) the rate of unemployment is substantially above the national rate;

(2) the median level of family income is significantly below the national median;

(3) the level of housing, health, and educational facilities is substantially below the national level;

(4) the economy of the area has traditionally been dominated by only one or two industries, which are in a state of long-term decline;

(5) the rate of outmigration of labor or capital or both is substantial;

(6) the area is adversely affected by changing industrial technology;

(7) the area is adversely affected by changes in national defense facilities or production; and

(8) indices of regional production indicate a growth rate substantially below the national average.

REGIONAL COMMISSIONS

SEC. 502. (a) Upon designation of development regions, the Secretary shall invite and encourage the States wholly or partially located within such regions to establish appropriate multistate regional commissions.

(b) Each such commission shall be composed of one Federal member, hereinafter referred to as the "Federal cochairman", appointed by the President by and with the advice and consent of the Senate, and one member from each participating State in the region. Each State member may be the Governor, or his designee, or such other person as may be provided by the law of the State which he represents. The State members of the commission shall elect a cochairman of the commission from among their number. Membership.

(c) Decisions by a regional commission shall require the affirmative vote of the Federal cochairman and of a majority, or at least one if only two, of the State members. In matters coming before a regional commission, the Federal cochairman shall, to the extent practicable, consult with the Federal departments and agencies having an interest in the subject matter.

(d) Each State member of a regional commission shall have an alternate, appointed by the Governor or as otherwise may be provided Alternates.

by the law of the State which he represents. The President, by and with the advice and consent of the Senate, shall appoint an alternate for the Federal cochairman of each regional commission. An alternate shall vote in the event of the absence, death, disability, removal, or resignation of the State of Federal cochairman for which he is an alternate.

Compensation.

78 Stat. 417.
5 USC 2211.

78 Stat. 400.
5 USC 1113.

(e) The Federal cochairman to a regional commission shall be compensated by the Federal Government from funds authorized by this Act up to level IV of the Federal Executive Salary Schedule. His alternate shall be compensated by the Federal Government from funds authorized by this Act at not to exceed the maximum scheduled rate for grade GS-18 of the Classification Act of 1949, as amended, and when not actively serving as an alternate for the Federal cochairman shall perform such functions and duties as are delegated to him by the Federal cochairman. Each State member and his alternate shall be compensated by the State which they represent at the rate established by the law of such State.

(f) If the Secretary finds that the State of Alaska or the State of Hawaii meet the requirements for an economic development region, he may establish a Commission for either State in a manner agreeable to him and to the Governor of the affected State.

FUNCTIONS OF COMMISSION

SEC. 503. (a) In carrying out the purposes of this Act, each Commission shall with respect to its region—

(1) advise and assist the Secretary in the identification of optimum boundaries for multistate economic development regions;

(2) initiate and coordinate the preparation of long-range overall economic development programs for such regions;

(3) foster surveys and studies to provide data required for the preparation of specific plans and programs for the development of such regions;

(4) advise and assist the Secretary and the States concerned in the initiation and coordination of economic development districts, in order to promote maximum benefits from the expenditure of Federal, State, and local funds;

(5) promote increased private investment in such regions;

(6) prepare legislative and other recommendations with respect to both short-range and long-range programs and projects for Federal, State, and local agencies;

(7) develop, on a continuing basis, comprehensive and coordinated plans and programs and establish priorities thereunder, giving due consideration to other Federal, State, and local planning in the region;

(8) conduct and sponsor investigations, research, and studies, including an inventory and analysis of the resources of the region, and, in cooperation with Federal, State and local agencies, sponsor demonstration projects designed to foster regional productivity and growth;

(9) review and study, in cooperation with the agency involved, Federal, State, and local public and private programs and, where appropriate, recommend modifications or additions which will increase their effectiveness in the region;

(10) formulate and recommend, where appropriate, interstate compacts and other forms of interstate cooperation, and work with State and local agencies in developing appropriate model legislation; and

(11) provide a forum for consideration of problems of the region and proposed solutions and establish and utilize, as appropriate, citizens and special advisory councils and public conferences.

(b) The Secretary shall present such plans and proposals of the commissions as may be transmitted and recommended to him (but are not authorized by any other section of this Act) first for review by the Federal agencies primarily interested in such plans and proposals and then, together with the recommendations of such agencies, to the President for such action as he may deem desirable.

(c) The Secretary shall provide effective and continuing liaison between the Federal Government and each regional commission.

(d) Each Federal agency shall, consonant with law and within the limits of available funds, cooperate with such commissions as may be established in order to assist them in carrying out their functions under this section.

(e) Each regional commission may, from time to time, make additional recommendations to the Secretary and recommendations to the State Governors and appropriate local officials, with respect to—

(1) the expenditure of funds by Federal, State, and local departments and agencies in its region in the fields of natural resources, agriculture, education, training, health and welfare, transportation, and other fields related to the purposes of this Act; and

(2) such additional Federal, State, and local legislation or administrative actions as the commission deems necessary to further the purposes of this Act.

PROGRAM DEVELOPMENT CRITERIA

SEC. 504. In developing recommendations for programs and projects for future regional economic development, and in establishing within those recommendations a priority ranking for such programs and projects, the Secretary shall encourage each regional commission to follow procedures that will insure consideration of the following factors:

(1) the relationship of the project or class of projects to overall regional development including its location in an area determined by the State to have a significant potential for growth;

(2) the population and area to be served by the project or class of projects including the relative per capita income and the unemployment rates in the area;

(3) the relative financial resources available to the State or political subdivisions or instrumentalities thereof which seek to undertake the project;

(4) the importance of the project or class of projects in relation to other projects or classes of projects which may be in competition for the same funds;

(5) the prospects that the project, on a continuing rather than a temporary basis, will improve the opportunities for employment, the average level of income, or the economic and social development of the area served by the project.

REGIONAL TECHNICAL AND PLANNING ASSISTANCE

SEC. 505. (a) The Secretary is authorized to provide to the commissions technical assistance which would be useful in aiding the commissions to carry out their functions under this Act and to develop recommendations and programs. Such assistance shall include studies and plans evaluating the needs of, and developing potentialities for,

economic growth of such region, and research on improving the conservation and utilization of the human and natural resources of the region. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government, or through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants-in-aid to the commissions. The Secretary, in his discretion, may require the repayment of assistance provided under this subsection and prescribe the terms and conditions of such repayment.

Federal share
of costs.

(b) For the period ending on June 30 of the second full Federal fiscal year following the date of establishment of a commission, the administrative expenses of each commission as approved by the Secretary shall be paid by the Federal Government. Thereafter, not to exceed 50 per centum of such expenses may be paid by the Federal Government. In determining the amount of the non-Federal share of such costs or expenses, the Secretary shall give due consideration to all contributions both in cash and in kind, fairly evaluated, including but not limited to space, equipment, and services.

Appropriation.

(c) There is hereby authorized to be appropriated \$15,000,000 for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1970, for the purposes of this section.

ADMINISTRATIVE POWERS OF REGIONAL COMMISSIONS

SEC. 506. To carry out its duties under this Act, each regional commission is authorized to—

(1) adopt, amend, and repeal bylaws, rules, and regulations governing the conduct of its business and the performance of its functions;

(2) appoint and fix the compensation of an executive director and such other personnel as may be necessary to enable the commission to carry out its functions, except that such compensation shall not exceed the salary of the alternate to the Federal cochairman on the commission and no member, alternate, officer, or employee of such commission, other than the Federal cochairman on the commission and his staff and his alternate, and Federal employees detailed to the commission under clause (3), shall be deemed a Federal employee for any purpose;

(3) request the head of any Federal department or agency (who is hereby so authorized) to detail to temporary duty with the commission such personnel within his administrative jurisdiction as the commission may need for carrying out its functions, each such detail to be without loss of seniority, pay, or other employee status;

(4) arrange for the services of personnel from any State or local government or any subdivision or agency thereof, or any intergovernmental agency;

(5) make arrangements, including contracts, with any participating State government for inclusion in a suitable retirement and employee benefit system of such of its personnel as may not be eligible for, or continue in, another governmental retirement or employee benefit system, or otherwise provide for such coverage of its personnel, and the Civil Service Commission of the United States is authorized to contract with such commission for continued coverage of commission employees, who at date of

commission employment are Federal employees, in the retirement program and other employee benefit programs of the Federal Government;

(6) accept, use, and dispose of gifts or donations of services or property, real, personal, or mixed, tangible or intangible;

(7) enter into and perform such contracts, leases, cooperative agreements, or other transactions as may be necessary in carrying out its functions and on such terms as it may deem appropriate, with any department, agency, or instrumentality of the United States or with any State, or any political subdivision, agency, or instrumentality thereof, or with any person, firm, association, or corporation;

(8) maintain an office in the District of Columbia and establish field offices at such other places as it may deem appropriate; and

(9) take such other actions and incur such other expenses as may be necessary or appropriate.

INFORMATION

SEC. 507. In order to obtain information needed to carry out its duties, each regional commission shall—

(1) hold such hearings, sit and act at such times and places, take such testimony, receive such evidence, and print or otherwise reproduce and distribute so much of its proceedings and reports thereon as it may deem advisable, a cochairman of such commission, or any member of the commission designated by the commission for the purpose, being hereby authorized to administer oaths when it is determined by the commission that testimony shall be taken or evidence received under oath;

(2) arrange for the head of any Federal, State, or local department or agency (who is hereby so authorized, to the extent not otherwise prohibited by law) to furnish to such commission such information as may be available to or procurable by such department or agency; and

(3) keep accurate and complete records of its doings and transactions which shall be made available for public inspection. Records.

PERSONAL FINANCIAL INTERESTS

SEC. 508. (a) Except as permitted by subsection (b) hereof, no State member or alternate and no officer or employee of a regional commission shall participate personally and substantially as member, alternate, officer, or employee, through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise, in any proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter in which, to his knowledge, he, his spouse, minor child, partner, organization (other than a State or political subdivision thereof) in which he is serving as officer, director, trustee, partner, or employee, or any person or organization with whom he is serving as officer, director, trustee, partner, or employee, or any person or organization with whom he is negotiating or has any arrangement concerning prospective employment, has a financial interest. Any person who shall violate the provisions of this subsection shall be fined not more than \$10,000, or imprisoned not more than two years, or both. Penalty.

(b) Subsection (a) hereof shall not apply if the State member, alternate, officer, or employee first advises the regional commission involved of the nature and circumstances of the proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter and makes full disclosure of

79 STAT. 569.

the financial interest and receives in advance a written determination made by such commission that the interest is not so substantial as to be deemed likely to affect the integrity of the services which the commission may expect from such State member, alternate, officer, or employee.

Penalty.

(c) No State member of a regional commission, or his alternate, shall receive any salary, or any contribution to or supplementation of salary for his services on such commission from any source other than his State. No person detailed to serve a regional commission under authority of clause (4) of section 506 shall receive any salary or any contribution to or supplementation of salary for his services on such commission from any source other than the State, local, or intergovernmental department or agency from which he was detailed or from such commission. Any person who shall violate the provisions of this subsection shall be fined not more than \$5,000, or imprisoned not more than one year, or both.

Conflict-of-interest.

(d) Notwithstanding any other subsection of this section, the Federal cochairman and his alternate on a regional commission and any Federal officers or employees detailed to duty with it pursuant to clause (3) of section 10 shall not be subject to any such subsection but shall remain subject to sections 202 through 209 of title 18, United States Code.

76 Stat. 1121.

(e) A regional commission may, in its discretion, declare void and rescind any contract or other agreement pursuant to the Act in relation to which it finds that there has been a violation of subsection (a) or (c) of this section, or any of the provisions of sections 202 through 209, title 18, United States Code.

ANNUAL REPORTS

SEC. 509. Each regional commission established pursuant to this Act shall make a comprehensive and detailed annual report each fiscal year to the Congress with respect to such commission's activities and recommendations for programs. The first such report shall be made for the first fiscal year in which such commission is in existence for more than three months. Such reports shall be printed and transmitted to the Congress not later than January 31 of the calendar year following the fiscal year with respect to which the report is made.

TITLE VI—ADMINISTRATION

Assistant Secretary of Commerce, appointment.

78 Stat. 417.

5 USC 2211.

Administrator for Economic Development, appointment.

SEC. 601. (a) The Secretary shall administer this Act and, with the assistance of an Assistant Secretary of Commerce, in addition to those already provided for, shall supervise and direct the Administrator created herein, and coordinate the Federal cochairmen appointed heretofore or subsequent to this Act. The Assistant Secretary created by this section shall be appointed by the President by and with the advice and consent of the Senate and shall be compensated at the rate provided for level IV of the Federal Executive Salary Schedule. Such Assistant Secretary shall perform such functions as the Secretary may prescribe. There shall be appointed by the President, by and with the advice and consent of the Senate, an Administrator for Economic Development who shall be compensated at the rate provided for level V of the Federal Executive Salary Schedule who shall perform such duties as are assigned by the Secretary.

(b) Paragraph (12) of subsection (d) of section 303 of the Federal Executive Salary Act of 1964 is amended by striking out "(4)" and inserting in lieu thereof "(5)".

(c) Subsection (e) of section 303 of the Federal Executive Salary Act of 1964 is amended by adding at the end thereof the following new paragraph:

78 Stat. 417.

5 USC 2211.

“(100) Administrator for Economic Development.”

ADVISORY COMMITTEE ON REGIONAL ECONOMIC DEVELOPMENT

SEC. 602. The Secretary shall appoint a National Public Advisory Committee on Regional Economic Development which shall consist of twenty-five members and shall be composed of representatives of labor, management, agriculture, State and local governments, and the public in general. From the members appointed to such Committee the Secretary shall designate a Chairman. Such Committee, or any duly established subcommittee thereof, shall from time to time make recommendations to the Secretary relative to the carrying out of his duties under this Act. Such Committee shall hold not less than two meetings during each calendar year.

CONSULTATION WITH OTHER PERSONS AND AGENCIES

SEC. 603. (a) The Secretary is authorized from time to time to call together and confer with any persons, including representatives of labor, management, agriculture, and government, who can assist in meeting the problems of area and regional unemployment or underemployment.

(b) The Secretary may make provision for such consultation with interested departments and agencies as he may deem appropriate in the performance of the functions vested in him by this Act.

TITLE VII—MISCELLANEOUS

POWERS OF SECRETARY

SEC. 701. In performing his duties under this Act, the Secretary is authorized to—

(1) adopt, alter, and use a seal, which shall be judicially noticed;

(2) hold such hearings, sit and act at such times and places, and take such testimony, as he may deem advisable;

(3) request directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics needed to carry out the purposes of this Act; and each department, bureau, agency, board, commission, office, establishment or instrumentality is authorized to furnish such information, suggestions, estimates, and statistics directly to the Secretary;

(4) under regulations prescribed by him, assign or sell at public or private sale, or otherwise dispose of for cash or credit, in his discretion and upon such terms and conditions and for such consideration as he shall determine to be reasonable, any evidence of debt, contract, claim, personal property, or security assigned to or held by him in connection with loans made or evidences of indebtedness purchased under this Act, and collect or compromise all obligations assigned to or held by him in connection with such loans or evidences of indebtedness until such time as such obligations may be referred to the Attorney General for suit or collection;

(5) further extend the maturity of or renew any loan made or evidence of indebtedness purchased under this Act, beyond the periods stated in such loan or evidence of indebtedness or in this

Act, for additional periods not to exceed ten years, if such extension or renewal will aid in the orderly liquidation of such loan or evidence of indebtedness;

(6) deal with, complete, renovate, improve, modernize, insure, rent, or sell for cash or credit, upon such terms and conditions and for such consideration as he shall determine to be reasonable, any real or personal property conveyed to, or otherwise acquired by, him in connection with loans made or evidences of indebtedness purchased under this Act;

(7) pursue to final collection, by way of compromise or other administrative action, prior to reference to the Attorney General, all claims against third parties assigned to him in connection with loans made or evidences of indebtedness purchased under this Act. This shall include authority to obtain deficiency judgments or otherwise in the case of mortgages assigned to the Secretary. Section 3709 of the Revised Statutes, as amended (41 U.S.C. 5), shall not apply to any contract of hazard insurance or to any purchase or contract for services or supplies on account of property obtained by the Secretary as a result of loans made or evidences of indebtedness purchased under this Act if the premium therefor or the amount thereof does not exceed \$1,000. The power to convey and to execute, in the name of the Secretary, deeds of conveyance, deeds of release, assignments and satisfactions of mortgages, and any other written instrument relating to real or personal property or any interest therein acquired by the Secretary pursuant to the provisions of this Act may be exercised by the Secretary or by any officer or agent appointed by him for that purpose without the execution of any express delegation of power or power of attorney;

(8) acquire, in any lawful manner, any property (real, personal, or mixed, tangible or intangible), whenever deemed necessary or appropriate to the conduct of the activities authorized in sections 201, 202, 301, 403, and 503 of this Act;

(9) in addition to any powers, functions, privileges, and immunities otherwise vested in him, take any and all actions, including the procurement of the services of attorneys by contract, determined by him to be necessary or desirable in making, purchasing, servicing, compromising, modifying, liquidating, or otherwise administratively dealing with or realizing on loans made or evidences of indebtedness purchased under this Act;

(10) employ experts and consultants or organizations thereof as authorized by section 15 of the Administrative Expenses Act of 1946 (5 U.S.C. 55a), compensate individuals so employed at rates not in excess of \$100 per diem, including travel time, and allow them, while away from their homes or regular places of business, travel expenses (including per diem in lieu of subsistence) as authorized by section 5 of such Act (5 U.S.C. 73b-2) for persons in the Government service employed intermittently, while so employed: *Provided, however,* That contracts for such employment may be renewed annually;

(11) sue and be sued in any court of record of a State having general jurisdiction or in any United States district court, and jurisdiction is conferred upon such district court to determine such controversies without regard to the amount in controversy; but no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against the Secretary or his property.

60 Stat. 810.

60 Stat. 808;
75 Stat. 339,
340.

Nothing herein shall be construed to except the activities under this Act from the application of sections 507(b) and 2679 of title 28, United States Code, and of section 367 of the Revised Statutes (5 U.S.C. 316); and

(12) establish such rules, regulations, and procedures as he may deem appropriate in carrying out the provisions of this Act.

62 Stat. 910,
984; 75 Stat.
539.

PREVENTION OF UNFAIR COMPETITION

SEC. 702. No financial assistance under this Act shall be extended to any project when the result would be to increase the production of goods, materials, or commodities, or the availability of services or facilities, when there is not sufficient demand for such goods, material, commodities, services, or facilities, to employ the efficient capacity of existing competitive commercial or industrial enterprises.

SAVING PROVISIONS

SEC. 703. (a) No suit, action, or other proceeding lawfully commenced by or against the Administrator or any other officer of the Area Redevelopment Administration in his official capacity or in relation to the discharge of his official duties under the Area Redevelopment Act, shall abate by reason of the taking effect of the provisions of this Act, but the court may, on motion or supplemental petition filed at any time within twelve months after such taking effect, showing a necessity for the survival of such suit, action, or other proceeding to obtain a settlement of the questions involved, allow the same to be maintained by or against the Secretary or the Administrator or such other officer of the Department of Commerce as may be appropriate.

75 Stat. 47.
42 USC 2501
note.

(b) Except as may be otherwise expressly provided in this Act, all powers and authorities conferred by this Act shall be cumulative and additional to and not in derogation of any powers and authorities otherwise existing. All rules, regulations, orders, authorizations, delegations, or other actions duly issued, made, or taken by or pursuant to applicable law, prior to the effective date of this Act, by any agency, officer, or office pertaining to any functions, powers, and duties under the Area Redevelopment Act shall continue in full force and effect after the effective date of this Act until modified or rescinded by the Secretary or such other officer of the Department of Commerce as, in accordance with applicable law, may be appropriate.

TRANSFER OF FUNCTIONS, EFFECTIVE DATE, AND LIMITATIONS ON ASSISTANCE

SEC. 704. (a) The functions, powers, duties, and authorities and the assets, funds, contracts, loans, liabilities, commitments, authorizations, allocations, and records which are vested in or authorized to be transferred to the Secretary of the Treasury under section 29(b) of the Area Redevelopment Act, and all functions, powers, duties, and authorities under section 29(c) of the Area Redevelopment Act are hereby vested in the Secretary.

42 USC 2525.

(b) The President may designate a person to act as Administrator under this Act until the office is filled as provided in this Act or until the expiration of the first period of sixty days following the effective date of this Act, whichever shall first occur. While so acting such person shall receive compensation at the rate provided by this Act for such office.

Acting Admin-
istrator, design-
ation.

Effective date.

(c) The provisions of this Act shall take effect upon enactment unless herein explicitly otherwise provided.

Pending project applications.

(d) Notwithstanding any requirements of this Act relating to the eligibility of areas, projects for which applications are pending before the Area Redevelopment Administration on the effective date of this Act shall for a period of one year thereafter be eligible for consideration by the Secretary for such assistance under the provisions of this Act as he may determine to be appropriate.

(e) No financial assistance authorized under this Act shall be used to finance the cost of facilities for the generation, transmission, or distribution of electric energy, except on projects specifically authorized by the Congress, or to finance the cost of facilities for the production or transmission of gas (natural, manufactured, or mixed).

SEPARABILITY

SEC. 705. Notwithstanding any other evidence of the intent of Congress, it is hereby declared to be the intent of Congress that if any provision of this Act or the application thereof to any persons or circumstances shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this Act or its application to other persons and circumstances, but shall be confined in its operation to the provision of this Act or the application thereof to the persons and circumstances directly involved in the controversy in which such judgment shall have been rendered.

APPLICATION OF ACT

SEC. 706. As used in this Act, the terms "State", "States", and "United States" include the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.

ANNUAL REPORT

SEC. 707. The Secretary shall make a comprehensive and detailed annual report to the Congress of his operations under this Act for each fiscal year beginning with the fiscal year ending June 30, 1966. Such report shall be printed and shall be transmitted to the Congress not later than January 3 of the year following the fiscal year with respect to which such report is made.

USE OF OTHER FACILITIES

SEC. 708. (a) The Secretary is authorized to delegate to the heads of other departments and agencies of the Federal Government any of the Secretary's functions, powers, and duties under this Act as he may deem appropriate, and to authorize the redelegation of such functions, powers, and duties by the heads of such departments and agencies.

(b) Departments and agencies of the Federal Government shall exercise their powers, duties, and functions in such manner as will assist in carrying out the objectives of this Act.

(c) Funds authorized to be appropriated under this Act may be transferred between departments and agencies of the Government, if such funds are used for the purposes for which they are specifically authorized and appropriated.

APPROPRIATION

SEC. 709. There are hereby authorized to be appropriated such sums as may be necessary to carry out those provisions of the Act for which specific authority for appropriations is not otherwise provided in this Act. Appropriations authorized under this Act shall remain available until expended unless otherwise provided by appropriations Acts.

PENALTIES

SEC. 710. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any financial assistance under section 101, 201, 202, or 403 or any extension thereof by renewal, deferment or action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the Secretary, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

(b) Whoever, being connected in any capacity with the Secretary, in the administration of this Act (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to him or pledged or otherwise entrusted to him, or (2) with intent to defraud the Secretary or any other body politic or corporate, or any individual, or to deceive any officer, auditor, or examiner, makes any false entry in any book, report, or statement of or to the Secretary, or without being duly authorized draws any order or issues, puts forth, or assigns any note, debenture, bond, or other obligation, or draft, bill of exchange, mortgage, judgment, or decree thereof, or (3) with intent to defraud participates or shares in or receives directly or indirectly any money, profit, property, or benefit through any transaction, loan, grant, commission, contract, or any other act of the Secretary, or (4) gives any unauthorized information concerning any future action or plan of the Secretary which might affect the value of securities, or having such knowledge invests or speculates, directly or indirectly, in the securities or property of any company or corporation receiving loans, grants, or other assistance from the Secretary, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

EMPLOYMENT OF EXPEDITERS AND ADMINISTRATIVE EMPLOYEES

SEC. 711. No financial assistance shall be extended by the Secretary under section 101, 201, 202, or 403 to any business enterprise unless the owners, partners, or officers of such business enterprise (1) certify to the Secretary the names of any attorneys, agents, and other persons engaged by or on behalf of such business enterprise for the purpose of expediting applications made to the Secretary for assistance of any sort, under this Act, and the fees paid or to be paid to any such person; and (2) execute an agreement binding such business enterprise, for a period of two years after such assistance is rendered by the Secretary to such business enterprise, to refrain from employing, tendering any office or employment to, or retaining for professional services, any person who, on the date such assistance or any part thereof was ren-

79 STAT. 575.

dered, or within one year prior thereto, shall have served as an officer, attorney, agent, or employee, occupying a position or engaging in activities which the Secretary shall have determined involve discretion with respect to the granting of assistance under this Act.

PREVAILING RATE OF WAGE AND FORTY-HOUR WEEK

SEC. 712. All laborers and mechanics employed by contractors or subcontractors on projects assisted by the Secretary under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5). The Secretary shall not extend any financial assistance under section 101, 201, 202, or 403 for such a project without first obtaining adequate assurance that these labor standards will be maintained upon the construction work. The Secretary of Labor shall have, with respect to the labor standards specified in this provision, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 133z-15), and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c).

49 Stat. 1011;
78 Stat. 238.

63 Stat. 108.

RECORD OF APPLICATIONS

SEC. 713. The Secretary shall maintain as a permanent part of the records of the Department of Commerce a list of applications approved for financial assistance under section 101, 201, 202, or 403, which shall be kept available for public inspection during the regular business hours of the Department of Commerce. The following information shall be posted in such list as soon as each application is approved; (1) the name of the applicant and, in the case of corporate applications, the names of the officers and directors thereof, (2) the amount and duration of the loan or grant for which application is made, (3) the purposes for which the proceeds of the loan or grant are to be used, and (4) a general description of the security offered in the case of a loan.

RECORDS AND AUDIT

SEC. 714. (a) Each recipient of assistance under this Act shall keep such records as the Secretary shall prescribe, including records which fully disclose the amount and the disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance is given or used, and the amount and nature of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient that are pertinent to assistance received under this Act.

CONFORMING AMENDMENT

SEC. 715. All benefits heretofore specifically made available (and not subsequently revoked) under other Federal programs to persons or to public or private organizations, corporations, or entities in areas designated by the Secretary as "redevelopment areas" under section 5 of the Area Redevelopment Act, are hereby also extended, insofar as

75 Stat. 48.
42 USC 2504.

practicable, to such areas as may be designated as "redevelopment areas" or "economic development centers" under the authority of section 401 or 403 of this Act: *Provided, however,* That this section shall not be construed as limiting such administrative discretion as may have been conferred under any other law.

SEC. 716. All financial and technical assistance authorized under this Act shall be in addition to any Federal assistance previously authorized, and no provision hereof shall be construed as authorizing or permitting any reduction or diminution in the proportional amount of Federal assistance to which any State or other entity eligible under this Act would otherwise be entitled under the provisions of any other Act.

Approved August 26, 1965.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 539 (Comm. on Public Works).

SENATE REPORT No. 193 (Comm. on Public Works).

CONGRESSIONAL RECORD, Vol. 111 (1965):

May 26, 27: Considered in Senate.

June 1: Considered and passed Senate.

Aug. 11: Considered in House.

Aug. 12: Considered and passed House, amended.

Aug. 16: Senate concurred in House amendment.

"You and I, Mr. Speaker, and the great majority of the Congress know this is wrong. The vast majority of our fellow citizens know this is wrong.

"I hope the Congress will act speedily on the Immigration Bill as reported by the House Committee, free of any crippling amendments."

NOTE: The statement was read by the Press Secretary to the President, Bill Moyers, at his news conference at 4:15 p.m. on Wednesday, August 25, 1965. It was not made public in the form of a White House press release.

Advisory Committee on Private Enterprise in Foreign Aid

The President's Remarks Upon Accepting a Report of the Committee. August 25, 1965

In the years since World War II, this Nation has undertaken the most ambitious—and effective—foreign assistance program in the history of civilization.

Our efforts have taken many forms, from the Marshall Plan aid of the 1940's to the Peace Corps of the 1960's. But whatever the form, our objective has remained the same: to assist our fellow men in their struggles to achieve a healthier and more meaningful life.

We have taken this responsibility upon ourselves because we know it is right. But we also know that, ultimately, it is the alternative to chaos.

In a very real sense, our foreign aid programs are an indispensable part of our quest for world peace.

But Government assistance alone will never bring about the better world we seek. We need the help of all facets of our society: of business, labor, agriculture, the universities, the foundations, the churches, and other private organizations.

That is why your Committee was established by the 88th Congress: to seek new ways of enlarging the role of the private sector in foreign economic assistance.

I welcome your report today. It points up the progress we have already made. It brings into focus the problems and challenges we still face. And it gives us a number of valuable recommendations to meet those problems and challenges.

Our accomplishments to date have been many.

—Specific risk investment guarantee contracts have been sharply increased. Total coverage issued now stands at over \$2.5 billion. Since 1962 the number of developing countries with which we have investment guaranty agreements has been increased from 43 to 67.

—Our technical assistance contracts with American universities and private organizations total nearly a half billion dollars and include 143 contracts with some 106 universities in 39 different countries.

—American engineering and construction firms are at work in more than 50 countries, helping to design and construct AID-assisted capital projects worth more than \$4 billion.

—AID is helping the American labor movement to run a very successful Institute for Free Labor Development in Latin America and has recently organized an African-American labor center.

—Ninety-three savings and loan associations have been organized in 11 Latin American and African countries and have already attracted more than 318,000 savers and more than \$85 million in savings. They are funding homes for more than 35,000 people.

—AID is helping 61 private voluntary associations, like CARE, Church World Services, and Catholic Relief Services, to distribute clothing, medicines, tools, and food overseas.

Despite this record of achievement, we know that more and stronger measures are needed to increase the flow of private capital and the technical knowledge that goes with it. We have already made certain recommendations both in tax treaties now before the Senate and in my foreign aid message—for using tax measures to encourage private investment in the developing countries. I am certain that the Congress, in its consideration of this subject, will give weight to the views of this Committee.

Despite other restrictions brought on by balance of payments considerations, we will continue to encourage the flow of private capital to the developing countries. Not to do so—as your report points out—would defeat our purpose of encouraging the development of these countries, particularly the development of their private sectors.

To you, Mr. Watson, and to your Committee, I would like to offer congratulations for a splendid job. Following the wishes of Congress, we are sending copies of your report to all its Members and are otherwise distributing it widely. We intend to give most careful consideration to your recommendations and to seek ways of carrying them out.

I thank you sincerely for your help in this most vital area of our foreign policy.

NOTE: The President spoke at a noon meeting in the Cabinet Room at the White House.

Improving the International Monetary System

Statement by the President on the Forthcoming European Visit by Secretary Fowler and Under Secretary Ball. August 25, 1965

President Johnson met at noon today with Secretary of the Treasury Henry H. Fowler and Under Secretary of

State George W. Ball, who are leaving this weekend on a European visit to discuss the need for improving the international monetary system and ways of doing so.

Following the meeting, the President issued the following statement:

"Last month I authorized Secretary Fowler to announce that the United States stands ready to participate in an international monetary conference that would consider what steps might be taken to secure substantial improvements in international monetary arrangements.

"Secretary Fowler very properly specified in his July 10th speech that such a conference must be preceded by careful preparation and international consultation. He has been meeting with the financial and monetary officials of other nations as opportunities to do so became available in Washington, including, to date, representatives of Japan and Canada. The trip he and Under Secretary of State Ball are about to take will extend and broaden these consultations.

"The international monetary system, as it has existed since World War II, has functioned with commendable flexibility and resourcefulness in the rebuilding of monetary reserves and in their enlargement and distribution in keeping with the tremendous and widespread economic rehabilitation and growth that has characterized the free world.

"We want to determine through our own studies and in consultation with others, what may be needed to assure the satisfactory future performance of that system.

"The United States is not wedded in this enterprise to any particular procedure, nor to any rigid timetable. The point to be kept in the forefront is that we are determined to move ahead—carefully and deliberately, but without delay—because we are convinced that not to act when the time is ripe can be as unwise as to act too soon, or too hastily.

"I believe that government and monetary officials everywhere are prepared to join with us in the earnest search upon which we have embarked for ways to assure continued sound and stable growth of the free world's international monetary system which is fundamental to the continued economic progress of the nations of the free world whatever their stage of economic development.

"We must press forward with our studies and beyond, to action—evolving arrangements which will continue to meet the needs of a fast growing world economy. Unless we make timely progress, international monetary difficulties will exercise a stubborn and increasingly frustrating drag on our policies for prosperity and progress at home and throughout the world."

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

The President's Remarks at the Signing Ceremony in the East Room. August 26, 1965

Members of the Congress, Mr. Vice President, members of the Cabinet, and friends:

Years from now the historians will settle on a term to describe the decade of the sixties, in which we are now living. I envision and I hope, and I genuinely believe, the term that will be used will be—"the decade of opportunity."

For all that we have tried to do for America in our time of leadership is encompassed in that word.

Under the guidance and with the support, many times the heartaches and backaches, of you men and women out there in the Congress we have really begun to open the gates of opportunity for the very poor people of this country.

Every time that we try to do that, there are many obstacles. There are suggestions made as to why this is unconstitutional, we are doing it too fast, we are doing it the long way. I have never seen a real comprehensive effort made to help the very poor that there weren't apostles of greed who wouldn't find reasons why it couldn't be done.

What is important is, we are now doing it—we are doing it, and you are doing it.

We have struck down the legal barriers that have denied opportunity to men that were born with dark skins.

We have commenced a great education program—elementary, secondary, vocational, higher education—that offers all of our children a chance and a share in the world of tomorrow.

We have opened up new avenues of training and retraining for the unskilled, and for those whose skills have become obsolete.

We have reduced our taxes—\$19 billion in 19 months—so that commerce and industry might make new job opportunities available for millions of people who want to work.

But still for some of our fellow Americans, the gates are still closed. These folks live in the fishing villages and old textile towns of New England; they live in the railroad centers of Pennsylvania where the coal trains no longer run; they live in the small areas of Arkansas and Oklahoma and East Texas; they live in the mountain towns of Utah and Idaho, in the timber settlements of the Far West.

For them the laws of economic change have been rather harsh and unyielding. Industry moved away, the mines and the timber that once provided the livelihood are gone—they have been depleted. The farm costs have risen faster than farmers could meet them. There are many, many reasons *why* these communities have suffered in the past, but there is a common result, I think, among all of them: and that is the slow decay of hope among the old who remain, and the anxiety of the young to get away.

I go back to my home town and I find difficulty locating anyone under 21 years of age that has finished high school. They have moved on. I see the men sit around under the shade playing dominoes—but they are in the late 60's and early 70's.

Now two courses of action are open to us in the face of these conditions. One is to do nothing. That is the thing we have been doing for a good many years, and we just let these little towns die. Their schools and their churches will grow empty each year. The "For Rent" signs will appear with depressing frequency before their stores and their little modest cottages.

If we take that course, we do more than just write off small town life as unimportant to America. We make certain that thousands upon thousands of families will be compelled to move away and go into the great cities, and when they get there, they are going to be concentrated in slums, they are going to live on the edge of poverty, they are going to be separated from all that would give them security and give them confidence if they could stay back home.

Now the other course is the course of opportunity. If we choose that, we say that empty fatalism has no part in the American dream. Like the lawmakers in our past who created the Homestead Act, some of them who wrote the Land-Grant Act, some of you out there who helped write the Farmers Home Act, we say that it is right and that it is just and that it is a function of government, and that we are going to carry out that responsibility to help our people get back on their feet and share once again in the blessings of American life. We say that we are not helpless before the iron laws of economics, that a wise public policy uses economics to create hope—and not to abet despair.

That is the course we are taking today under the leadership of you men that sit there in that front row and all those other rows. We are embarking this morning on a new program of grants and loans to those cities and those towns where too many men have been out of work too long. And we think that is the proper function of Government. We want them in these little towns, to put their men to work, to improve their water systems, stop the pollution of the streams and lakes, and I do hope that some of you can help Senator Muskie and the members of the House Public Works Committee, Congressman Blatnik, to get that pollution bill out—let's not get it tied up in conference. I know it is difficult and I know we have some disagreements and I know we have some other disagreements too—I have been observing them—but if we could, we could pass that bill now and make a great contribution to our country. We could develop our harbors and our channels, control our rivers, and lay out roads and provide utilities for

new industry. We want them to do whatever it takes to bring hope back to the people of these smaller towns.

The question has really never been how to do these things. The question always has been, where do we find the means to do them? In my judgment this new act—the Public Works and Economic Development Act of 1965—gives us the authority and gives us the vision that we need. And under the leadership of these substantial numbers of progressive Congressmen and Senators who are here this morning, the fine Secretary of Commerce and that brilliant new Assistant Secretary of Commerce, Gene Foley, who is going to be Assistant Secretary for Economic Development, I believe we are going to open the gates of opportunity for yet another body of this people.

So this morning, I sign it into law with gratitude to each of you in the Congress that passed this bill, and I am confident in the future that you and your posterity will remember being participants here in the East Room in this forward looking step to try to save people, save human beings, save the small towns that are really the backbone of our country. We can always put off these things, and we have had a habit of doing that in bygone years, but we are facing up to most of our responsibilities—sometimes we face up to them a little late.

I was up early this morning trying to arrange for a top man in the Federal Government to take a plane and take a program to Los Angeles. That is a fine sprawling, building, progressive city of millions of Americans. But they are going there too late, really. The tragedy has already occurred, the damage done, the dead cannot be revived, the scars of years of inaction reflected themselves. And when people feel that they don't get a fair shake, when they feel that justice is not open to them, you always see these things occur. They occur in different sections at different times.

Those of you here in the District of Columbia, I want to warn you this morning, that the clock is ticking, time is moving, that we should and we must ask ourselves every night when we go home: are we doing all that we should do in our Nation's Capital, in all the other big cities of the country where 80 percent of the population of this country is going to be living in the year 2000?

Now, if you don't ask yourself that question and you don't answer it, and you find year after year after year you can't get a committee to act, or if the committee acts you can't get some other committee to act, or if it acts, you get something else happening, etc., then you are going to have problems that we are trying to solve.

We got excellent cooperation from the people in a good many States in the Union. I am so proud of the progress we have made in giving men the right to vote and registering in the last few days. I am so proud in the respect for law that such a substantial number of our people have. But remember when people feel mistreated, and they feel injustices, and when they have to move from their homes and they have no jobs, they have no vote, they have no voice—well, there is not one place to go if you can't go up. Just any adventure, any danger, you can't do much worse than you are doing now. And I asked myself last night, what can I do to see we don't have any more incidents as occurred in Los Angeles in this country.

So, let's act before it is too late. And you have done that in this bill. I commend you and I thank you. And if Gene Foley and Jack Connor can do their job of good, solid, prompt administration as well as you have done yours, we will have at least provided part of the answer, and I hope to see Senator Muskie and Bob Jones and the rest of you back in another ceremony on that pollution bill.

Thank you.

NOTE: The President spoke at 9:34 a.m. in the East Room at the White House.

As enacted, the Public Works and Economic Development Act of 1965 is Public Law 89-136.

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